

M+S HYDRAULIC Plc

PUBLIC NOTICE ON THE FINANCIAL STANDING

EXPLANATORY NOTES

for the first quarter of 2026

I. Information on significant events that occurred from the beginning of the financial year to the end of the respective quarter, and their impact on the financial results

Detailed information regarding significant events that occurred from the beginning of the financial year to the end of the reporting quarter of 2026 for M+S Hydraulic Plc, as well as other information that could be of importance to investors, is regularly disclosed by the company in accordance with regulatory requirements through the selected information media, X3News.

The first quarter of 2026 is characterized by a dynamic and contradictory international economic environment, where elements of resilience and increasing uncertainty intertwine. Following a period of recovery from previous global crises, the world economy is entering a new stage marked by moderate growth, heightened geopolitical tensions, and structural challenges. One of the main characteristics of the global economy during the period under review is the relatively stable but limited economic growth. Leading economies, such as the US and China, continue to play a key role, maintaining positive momentum thanks to investments in technology, digitalization, and artificial intelligence. However, growth rates remain lower compared to previous decades, indicating the presence of long-term structural constraints. A significant factor influencing the international economic environment is geopolitical instability. New conflicts in strategically important regions, particularly in the Middle East, are leading to serious disruptions in energy markets. The rise in oil and natural gas prices increases production costs and puts pressure on inflation globally. This, in turn, complicates the conduct of effective monetary policy and presents central banks with difficult decisions regarding interest rates.

In March 2026, the global Manufacturing PMI reflected a complex landscape, marked by the new military conflict in the Middle East and the resulting inflationary pressures and supply chain constraints. While leading European economies showed signs of a manufacturing recovery, overall growth in the US and India slowed down. According to S&P Global, the Eurozone Manufacturing PMI rose to 51.6 points in March 2026, marking the strongest sector expansion since June 2022, despite significant supply chain disruptions. Output and new orders recorded growth, while input cost inflation reached its highest level since October 2022, and business confidence weakened due to the Middle East conflict.

Germany's Manufacturing PMI climbed to 52.2 points in March 2026, up from 50.9 in February, indicating the strongest manufacturing growth since May 2022; output and new orders grew at faster rates amid increased demand from customers seeking to mitigate disruptions caused by the conflict. In Italy, the index also rose to 51.3 points in March 2026 from 50.6 in February, marking its strongest performance in over three years. Conversely, in another leading European economy, the French Manufacturing PMI edged down to 50.0 points in March 2026 from 50.1 in February, signaling stagnant conditions. Manufacturing output fell for the first time in 2026, weighed down by weaker domestic and export demand, while new orders saw their fastest decline in five months.

Against this backdrop, the US Manufacturing PMI held at 52.3 points, compared to 51.6 in February, signaling an expansion in the sector driven by stronger output and new orders - particularly from domestic demand - as businesses build up inventories and secure pricing amid the Middle East conflict. However, international sales continued to decline, hampered by tariffs and transportation challenges. The India Manufacturing PMI fell to 53.9 points in March 2026 from 56.9 in February, marking the weakest improvement in business conditions in nearly four years; manufacturing output and new orders grew at their slowest pace since mid-2022, squeezed by price pressures, intense competition, and increased market uncertainty due to the conflict in the Middle East. Meanwhile, China's General Manufacturing PMI

dropped to 50.8 points from 52.1 in February, signaling a slowdown in manufacturing expansion. Output and new orders continued to rise, albeit at more moderate rates, with production expanding for the fourth consecutive month.

The trend of a continued decline in Bulgarian industry is confirmed by preliminary data from the National Statistical Institute (NSI), which indicate that in February 2026, the calendar-adjusted industrial production index, which measures changes in the output of Bulgarian industrial enterprises and estimates the average change in production between two time periods, reported 8.1% decrease compared to February 2025. On an annual basis, a decline in industrial production was reported in the electricity, gas, steam, and air conditioning supply sector - down by 36.1 % - and in the mining and quarrying industry, which fell by 21.5 %. Conversely, increase of 0.4 % was observed in the manufacturing industry. After more than two years of the index posting negative annual values - with growth recorded only in September and November 2024 - the Industrial Production Index in Bulgaria has now continued its downward trend for fifteen consecutive months, and for the 36th out of the last 38 months.

Against this backdrop, according to data from the National Statistical Institute as of February 2026, Bulgaria's trade turnover with its main trading partners from the EU and third countries has contracted for another consecutive month. A decline was reported in the export of Bulgarian goods, while imports to the country saw an increase. During the period January – February 2026, goods worth EUR 6 874.1 million were exported from Bulgaria, which is 0.6 % less compared to the same period in 2025, whereas the reported growth in imports for the same period was 4.0%. For the period January – February 2026, the total foreign trade balance (export FOB - import CIF) was negative, amounting to EUR 1 856.7 million.

Meanwhile, on March 27, 2026, the international credit agency Fitch Ratings affirmed Bulgaria's Long-Term Foreign-Currency Issuer Default Rating at 'BBB+' with a Stable Outlook while noting the following factors that could lead to a negative rating action: the accumulation of macroeconomic imbalances or a slowdown in economic growth, resulting, for example, from adverse political developments that hinder reform implementation; a significant increase in the government debt-to-GDP ratio over the medium term, driven by a more expansionary fiscal policy or weaker economic performance. The rating could be positively impacted by a reduction in macroeconomic imbalances and the achievement of higher economic growth, supported by the implementation of structural reforms or the effective absorption of EU funds.

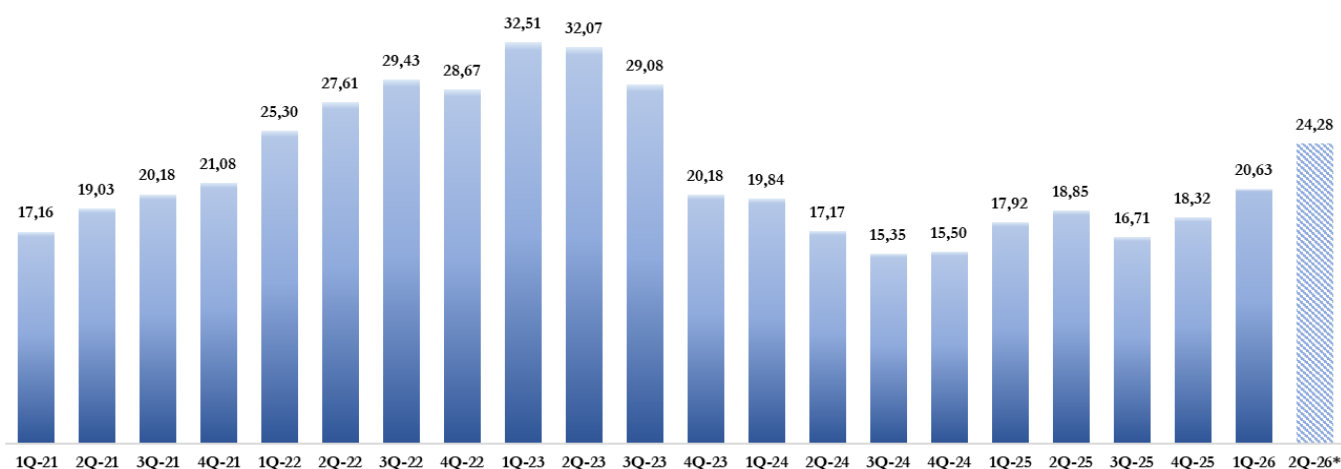
The Bulgarian National Bank's assessment of March 27, 2026, regarding the potential macroeconomic effects on Bulgaria from the military conflict in the Middle East, indicates that the conflict has the potential to cause a sharp rise in inflation and slow the country's economic growth in the event of a highly unfavorable outcome. The baseline scenario predicts real GDP growth to reach 3.0 % in 2026, followed by a slight slowdown to 2.9 % in 2027 and 2.8 % in 2028. Under this baseline, annual average inflation in Bulgaria is expected to accelerate to 3.7 % in 2026, before decelerating to 3.2 % in 2027 and 2028. The slowdown in 2027 reflects the high-base effect of energy prices in 2026, while the planned introduction of the European Emissions Trading System 2 (ETS2) in 2028 is expected to have a pro-inflationary impact.

Under an adverse scenario, it is assumed that during the second quarter of 2026, approximately 40% of the standard flows of oil and liquefied natural gas (LNG) passing through the Strait of Hormuz will be temporarily obstructed, primarily due to the blockage of transport routes. It is further assumed that no significant damage will be sustained by energy infrastructure in the region. In this scenario, inflation remains higher than the baseline by 0.7 percentage points in 2026, 1.4 percentage points in 2027, and 0.6 percentage points in 2028 and real GDP growth is 0.3 percentage points lower in 2026, but 0.2 percentage points higher than the baseline in 2027 and 2028, largely due to the lower base of 2026. The level of real GDP in the adverse scenario is projected to return to its baseline values by 2028.

In this context, as of March 31, 2026, M+S Hydraulic Plc reports individual net sales revenue of EUR 20.63 million, representing an increase of 15.12% compared to the sales revenue for the same period of 2025 and of nearly 4 % compared to those for the first quarter of 2024. The Company continues to operate in a volatile market environment, maintaining stable positions across its primary export markets—the USA, Canada, Asia, Australia, and the European Union.

Individual gross profit for the first quarter of 2026 amounted to EUR 1.66 million, reporting a 22.16% increase compared to the gross profit for the same period of the previous financial year.

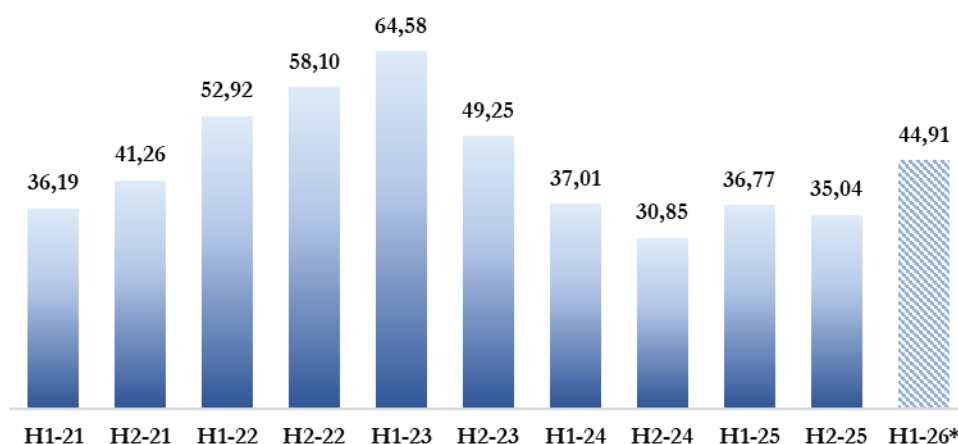
**Individual net sales revenue by quarter (EUR million)
and forecast for the first quarter of 2026**



**forecast*

At this stage, the company's management expects individual sales revenue for the second quarter of the year to reach EUR 24.28 million, which would represent a growth of 28.81 % compared to the same period in 2025 and 41.39 % compared to the second quarter of 2024. We expect individual sales revenue for the first half of this year to reach EUR 44.91 million, reporting an increase of 22.14 % compared to the first half of 2025 and approximately 21% compared to the same period in 2024. For the second half of the year, we expect sales to grow by about 11% compared to the second half of the previous year and to increase by nearly 27 % compared to sales in the second half of 2024. At this stage, the company's management considers as realistic the forecast where the individual sales revenue levels increase by approximately 17% on an annual basis compared to the previous year's levels.

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



**forecast*

During the first quarter of 2026, expenses for materials represented the largest share of the company's total operating expenses at 55.75%, followed by personnel expenses at 33.44 %.

We continue the company's investment policy aimed at modernizing and expanding the machinery and equipment fleet, broadening the product range, and enhancing the productivity and quality of the manufactured items. As of March 31, 2026, the total amount of investments made is EUR 1 213 thousand, compared to EUR 2 976 thousand for the same period in 2025.

M+S Hydraulic Plc continues the construction of a new plant for the production of hydraulic motors in the city of Kazanlak. The investment project is being implemented on a land plot of 34,413 square meters, owned by the company. The construction of this new plant will expand the production capacity of M+S Hydraulic AD by over 30%, enabling the achievement of the company's long-term goals for market share expansion. This will be realized through the implementation of state-of-the-art technologies and CNC machines with a high degree of automation and robotization of production operations and processes. The new plant will house several production units for mechanical processing and coating processes (painting and manganese phosphating), a modern logistics center for shipping, auxiliary premises for the repair and maintenance of machinery and equipment, a wastewater treatment plant, and warehouses for raw materials and finished products.

In 2025, M+S Hydraulic Plc applied for a grant under the competitive selection procedure BG16FFPR003-4.006 "Support for Productive Investments in Large Enterprises in the Stara Zagora Region" within the Regions in Growth Program 2021–2027. As of the date of this notice, the Company has been approved and on 23 April, 2026 the implementation contract was signed.

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. The emerging military conflict in the Middle East between the US/Israel and Iran, which escalated in late February 2026, has heightened risks to the global economy. Primary negative effects include a sharp rise in energy commodity prices and disruptions in logistics and supply chains. Brent crude oil prices have surpassed the psychological threshold of \$100 per barrel on several occasions. Projections indicate that a closure of the Strait of Hormuz - through which more than one-fifth of global oil and LNG exports pass - could trigger a price surge above \$130 per barrel. Experts warn that an intensification of the conflict could evolve into a full-scale energy crisis.

Europe remains particularly vulnerable to natural gas price volatility, which has already seen significant growth. The European manufacturing sector faces renewed hardships, already burdened by higher energy costs relative to competitors in the US and China. Furthermore, transportation and freight insurance costs are rising sharply due to the elevated regional risk, which could potentially lead to production halts in key sectors due to shortages of energy resources and raw materials.

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.

There have been no other significant events during the quarter or since the beginning of the financial year that have impacted the results in the financial statement, other than the ongoing tensions regarding global trade policies, the military conflicts in Ukraine and the Middle East, and the resulting negative effects on economic activity, trade relations, and the prices of key raw materials and supplies, including energy sources and inflation.

II. Description of the principal risks and uncertainties the issuer faces for the remainder of the financial year

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. Macroeconomic indicators such as inflation, uncertainty regarding the price and security of energy supplies, geopolitical tensions, and economic challenges continue to exert a significant influence on business processes and economic development prospects on a global scale.

According to the ECB Economic Bulletin of March 2026, the war in the Middle East is causing disruptions in commodity markets and deteriorating real incomes and confidence. This has led to a downward revision of consumption and investment in the baseline expert projections, particularly for 2026. The baseline projections foresee annual real GDP growth of 0.9 % in 2026, 1.3 % in 2027, and 1.4 % in 2028. Compared to the December 2025 projections, Eurozone GDP growth has been revised downward by 0.3 percentage points for 2026 and 0.1 percentage points for 2027 due to the escalating war in the Middle East, while it remains unchanged for 2028. The impact would be even more pronounced under alternative scenarios involving a stronger and more prolonged energy shock. Externally, while export growth is expected to strengthen on the back of higher foreign demand, the Eurozone is likely to lose further export market share given unresolved competitiveness issues - including those of a structural nature - and despite the fact that export tariffs to the United States are slightly lower than at the time of the December 2025 projection.

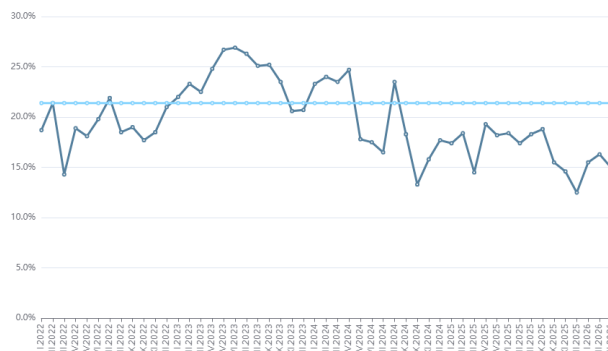
In its latest World Economic Outlook report, published on 14 April 2026, the International Monetary Fund also lowered its global growth forecast and raised its inflation expectations in the face of the Middle East war and related uncertainty. The baseline scenario assumes that the war will be limited in scope and duration, with the shocks subsiding by mid-2026. Under this scenario, global economic growth is expected to reach 3.1 percent in 2026 and 3.2 percent in 2027, down from around 3.4 percent in 2024–2025. The forecast for 2026 has been revised down by 0.2 percentage points compared to the January update, while the forecast for 2027 remains unchanged. Europe is expected to grow by 1.4 percent in 2026 and 1.6 percent in 2027, and the euro area by 1.1 percent and 1.2 percent, respectively. This is a decrease from the previous forecasts in January, when growth of 1.3 percent and 1.4 percent was expected for the two years, respectively. Leading European economies are expected to grow by 0.8 percent in 2026 and 1.2 percent in 2027 for Germany, 0.9 percent for France in both years, 0.5 percent for Italy, and 2.1 percent and 1.8 percent for Spain, respectively.

The IMF said the impact on emerging markets and developing economies would be almost twice as strong as on advanced economies. The fund warned that geopolitical tensions could deepen and lead to a serious energy crisis, as well as an escalation of trade conflicts.

The IMF's forecast for Bulgaria's economic growth in 2026 has also been lowered to 2.8 percent from 3.1 percent set in the October 2025 estimates, with a further slowdown in growth to 2.5 percent expected in 2027. Despite the decrease, our country's projected growth rate remains above the average for the eurozone, where the IMF expects the economy to grow by 1.4 percent in 2026 and by 1.6 percent in 2027. The IMF's forecasts indicate an acceleration of inflation in Bulgaria to 3.8 percent in 2026 after 3.5 percent in 2025 and a subsequent slight slowdown to 3.7 percent in 2027. In the October forecast, inflation was expected to reach 3.4 percent this year. The corrections in the forecasts for Bulgaria are consistent with the general trend in the IMF's assessments against the backdrop of ongoing geopolitical tensions and the economic effects of the conflict in the Middle East.

According to National Statistical Institute data, in March 2026, the composite indicator 'business climate in industry' fell by 1.3 points (from 16.3% to 15.0%) as a result of the unfavorable assessments and expectations of industrial entrepreneurs regarding the business condition of their enterprises. Compared to the previous month, however, the survey recorded a slight increase in the security of production with orders, which is accompanied by increased expectations for production activity in the next three months. The main difficulties for the activities of enterprises remain related to the uncertain economic environment and the shortage of labor, with the negative impact of the first factor increasing in the last month.

Business Climate in Industry

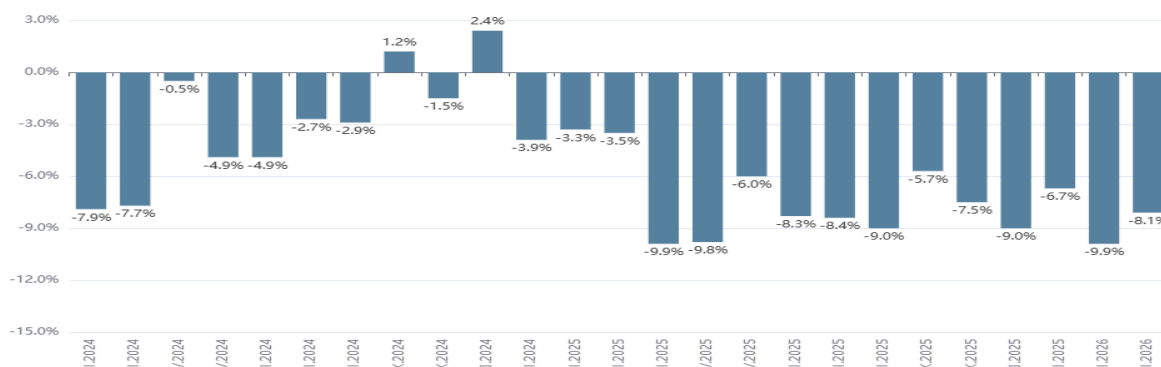


Source: [NSI](#)

Meanwhile, according to Eurostat data, industrial production in February 2026 decreased by 0.1 percent in the European Union and by 0.6 percent in the euro area compared to the same month of 2025. On a monthly basis, industrial production in February increased by 0.4 percent in both the EU and the euro area compared to January. In January 2026, the indicator recorded a month-on-month decline of 0.9 percent in the EU and 0.8 percent in the currency zone.

Data for Bulgaria indicate an 8 percent year-on-year decline in industrial production in February 2026. Thus, the country has maintained the third-largest industrial decline in the EU since December 2025. As of November, last year, Bulgaria reported the largest decrease in industrial production for the sixth consecutive month.

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



Source: [NSI](#)

Interest rate risk is related to changes in market interest rate levels, which could lead to a decrease in investment activity in general and an increase in interest expenses and a corresponding decrease in the company's financial result.

The war in the Middle East has had a strong impact on global financial markets. Overall, financial conditions have tightened since the ECB's Governing Council's last monetary policy meeting on 5 February 2026.

In January, bank lending rates to businesses and the cost of issuing marketable debt remained at 3.6%, while the average interest rate on new mortgages increased slightly to 3.4 %. Bank lending to businesses grew at a slower annual rate of 2.8 % in January, compared with 3.0 % in December 2025. Mortgage lending increased by 3.0 %, unchanged from December.

At its meeting on 19 March 2026, the Governing Council 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 were left unchanged at 2.00 %, 2.15 % and 2.40 % respectively. The Governing Council of the ECB is committed to ensuring that inflation remains stable at its 2 % target over the medium term. The war in the Middle East has added much more uncertainty to the outlook and has raised upside risks

to inflation and downside risks to economic growth. The European Central Bank states that it will closely monitor the dynamics of inflation, energy prices, economic sentiment and the development of the conflict in the Middle East, as these factors will be key for future monetary policy decisions.

The company has no loans, therefore the impact of this risk on its activities is indirect, through a reduction in the investment activity of counterparties, respectively a reduction in the company's sales.

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.

According to the ECB Economic Bulletin of March 2026, rising energy prices due to the war in the Middle East will push inflation above 2% in the short term. Specifically, inflation is expected to rise sharply to 3.1% in the second quarter of 2026 as a result of a spike in energy price inflation, before falling to 2.8% in the third quarter. The baseline projection anticipates energy price inflation to turn negative in 2027, primarily due to downward energy base effects, and subsequently rise markedly in 2028, when the implementation of the EU Emissions Trading System (ETS 2) is expected to have an upward impact of 0.2 percentage points on headline inflation.

Overall, the ECB baseline projection sees HICP inflation rising from 2.1 % in 2025 to 2.6 % in 2026, before declining to 2.0 % in 2027 and reaching 2.1 % in 2028. Compared with the December 2025 projections, the outlook for headline HICP inflation has been revised upwards by 0.7 percentage points for 2026, mainly due to the energy component. It has been revised upwards by 0.2 percentage points for 2027 and by 0.1 percentage points for 2028. These upward inflation revisions would be even more pronounced under alternative scenarios involving a more severe and prolonged energy shock.

According to the ECB experts, risks to the inflation outlook are tilted to the upside, particularly in the short term. A protracted war in the Middle East could lead to a larger and more sustained increase in energy prices than currently anticipated, pushing euro area inflation even higher. These processes could deepen and persist longer if, in response, inflation expectations and wage growth increase, energy cost hikes are passed through to non-energy inflation to a greater extent, or if the war affects global supply chains more broadly. Continued trade tensions could also lead to more fragmented global supply chains, reduce the supply of critical raw materials, and tighten capacity constraints within the euro area economy.

According to NSI data, in March 2026 the monthly inflation rate, measured by CPI, was 0.9 % and the annual inflation rate in March 2026, compared to March 2025, was 4.1 %. The inflation rate since the beginning of the year (March 2026 compared to December 2025) was 1.9 %. The annual average inflation rate for the period April 2025 - March 2026 compared to the period April 2024 - March 2025 was 4.5 %. In March 2026, the monthly inflation rate, measured by HICP, was 1.0 % and the annual inflation rate in March 2026 compared to March 2025 was 2.8 %. The inflation rate since the beginning of the year (March 2026 compared to December 2025) was 1.9 %. The annual average inflation rate for the period April 2025 - March 2026 compared to the period April 2024 - March 2025 was 3.2 %

According to Eurostat data, annual inflation in the euro area accelerated to 2.6 % in March, compared to 1.9 % in February. Among all components considered, energy products recorded the highest annual rate for March, with prices in the sector jumping by 4.9 % compared to the 3.1 % growth in February. The surge in energy prices, triggered by the conflict in the Middle East, fuels fears of an inflationary peak similar to the one following the start of the war in Ukraine in 2022. For the EU, annual inflation in March increased to 2.8 %, up from 2.1 % in February.

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.

Since January 1, 2026, our country has officially joined the eurozone and already has a "voice" in the European Central Bank, participating directly in determining Europe's monetary policy. The euro became the sole means of payment after a one-month period of dual circulation (in January 2026).

The currency conversion is carried out at the fixed rate of 1 euro = 1.95583 leva, therefore there is no risk of depreciation of the leva against the European currency, but there is a risk of adverse changes in

the euro exchange rate against other major currencies, such as the US dollar, Swiss franc, British pound, etc.

The process of withdrawing banknotes and coins in leva and putting euro banknotes and coins into circulation is carried out in accordance with the current regulatory framework and the approved operational plans, and as of March 27, 2026, about 91 % of the leva in circulation have been withdrawn from circulation.

According to an analysis by the ECB, Bulgaria's transition from leva to euro has so far had a limited and largely one-off impact on consumer prices. Estimates suggest that the inflationary impact of the introduction of the single European currency on 1 January 2026 amounts to between 0.3 and 0.4 percentage points. The increases are concentrated mainly in the services sector, with some of them already recorded before the transition itself.

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 notice, the political instability of recent years continues to be assessed as a primary factor negatively impacting not only economic activity and the business environment, but also all social systems in the country. The lack of genuine reforms has further deteriorated the business climate, and as a result, we continue to report a deepening industrial decline, a collapse in exports, and job losses. **The results of the eighth early parliamentary elections in Bulgaria since 2021, held on 19.04.2026, give reason to expect the formation of a government with a perspective for sustainable governance, which would lead to the end of the political instability in the country. It remains imperative for Bulgaria to undertake serious structural reforms and introduce strict fiscal consolidation measures in order to prevent a potential financial and economic crisis with severe consequences for business and society. In the context of a continuing decline in industrial production and a deepening crisis in the real sector in the EU and Bulgaria, it is particularly important for public finances to stop the practice of disproportionate increases in the cost of public sector wages and social and health insurance payments, including pensions, which many times exceed inflation levels.**

Bulgaria ended 2025 with a budget deficit of 3.1% of GDP, following a year of warnings from businesses, economists, the Fiscal Council, the BNB, and other experts that the revenue targets in the budget were unrealistic. Statistics from the Ministry of Finance archives show that such a shortfall in tax revenues (excluding social security contributions) has not occurred since the 2009 crisis. The cumulative deficit as of March amounts to EUR 1.5 billion, representing 1.2 % of the country's GDP - the highest value in the last 15 years (since 2010) - indicating that expenditures are significantly outpacing revenues. Typically, the budget maintains a surplus during the first months of the year, even when a deficit is planned. The deficit for the month of March alone reached EUR 1.7 billion, equivalent to -0.8 % of GDP, marking the highest value in the last 20 years (since 2007).

An analysis by the Fiscal Council regarding the widening budget deficit in the first quarter of 2026 indicates a significant risk of permanent fiscal deterioration and deviation from the country's set budgetary targets, unless timely corrective actions are taken. According to the analysis, the sharp decline in the budget balance so early in the year signals an accumulation of fiscal imbalances that cannot be explained solely by seasonal or technical factors. The primary cause for the surging deficit is the expenditure under the Consolidated Fiscal Program, which reached EUR 11.5 billion by March 2026, compared to EUR 9.6 billion by March 2025. This growth is driven mainly by social and health insurance payments - including pension costs - as well as personnel expenses and capital expenditures. The increase in personnel and pension costs stems from indexations approved by the caretaker government, which took effect in March

2026. The business community notes that public sector wage growth last year was among the highest in the European Union, reaching between 12% and 13%, and warns that if this trend persists throughout the year, the country could end 2026 with a budget deficit exceeding EUR 10 billion (8–9% of GDP). The rules under the extended 2025 budget - which mandate that state spending remain within the limits of the previous year's corresponding period and not exceed collected revenues - were breached upon the adoption of the extension law itself due to a voted 5% increase in administrative wages. Over the last five years, wages have doubled while productivity growth remains weak, creating serious disproportions and potentially drawing the country closer to a scenario similar to that of Greece.

At the same time, political volatility in recent years has led to delays in the practical implementation of structural measures required to accelerate the absorption of funds under the Recovery and Resilience Plan. The seriously undermined principle of the rule of law and the failure to meet reform commitments in this area led to the European Commission's decision on October 6, 2025, to delay the transfer of EUR 214.5 million - part of Bulgaria's second RRP payment - due to the failure to achieve a key milestone: the reform of the Anti-Corruption Commission. In early November, Bulgaria received a new tranche of EUR 438.6 million, bringing the total absorption to 29.5% of the agreed EUR 6.17 billion under the Recovery and Resilience Facility. At year-end, Bulgaria received EUR 1.47 billion under the third RRP payment, with the EC again 'freezing' the transfer of EUR 152 million due to stalled anti-corruption reforms, clearly stating that the final release of the full amount will depend on the actual implementation of the remaining reforms. On April 3, 2026, Bulgaria submitted its fourth payment request under the National Recovery and Resilience Plan, amounting to approximately EUR 900 million. To date, the country has absorbed EUR 3.27 billion under the NRRP, or 53% of the total sum, compared to the EU average of 68%.

At a meeting on February 13, 2026 of the global supervisory body Financial Action Task Force (FATF), which assesses the commitments of countries in the fight against money laundering and the financing of terrorism, it was announced that Bulgaria remains on the "grey list" for money laundering and continues to be subject to enhanced monitoring. Our country continues to be the only European country on the list, along with countries such as Congo, Haiti, Cameroon, Monaco, Laos, Yemen and others. The main problem that Bulgaria continues to face is the lack of effective and efficient investigations and prosecutions in cases of various types of money laundering and corruption. Although the country has an action plan, all deadlines under it have already expired, and the FATF's recommendations for reforms have not yet been implemented. FATF encourages Bulgaria to build on the recent progress made and continue to implement its action plan to address the aforementioned strategic deficiency as soon as possible.

Internationally, in the context of the current geopolitical situation, the risks for Bulgaria are increasingly tied to European policies. The effectiveness of common European policies in the field of trade relations, reindustrialization through the reduction of overregulation, bureaucracy costs and recalibration of the "Green Deal" and the rapid creation of effective mechanisms for the equal provision of energy resources at competitive prices for all participants in the European energy market are the basis for the possibility of preserving and increasing the competitiveness of the European and, in particular, the Bulgarian economy.

Against this background, 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, the historical divisions between Eastern, Central-Western and Northern Europe still affect network capabilities, therefore efforts to improve connectivity towards the integration of national energy networks in a wider European context should be significantly accelerated. The "Green Deal" remains a key challenge, which urgently and in a short time must be seriously revised so as not to be a brake on industrial development. At the same time, the introduction of the Emissions Trading Scheme (ETS) and the Carbon Border Adjustment Mechanism (CBAM) in Europe create new significant challenges for European business, identified by industry associations as high risk for Europe's competitiveness.

The introduction of CBAM aims to gradually phase out the free carbon allowances that have so far protected energy-intensive sectors, forcing European companies to pay the full price for the CO₂

emissions embedded in their products. On 7 April 2026, the European Commission officially set the first reference price for certificates under the Carbon Border Adjustment Mechanism (CBAM) at €75.36 per ton of CO₂. The price of certificate is expected to increase significantly, which, according to experts, could increase significantly the production costs of some products.

A significant drawback of the CBAM in its current form is that it taxes imports but does not provide for a mechanism to compensate European exporters. When European company exports goods to countries without a carbon tax (such as the US, China, India, Turkey), it is burdened with high emissions costs in the EU, making its products uncompetitive compared to local producers. As steel and aluminum are key components, the introduction of CBAM artificially raises the prices of imported metals in the EU to European levels, which are already expensive due to ETS quotas. European sectors that use steel, aluminum or cement as raw materials face more expensive input materials, while their finished products are not protected by CBAM when imported from outside. While raw steel is taxed when imported into the EU, the finished product imported from EU countries without a carbon tax is not taxed to the same extent. This makes imported products cheaper than those produced in Europe with expensive 'green' steel.

In addition to these additional financial burdens, which significantly reduce the competitiveness of European industry, CBAM also creates a new administrative burden. Businesses are required to collect and declare detailed emissions data throughout their supply chain, and the lack of reliable data from foreign suppliers creates a risk of sanctions for European importers. Small and medium-sized enterprises often do not have the resources to deal with the new complex rules for authorization and purchase of CBAM certificates.

The analysis of the mechanical engineering sector is particularly critical, as it falls into the so-called "middle chain trap". Unlike steel or aluminium producers, which are directly protected by CBAM through import duties, the mechanical engineering sector uses these raw materials, but the final product often remains outside the scope of the protection mechanisms. All this rightly leads to a high risk of further blocking of export potential and deindustrialization of Europe, in complete contradiction with the stated ambitions of the EC to limit administrative burdens and other regulatory obstacles for European manufacturers, thereby encouraging business and increasing their competitiveness. For the European mechanical engineering industry, CBAM acts as an "input tax", which weakens competitiveness both in the domestic market and in exports, creating incentives to move production capacities outside the EU, and due to uncertainty about quota prices, large international investors may prefer to invest in new capacities outside Europe.

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.

In this regard, on 17.03.2026, the nationally representative employers' and trade unions' organizations in the Republic of Bulgaria expressed their serious concern about the growing risks to the competitiveness of European and Bulgarian industry, arising from the increasing regulatory burden, high energy costs and the instability of the carbon emissions market. With a Declaration on the Protection of Bulgarian Industry for a predictable and fair climate policy in Europe, they strongly called on the government to support the joint initiative of the Ministers of Industry of Austria, Croatia, the Czech Republic, France, Germany, Italy, Luxembourg, Poland, Portugal, Romania, Slovakia, Slovenia and Spain to take decisive action to strengthen the competitiveness of European industry and to ensure a more

balanced and investment-oriented regulatory approach. The Declaration also calls on the government to stand behind the need for a reform of the European Emissions Trading System (EU ETS) that would ensure a competitive European industry, market predictability, limiting price volatility and effective protection against carbon leakage; to protect the interests of Bulgarian industry and its workers, by insisting on policies that combine climate goals with competitive energy, economic sustainability and development of the industrial base, as well as to support the acceleration of industrial investment procedures, the reduction of administrative barriers and the creation of a favorable environment for the development of industrial value chains in the European Union. As a result, on 18.03.2026, the Minister of Economy and Industry officially joined the joint initiative. The position of the MIE is categorical that the green transition must be implemented in a way that guarantees the preservation of production capacity, encourages investment and preserves employment within the EU.

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.

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.

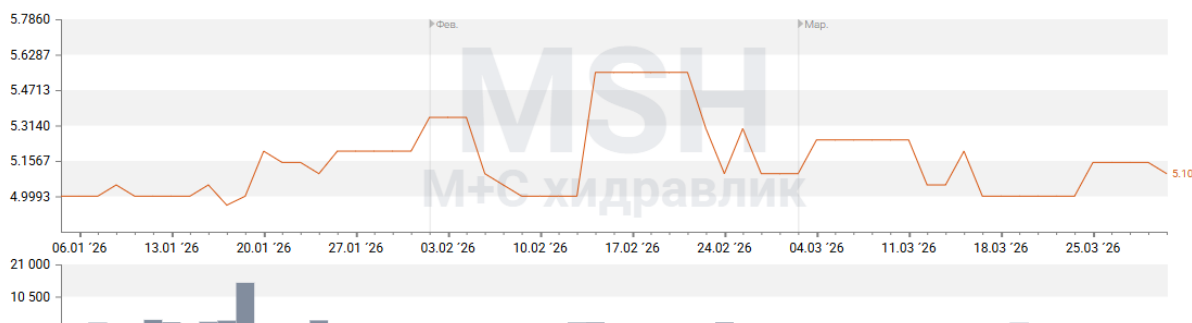
Risk factors relevant to the mechanical engineering sector: Sector-specific risk arises from the impact of technological changes in the industry on the income and cash flows within that sector, management skills, intense competition in foreign and domestic markets, etc.

Company-specific risks: Market risk is associated with changes in market conditions. It includes risks related to revenue generation, risks related to profitability, interest rate risks, and currency risks.

Risks related to revenue generation require a serious analysis of the main factors causing uncertainty in the realization of sales of hydraulic products. This uncertainty can be measured by the volatility of revenues over time. To significantly reduce this risk, the company relies on an increased internal capacity for effective forecasting and planning, as well as maintaining stable relationships with customers.

Market risk manifests as a more rapid decline in sales revenues compared to the rate of cost reduction. Interest rate risk is related to changes in market interest rate levels, which could lead to an increase in interest expenses and a corresponding decrease in the company's financial result. Currency risk occurs in the event of an unfavorable change in the ratio between the currencies in which the company's revenues and/or expenses are denominated. The main operational risks are related to the adopted practices of operational management within the enterprise.

Share Price



Source: BSE-Sofia AD

The chart shows the movement of the share price of M+S Hydraulic Plc on the Bulgarian Stock Exchange (BSE) for the period 01.01.2026 – 31.03.2026.

- Opening price: EUR 5.0000 (01.01.2026)
- Last price: EUR 5.1000 (31.03.2026)

- Maximum price: EUR 5.5500 (20.02.2026)
- Minimum price: EUR 4.9600 (16.01.2026)
- Value change: + EUR 2.0000
- Percentage change: + 0.1000 %.

The market capitalization of M+S Hydraulic AD as of 31 March 2025 is EUR 201 170 520.

III. Information on transactions with related and/or interested parties

There are no transactions with related and/or interested parties concluded during the reporting period of the current financial year that have materially affected the financial standing or the results of the company's operations in that period.

IV. Information on newly arisen material receivables and/or liabilities for the reporting period

During the first quarter of 2026, no new significant receivables and/or liabilities have arisen for the company.

V. Information under Annex № 4 of Ordinance № 2 of the FSC

- Change in the persons exercising control over the company – None.
- Initiation of insolvency proceedings for the company or its subsidiary and all material stages related to the proceedings – None.
- Conclusion or execution of material transactions – None.
- Decision on the conclusion, termination and rescission of a joint venture agreement – None.
- Change of the company's auditors and reasons for the change – None.
- Initiation or termination of court or arbitration proceedings related to liabilities or receivables of the company or its subsidiary, with a claim value of at least 10 per cent of the company's equity – None.
- Purchase, sale or established pledge of equity interests in commercial companies by the issuer or its subsidiary – None.
- Other circumstances that the company considers could be of significance to investors in making a decision to acquire, sell, or continue to hold publicly offered securities. Specified in Section IV of this document.

Media

The company discloses regulated information to the public through the information media [X3 News](#).

The inside information for M+S Hydraulic AD pursuant to Article 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, 12 June 2014) (Regulation (EU) No 596/2014) regarding the circumstances that occurred in 2026 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, as well as in the X3News media, through which the company publicly discloses inside information <http://www.x3news.com/?page=Company&BULSTAT=123028180>.

This document was prepared in accordance with Art. 100o¹, para. 2 of the Law on Public Offering of Securities.

Procurator: Vladimir Spasov

This document contains information on the possibilities for realization of published forecasts as well as forecasts for future periods and also data representing inside information under Art. 7 Regulation (EU) No 596/2014 on market abuse (Market Abuse Regulation). This information could significantly affect the price of the shares issued by the company.