



STARA PLANINA HOLD PLC

PUBLIC NOTICE ON THE FINANCIAL STANDING

EXPLANATORY NOTES

for the third quarter of 2025

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.

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

The general meeting of the shareholders of Stara Planina Hold Plc, held on June 5th, 2025 adopted a resolution for the amount of BGN 6 544 630.42 to be paid in the form of 2024 dividend under the following parameters:

- 1.1.gross dividend per share: BGN 0.31579;
- 1.2.initial date for dividend payment - August 1st, 2025;
- 1.3.term for dividend payment – 6 months;
- 1.4. dividend shall be paid under a contract with Central Depository AD and through the branches of International Asset Bank AD.

The amount of this dividend keeps on being the largest in the history of the company. The total amount of the distributed dividends for the shareholders of Stara Planina Hold Plc so far exceeds BGN 62.15 million. The initial investment in the holding has a dividend coverage of 35.5 times.

The total amount of accrued dividends for the 2024 financial year, received by Stara Planina Hold Plc amounts to BGN 5 776 088.

There are no other significant events occurred since the beginning of the financial year that have affected the results in the financial statements apart from the escalating tensions over trade policies in a global context, the ongoing military conflicts in Ukraine and the Middle East and their resulting negative effects on economic activity, trade relations, price of basic raw materials, including energy, and inflation. The continuing decline of the European industry and the increasing geopolitical uncertainty globally are factors that affect the overall activities of the companies in the group of Stara Planina Hold Plc and their business results.

Detailed information about the important events that have occurred since the beginning of the financial year to the end of the reporting nine months of 2025 for Stara Planina Hold Plc, as well as other information that could be important for investors, is regularly disclosed by the company in accordance with the regulatory requirements through the information media [X3 News](#).

Opinion on the possibilities for achievement of published forecasts. Information about the factors and circumstances that will affect the achievement of the forecast results

As a holding company Stara Planina Hold Plc does not perform independent commercial operations and the company has focused its activities primarily on the management of the [subsidiaries and associates](#) in the Group. Therefore, a significant effect on the financial standing of Stara Planina Hold Plc has the direct dependence on the financial standing of the subsidiaries and associates whose operations are primarily export-oriented - mainly to the countries of the European Union.

During the nine months of 2025, the operations of the companies in the Group of Stara Planina Hold Plc continued being conditioned by the influence of negative factors with a strong impact on global trade and economic relations. In general, the economic and geopolitical situation in the global plan continues to be characterized by a high degree of uncertainty, which creates significant risks to the realization of a sustainable and economically logical forecast.

The uncertainty about the economic development trend is also expressed in the PMI manufacturing index, as data for September 2025 show that it has decreased to 49.8 points for the euro area compared to a three-year peak of 50.7 points reported in the previous month, which again puts the European industrial sector in contraction territory below the 50-point mark. In Austria, the PMI value for manufacturers decreased to 47.6 points in September 2025, reporting a three-month low and one of the lowest values for Europe. In Germany, the index decreased to 49.5 points compared to 49.8 in August,

indicating almost stagnation in the manufacturing sector due to increased levels of uncertainty, strong competition from abroad and the impact of the US tariffs. The sentiment of purchasing managers in Austria and Germany, however, can be seen as less pessimistic against the background of a very long period of deep recession. Overall, purchasing managers in Europe remain optimistic that production will increase from current levels over the next 12 months although optimism is at its weakest since April 2025. In the US, the PMI index also fell to 52 from 53 in August, the highest level in three years. New orders for US manufacturing rose for the ninth consecutive month, but at a slower pace as US tariffs triggered a series of trade disputes with major partners, leading to a decline in sales from Canada and Mexico. Despite the slight decline in the index, India continues to confidently lead the rankings with 57.7 points in September 2025 compared to a 17-year high of 59.3 points in August, and the index level remains well above the long-term average. In China, the manufacturing PMI rose to 51.2, the highest level since March, and new export orders increased for the first time in six months.

Globally, the manufacturing PMI showed a slight decline at the end of the third quarter (from 50.9 points in August to 50.8 points in September 2025) but the last two months have seen the highest consecutive PMI values since June 2024, indicating one of the best periods for the manufacturing sector since the pandemic. According to S&P Global, however, the overall rate of output growth remains relatively weak, and the increase in demand is not sufficient to increase employment levels globally. As a result, employment fell slightly in September against the backdrop of a further decline in global orders that have been declining for 39 consecutive months now.

The state of the German economy, which is the main trading partner of the Stara Planina Hold AD group of companies, continues to be worrying. The latest monthly report from the country's central bank, the Bundesbank, predicts that the GDP of Europe's largest economy "could grow slightly in the third quarter of 2025," after a decline of 0.3 percent in the April-June period. However, in early September, several German institutes lowered their forecasts for the country's economic growth in 2025. After Germany's economy contracted by 0.7 percent in 2023 and by 0.5 percent in 2024, the country's GDP is expected to grow in 2025 by between 0.1 and 0.2 percent, a downward revision from the previously expected 0.3 percent. This confirms Germany's position as one of the worst performers in the eurozone, with its huge industrial sector, usually being an important driver of growth, set to continue to be a drag on the European economy as a whole during the year.

The trend of continued decline in industry in Bulgaria is also confirmed by the preliminary seasonally adjusted data of the National Statistical Institute which indicate that in August 2025 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 a decrease by 8.7 % compared to the same month of the previous year, while its value remained almost unchanged compared to the previous month. After more than two years of negative annual values with growth recorded only in September and November 2024, since December, the industrial production index in Bulgaria has continued to report a downward trend for nine consecutive months.

Against this background, according to NSI data as of August 2025, Bulgaria's trade with its main trading partners from the EU and third countries shrank for another month. A decline in exports of Bulgarian goods and an increase in imports to our country were reported. During the period January - August 2025, goods worth BGN 54 925.6 million were exported from Bulgaria which is 5.5 % less compared to the same period in 2024, and the reported growth in imports for the same period was 2.8%. For the period January - August 2025, the total foreign trade balance (export FOB - import CIF) is negative and amounts to BGN 11 640.7 million.

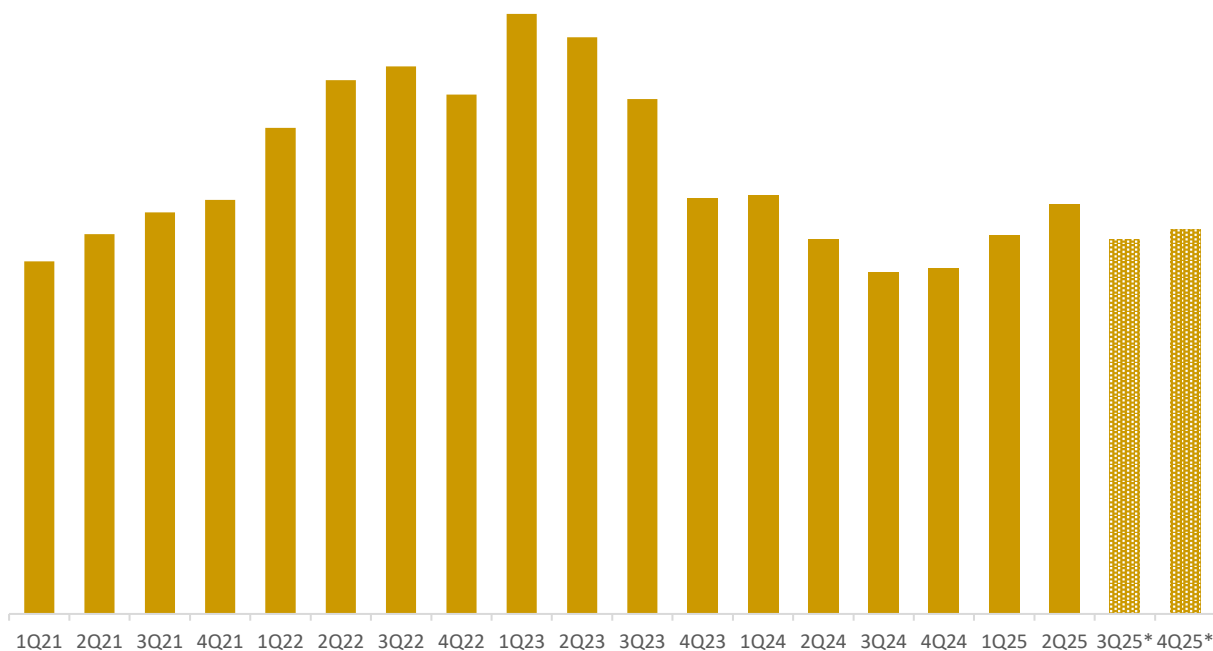
Also, according to preliminary data from the Bulgarian National Bank, at the end of August this year, foreign direct investment in Bulgaria amounted to EUR 1.537 billion and for comparison, the net flow of direct investment in the country for the first 8 months of last year was positive at EUR 1.725 billion or EUR 188.5 million (10.9 percent) more than the current result. The amount of direct investment in the

country for the period January - August 2025 is equal to 1.4 percent of Bulgaria's estimated GDP, compared to 1.7 percent of GDP in the same period last year.

At the same time, in the report "World Economic Outlook" announced on 14.10.2025, the IMF forecasts that Bulgaria's economic growth will accelerate to 3 percent in 2025 and to 3.1 percent next year compared to the rate of 2.8 percent in 2024. Growth estimates have been increased compared to the IMF's April forecast, when our country was expected to grow by 2.5 percent for 2025 and 2.7 percent for 2026, respectively. Inflation expectations have been adjusted slightly downwards for the current year to 3.6 percent compared to the 3.7% forecast in April and upwards for next year to 3.4 percent with inflation forecast at 2.3 percent in the previous IMF report.

In this context, the companies in the group of Stara Planina hold Plc continue reporting results that confirm our forecast expectations. Preliminary aggregated data indicate that consolidated revenues for the third quarter of 2025 will reach BGN 67.3 million which would represent a growth of about 10% compared to the same period of the previous year and a decrease of about 27 % compared to the third quarter of 2023.

Consolidated net sales revenues by quarters
including updated forecast (BGN million)

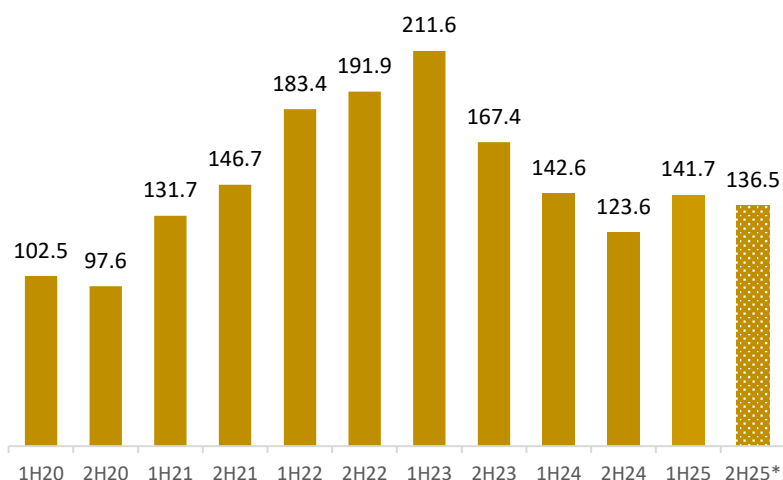


* expectation

We expect sales in the last quarter of 2025 to exceed BGN 69 million. With the estimated revenues for the second half of 2025, we project a growth of approximately 11 % compared to the same period of the previous year and a decrease of approximately 18 % compared to the second half of 2023. At this stage, we confirm our predictions that the trend for higher sales levels will continue in the last quarter of the year, as we expect sales in 2025 to exceed BGN 278 million.

The net profit of Stara Planina Hold Plc as of 30.09.2025 reached BGN 5 626 thousand which represents a decrease by 18.78 % compared to the reported net profit of BGN 6 927 thousand for the same period of the previous year and by 41.67 % compared to the profit for the nine months of 2023.

**Consolidated net sales revenues by half year periods
including updated forecast for 2025 (BGN million)**



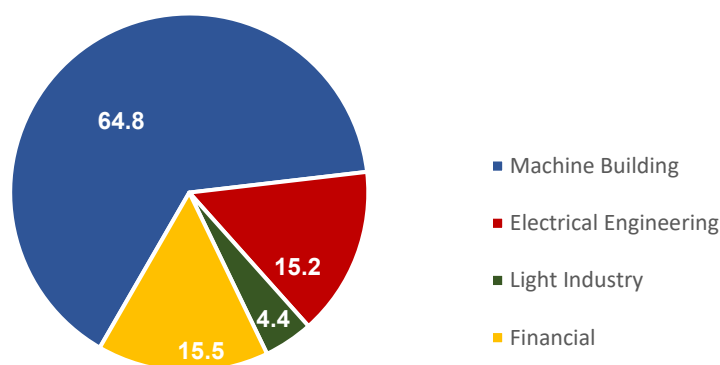
* expectation

Factors that will continue influencing the activities also until the end of the second half of 2024 are the market prices of raw materials and materials for production, the transport of supplies, the regional market price of labor, the prices of energy resources and the security of their supplies. Given the ongoing military conflict in Ukraine and the uncertainty in the Middle East, as of the date of preparation of this report, we assess the risks associated with ensuring the supply of materials and energy, as well as the sale of finished products to partners related to the affected regions as elevated.

The macroeconomic development of the country, the unstable political situation, financial policy, as well as geopolitical factors appear to be the most worrisome circumstances that will have an impact on business. Along with the threat to European and regional stability, the geopolitical situation puts at additional risk the supply of energy resources and the possibilities for sustainable growth of the economy. The effect of the measures taken at the European and national level, as well as the countermeasures imposed accordingly, will have an impact on the activities of the enterprises of the group and may lead to an adjustment of the expected business results.

Investment portfolio structure

The economic group of Stara Planina Hold Plc consists of the parent company and its subsidiaries and associates. The investment portfolio of Stara Planina Hold Plc is distributed mainly in the following industries:



Major companies in the economic Group of Stara Planina Hold Plc

M+S Hydraulic Plc

68 Kozlodui Str., 6100 Kazanlak
UIC: 123028180

Public company, BSE Code: **MSH**.

Scope of business: production, repair and trade of hydraulic products and systems.

Registered capital: 39 445 200 shares with nominal value of BGN 1.00.

Stara Planina Hold Plc holds 12 073 050 shares, representing 30.61 % of the votes in the General meeting.

M+S Hydraulic Plc holds 100 % of the capital of a limited liability subsidiary company Lifam Hidravlika in the town of Stara Pazova, Republic of Serbia, which manufactures and trades in hydraulic products, 90 % of the capital of M + S Hydraulic Power Transmission GMBH, Germany, that trades in hydraulic products and 90.00% of the capital of "OLEOTECNO HYDRAULIC COMPONENTS" SRL, Italy, specialized in wholesale trade in other industrial machinery and equipment and parts thereof.

Hydraulic Elements and Systems Plc

1 Pirin Str., 8600 Yambol
UIC: 838168266

Public company, BSE Code: **HES**.

Scope of business: production of hydraulic cylinders, marketing, sales, research, development, production, engineering and foreign trade operations, general mechanical engineering.

Registered capital: 18 193 752 shares with nominal value of BGN 1.00.

Stara Planina Hold Plc holds 11 740 584 shares, representing 64,53 % of the votes in the General meeting. The subsidiary company SPH Invest JSC holds 8.28 % of the capital of HES Plc.

Elhim Iskra Plc

9 Iskra Str., 4400 Pazardzhik
UIC: 112013939

Public company, BSE Code: **ELHM**.

Scope of business: production of starter batteries, traction batteries, spare parts and trade.

Registered capital: 25 108 410 shares with nominal value of BGN 1.00.

Stara Planina Hold Plc holds 12 905 790, representing 51.40 % of the votes in the General meeting.

Bulgarian Rose PLC

Industrialna zona, 4300 Karlovo
UIC:115009344

Public company, BSE Code: **ROZA**.

Scope of business: production, purchasing, processing of essential oil and pharmaceutical raw materials, production of natural and synthetic aromatic products, perfumery and cosmetics and medicinal products, domestic and foreign trade.

Registered capital: 5 350 980 shares with nominal value of BGN 1.00.

Stara Planina Hold Plc holds 2 675 460 shares, representing 49.99 % of the votes in the General meeting.

Fazan JSC

5 Treti Mart Blvd., 7000 Rousse
UIC 827182916

Scope of business: production and trade in the country and abroad of socks and other knitted products.

Registered capital: 1 234 692 shares with nominal value of BGN 1.00.

Stara Planina Hold Plc holds 1 143 919 shares, representing 92.65 % of the votes in the General meeting.

Asset Insurance JSC

81-83, T. Alexandrov Blvd.
UIC 203066057

Scope of business: General insurance. Registered capital: BGN 10 500 000 divided into 105 000 shares with nominal value of BGN 100. Stara Planina Hold Plc holds 21 000 shares, representing 20.00% of the votes in the General Assembly. The subsidiary company HES Plc also holds 20.00 % of the capital of Asset Insurance JSC.

On 27.08.2025 Stara Planina Hold Plc sold its shareholding of 107 368 shares, each of them with nominal values of BGN 2.00, representing 50.00 % of the capital of Boryana Jsc., Cherven Briag with UIC: 114006352 at the price of BGN 650 000. Buyer of the shares is the company Makaveev Investments Ltd. UIC: 207982186. As of the date of the transaction, Boryana Jsc has repaid all liabilities under loan agreements to Stara Planina Hold Plc. The investment in Boryana Jsc., Cherven Briag was made by Stara Planina Hold Plc in 2012, with the shareholding in the amount of 50.00 % of the company's capital worth BGN 429 472.

II. Description of major risks and uncertainties confronting the issuer during the rest of the financial year

Major risks and uncertainties for Stara Planina Hold Plc are related to the possibility for the actual income from a given investment not to correspond to the expected one which is conditioned by the successful activities of the companies in the Group. In this sense, the main risks for Stara Planina Hold Plc and the companies in the Group for 2025 and in the more distant future are:

Overall macroeconomic risk: Macroeconomic conditions and trends for the development of the market and the macro environment where the companies operate represent a systematic risk that cannot be managed and controlled by the corporate board of the holding and those of the companies in the Group but has a significant impact on the activities and results of the companies.

According to the ECB's September 2025 Economic Bulletin, trade tariffs and related uncertainty contributed to the sharp fluctuations in economic activity in the first half of 2025, as activity strengthened. The weakening of the impact of these factors in the second half of the year is expected to generate further volatility, making the underlying momentum of economic activity in the euro area less clear. However, the overall impact of the change on global policy conditions will become clear over time. Later in the forecast horizon, economic growth in the euro area is expected to strengthen, driven by several factors. Rising real incomes and employment, together with new government spending on infrastructure and defense, mainly in Germany, should support domestic demand in the euro area. Overall, the baseline scenario of

the September 2025 ECB staff macroeconomic projections for the euro area envisages annual real GDP growth of 1.2 % in 2025, 1.0 % in 2026 and 1.3 % in 2027. Compared with the June 2025 macroeconomic projections, the GDP growth outlook for 2025 has been revised upwards by 0.3 percentage points, reflecting better-than-expected incoming data and carry-over effects from revisions to historical data. In addition, the appreciation of the euro and weaker external demand have led to a small downward revision of 0.1 percentage point to GDP growth for 2026, while the outlook for 2027 remains unchanged.

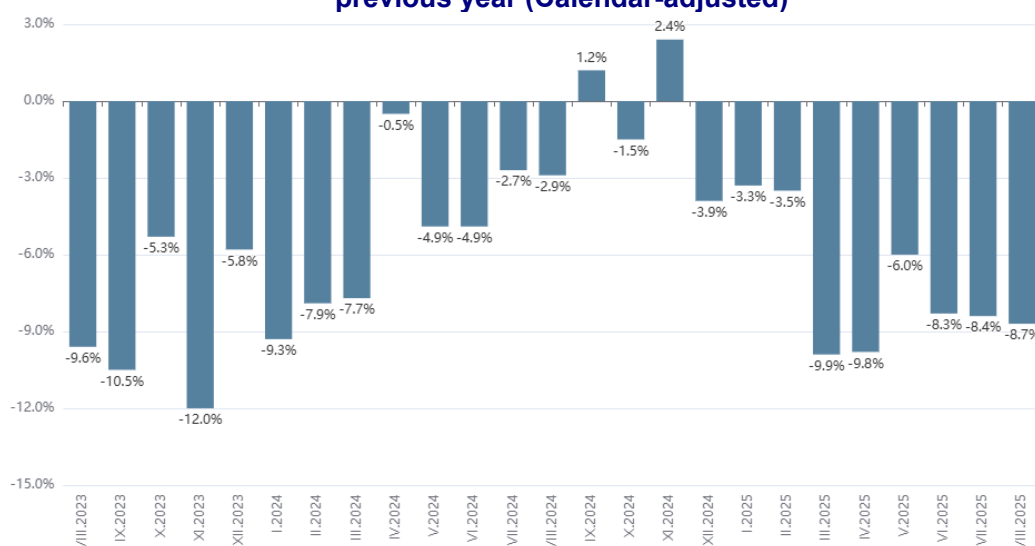
According to the latest seasonally adjusted Eurostat data, in August 2025 the volume of industrial production increased by 1.1 % in both the euro area and the EU compared to August 2024, but on a monthly basis (compared to July 2025) industrial production decreased by 1.2 % in the euro area and by 1.0% in the EU, while in July 2025 industrial production increased by 0.5 % in the euro area and by 0.4 % in the EU. In August 2025, the largest annual decline in industrial production was recorded in Bulgaria (-8.6 %), Slovakia (-6.3 %) and Denmark (-5.0 %).

According to the most recent World Economic Outlook from October 2025, the IMF forecasts global economic growth of 3.2 percent this year and 3.1 percent in 2026, up from April's expectations of 2.8 percent and 3 percent, respectively, under the pressure of the shock caused by the tariffs initially announced by the United States. However, the Fund's experts warn that the outlook remains "gloomy." Trade policy uncertainty remains high due to the lack of clear, transparent and lasting agreements between trading partners - with attention now shifting away from tariff levels themselves and towards their impact on prices, investment and consumption, the Fund's experts say. For the eurozone, the IMF forecasts growth of 1.2 percent in 2025 and 1.1 percent, while Germany, the largest economy in the currency union, is expected to avoid recession with at least minimal growth of 0.2 percent this year and 0.9 percent next year. US economic growth is expected to be 2 percent and 2.1 percent in the two years covered by the forecast. For China, the world's second-largest economy and first in purchasing power parity, a slowdown to 4.8 percent this year and 4.2 percent next year is forecast, compared to the 5 percent rate reported for 2024. According to the IMF's experts, a positive impact on the global economy can be achieved by reaching trade agreements and reducing tariffs, using the potential of AI to increase productivity, as well as improving domestic policies, through the proper implementation of which countries could restore their fiscal space, optimize public spending, and ensure independent monetary policy to strengthen economic resilience and reduce macroeconomic risks.

Pursuant to data of the National Statistical Institute in September, in September 2025, the composite indicator "business climate in industry" increased by 0.5 points (from 18.3% to 18.8%) which is due to the improved assessments of industrial entrepreneurs for the current business situation of enterprises. According to them, in the last month there has been a certain increase in the security of production with orders, which is accompanied by increased expectations for production activity in the next three months. The main problems limiting activity in the sector remain the uncertain economic environment and labor shortage, including qualified specialists, indicated by 40.9 % and 36.6 % of the enterprises, respectively, followed by insufficient demand from abroad - 25.8 % and insufficient demand from the country - 24.9 %. Regarding sales prices, managers expect that they will keep their level in the next three months.

At the same time, according to preliminary seasonally adjusted data of the NSI, in August 2025 the Industrial Production Index remained at the level of the previous month, July 2025 but reported a decrease by 8.7 % compared to the same month of the previous year, with the decrease again being comparable from a lower base, since in August 2024 a decrease by 2.9 % was also reported compared to August 2023. On an annual basis, a decrease in industrial production was reported in the production and distribution of electricity, heat and gas - by 30.8 %, in the extractive industry - by 6.9 %, and in the manufacturing industry - by 4.6 %.

Change in the Industrial Production Indices compared to the same month of the previous year (Calendar-adjusted)



Source: NSI

According to data from the National Statistical Institute, in August 2025 the general Producer Price Index, which measures the average change in prices of industrial products produced and sold by Bulgarian enterprises, recorded an increase by 7.9 % compared to the level of August 2024. Price growth was reported in the production and distribution of electricity, heat and gas - by 14.2 %, in the extractive industry - by 13.8 %, as well as in the manufacturing industry - by 9.7 %.

The interest rate risk is related to changes in the levels of the market interest rates, which could lead to an increase in the interest expenses and a corresponding decrease in the financial result of the companies in the Group.

At its meeting on 11 September 2025, the Governing Council of the ECB decided to leave the three key ECB interest rates unchanged. Inflation is currently around its medium-term objective of 2% and the Governing Council's assessment of its forecast remains broadly unchanged.

Since the July 2025 Monetary Policy Meeting of the Governing Council, short-term market interest rates have increased, while long-term interest rates have remained broadly unchanged. However, the Governing Council's previous rate cuts continued to make borrowing cheaper for businesses in July. The average interest rate on new loans to businesses fell to 3.5% in July, down from 3.6% in June. The cost of issuing market debt remained unchanged at 3.5%. Loans to enterprises increased by 2.8%, slightly higher than in June, while growth in issued corporate bonds accelerated to 4.1% from 3.4%. In July, the average interest rate on new mortgage loans remained unchanged at 3.3%, while mortgage lending growth accelerated to 2.4% from 2.2%.

According to BNB data, the key interest rate for the first nine months of 2025 has been consistently and gradually decreasing from 2.95 percentage points as of 01.01.2025 to 1.82 percentage points as of 01.09.2025.

Inflation risk is related to the probability for the purchase prices of goods and services to increase significantly which leads to lower incomes, shrinking consumers' demand and limiting the country's economy growth. Inflation can directly affect the real return on a given investment since with high inflation, even high nominal incomes can appear to have a negative nominal return.

According to information from the September 2025 Economic Bulletin, the ECB projects headline inflation, measured by the Harmonized Index of Consumer Prices (HICP), to remain unchanged at around 2 % until the end of 2025 and to decline to 1.7 % in 2026, before recovering to 1.9 % in 2027. The decline in 2026 reflects a gradual further slowdown in non-energy components with energy inflation expected to remain volatile but also to increase over the projection horizon. HICP inflation excluding energy and food

is expected to decline from 2.4 % in 2025 to 1.9 % in 2026 and to 1.8 % in 2027, as wage pressures ease, services inflation slows, and appreciation of the euro impacts pricing chain and reduces goods inflation. Compared to the June 2025 projections, the outlook for headline HICP inflation has been revised up by 0.1 percentage points for 2025 and 2026 and down by 0.1 percentage points for 2027.

The IMF's expectations, set out in its October 2025 World Economic Outlook, are for global inflation to be 4.2 percent this year and 3.7 percent next year, with changes from both the April report and the revisions announced in July being minimal.

According to the latest Eurostat data from 17.10.2025, calculated against the Harmonized Index of Consumer Prices (HICP), the inflation rate in the European Union accelerated in September to 2.6 percent on an annual basis compared to 2.4 percent reported for August. Over the same period, annual inflation in the euro area increased to 2.2 percent compared to 2.0 percent in August. The lowest annual rates were recorded in Cyprus (0.0 %), France (1.1 %), Italy and Greece (both 1.8 %). The highest annual rates were recorded in Romania (8.6 %), Estonia (5.3 %), Croatia and Slovakia (both 4.6 %). Compared to August 2025, annual inflation fell in eight Member States, remained stable in four and increased in fifteen.

Pursuant to data from the NSI, in September 2025, the monthly inflation measured by the CPI was -0.8 % and the annual inflation for September 2025 compared to September 2024 was 5.6 %. Inflation since the beginning of the year (September 2025 compared to December 2024) was 3.4 %, and the average annual inflation for the period October 2024 - September 2025 compared to the period October 2023 - September 2024 was 3.8 %. In September 2025, the monthly inflation measured by the HICP was -0.6 %, and the annual inflation for September 2025 compared to September 2024 was 4.1 %. Inflation since the beginning of the year (September 2025 compared to December 2024) was 2.7 %, and the average annual inflation for the period October 2024 - September 2025 compared to the period October 2023 - September 2024 was 3.1 %.

The systematic currency risk is the probability of a possible change in the currency regime of the country (currency board) which would lead either to the devaluation of the lev or to the appreciation of the lev against foreign currencies. According to the current legislation in the country, the Bulgarian lev is fixed to the common European currency - euro in the ratio EUR 1 = BGN 1.95583.

On 08.07.2025, Bulgaria received the last necessary approval for its accession to the euro area from 1 January 2026. After the European Parliament voted for our country to join the euro area, the Council of the European Union for Economic and Financial Affairs (ECOFIN) approved three legal acts, which complete the approval process - on the adoption of the euro by Bulgaria from 1 January 2026 in accordance with Article 140, paragraph 2 of the TFEU; on the introduction of the euro in Bulgaria in accordance with Council Regulation (EC) No 974/98; and on the exchange rate of EUR 1 = BGN 1.95583 for Bulgaria in accordance with Council Regulation (EC) No 2866/98. This successfully completed the approval process for our membership application and our country will officially join the euro area from 1 January next year.

The currency conversion will be carried out at the fixed rate of EUR 1 = BGN 1.95583 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.

Given the export orientation of most of the companies in the group of Stara Planina Hold Plc, changes in the values of currencies have a certain effect and are a risk factor for their activities. Exchange rates affect revenues from sales abroad and the cost of deliveries of imported raw materials as they largely compensate each other. Due to the fact that these companies make their main payments in BGN and EUR and realize the main part of their sales revenues in EUR, the impact of this risk on their activity is significantly reduced. The management of the holding observes the movement of the exchange rates and takes measures to avoid the negative consequences of their change.

The political risk is the probability of occurrence of serious domestic political upheavals that will lead to a negative change in the government's economic program and its priorities for economic

development, as a result of which the environment where companies operate will change in a negative direction, and investors will suffer losses. The degree of political risk is determined by the probability of changes in an unfavorable direction of the government's long-term economic policy, which may have a negative impact on investment decisions.

As of the date of this notice, the political instability in the country over the past four years does not appear to have been sustainably overcome and continues to be assessed as a major factor negatively affecting not only economic activity and the business environment, but also all public systems in the country. The implementation of the 2025 budget continues to raise growing concerns about long-term fiscal sustainability, as the growth rate of budget expenditures continues to significantly outpace that of revenue growth. According to data Ministry of Finance, the budget balance under the consolidated fiscal program as of August 2025 is negative at BGN 5 215 billion (2.4 percent of projected GDP). It is formed by a national budget deficit of BGN 3.4 billion and a deficit in European funds of BGN 1.815 billion. This is over two-thirds of the deficit planned for 2025, given that traditionally the largest accumulation of expenses is in the last quarter of the year. A comparison with data for previous periods shows that such a large deficit at this time of year has not been reported in at least the last two decades - neither as an absolute value nor as a share of the economy. Against this background, the Fiscal Council presented a forecast according to which the country's budget deficit could reach BGN 9.4 billion (approximately 5.1 percent of GDP on a cash basis) by the end of 2025. Leading economists and the businesses express concern that this government budget policy outlines a risk of an unsustainable fiscal spiral, threatening the country's macroeconomic stability and medium- and long-term economic growth. BNB Governor Dimitar Radev also expressed concern that the 2026 budget is also facing serious difficulties, drawing attention to the fact that debt-taking must be countered by investments and economic growth, and wage increases by reforms, and given that there are a number of systems in which wage costs are 70-80, even over 90% of their total costs, one cannot speak of efficiency.

Next, the seriously undermined rule of law and the failure to implement the commitments made for reforms in this regard led to a decision by the European Commission dated 06.10.2025 to temporarily withhold part of the second payment for Bulgaria under the Recovery and Resilience Plan due to the failure to implement one of the key objectives - the reform of the Anti-Corruption Commission. Due to a serious delay in the necessary reforms at the national level, Bulgaria has not yet received payment under the second tranche of the National Recovery and Resilience Plan. In addition, our country has submitted a request for the third payment, which amounts to EUR 1.6 billion and the Ministry of Finance expects the second and third tranches under the Recovery and Resilience Mechanism to arrive in the fourth quarter of the year, amounting to over BGN 4.4 billion, but at this stage this still remains uncertain.

In the annual report on the rule of law in the EU published on 8 July 2025, the European Commission reports that Bulgaria has made "limited progress" in implementing the commitments made. The European Commission expresses its serious concern about the state of the rule of law in Bulgaria in 2025 and recalls that after 2023, the reform has stalled, which calls into question the sustainability of key changes in the judiciary and the fight against corruption. One of the most serious problems outlined in the report is the extremely low trust in the judiciary, both among citizens and businesses. According to the Commission's data, only 27 % of citizens and companies assess the independence of the courts as "good", which is a slight increase compared to 2024, but a significant decrease compared to 2021, when 32 % of citizens and 43 % of companies had a similar opinion.

According to the 37th edition of the World Competitiveness Ranking for 2025 of the Institute for Management Development - Switzerland (IMD), published on June 17, in 2025 Bulgaria ranks 57th out of a total of 69 countries, advancing by 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 has recorded a decline in terms of economic efficiency (from 45th to 50th place) and business environment (from 65th to 67th place). For comparison, compared to 2020, Bulgaria has deteriorated by 9 positions, and compared to 2009 - by 19, which places it among the most uncompetitive economies in Europe. Some of the leading challenges and opportunities for improving Bulgaria's competitiveness in 2025, identified in the report by

the Center for the Study of Democracy, are related to corruption, lobbying, and the state of the judiciary, which act as a deterrent to investment and distort market competition and reforms. Opportunities for improvement include strengthening the rule of law and reducing corruption, which will improve the business environment and attract investment.

According to the "Economic Freedom in the World in 2025" report of the Canadian Fraser Institute, Bulgaria ranks 56th in economic freedom in the world among 165 countries, falling 4 positions compared to the previous year's ranking. For another year, Bulgaria received the lowest score in terms of the legal system and property rights, and in this category, which measures the rule of law, the independence of the court, 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 regressed in terms of the size of government category, which includes indicators such as the share of redistribution through the budget, transfers and subsidies, size of state assets, and taxes. Bulgaria received the maximum score solely because of the flat tax. The two categories in which Bulgaria received its highest scores in the index are monetary stability and freedom of international trade, which are respectively predetermined by the currency board and Bulgaria's membership in the EU. At the same time, in the remaining categories, which concern current policies and implementation of reforms, the scores remain low and freedom remains limited.

In addition, according to information from the website of the global supervisory body Financial Action Task Force (FATF) as of the end of the reporting quarter, Bulgaria remains on the "grey" money laundering list and continues to be subject to enhanced monitoring. Croatia, Mali and Tanzania have been removed from the FATF "grey" list and Bulgaria remains the only European country included along with countries such as Burkina Faso, Cameroon, the Democratic Republic of Congo, Haiti, Kenya, Nepal, etc.

Last but not least, the price of electricity in Bulgaria continues to be among the highest in all of Europe, according to the actual data on electricity trading on the energy exchanges in the European Union, and the price of electricity in Europe continues to be significantly higher compared to Asia and North America. This puts European, and therefore Bulgarian, business at a disadvantage in terms of competition. At the European level, the historical divisions between Eastern, Central-Western and Northern Europe still have an impact on network capabilities, which is why efforts to improve connectivity towards the integration of national energy networks in a broader European context should be significantly accelerated. The "Green Deal" also remains a key challenge, which urgently and in a short time must be seriously revised so that it does not become a brake on industrial development.

Internationally, in the context of the current geopolitical situation, risks for Bulgaria are increasingly linked to European policies. On the one hand, they arise from the failure to achieve sustainable results in relation to our country's commitments to implement serious structural reforms in line with EU policies. On the other hand, the effectiveness of common European policies in the field of trade relations with the US and other trading partners, 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.

Regulatory risk is related to the impact of the existing regulatory framework at national and European level or its change, as well as the potential possibility of imposing sanctions as a result of non-compliance with this framework.

In recent years, Bulgarian and European businesses have continued to be increasingly affected by the intensively strengthening European and national regulation in many areas, including an increased focus on sustainability issues. The trend of continued increase in the administrative burden on business in the absence of reasonable and adequate reliefs is strongly increasing the costs required to comply with the new regulation and the related reporting requirements. The ongoing deterioration of the business environment in the European Union, expressed in high energy price levels, the imposition of numerous

regulations that significantly increase the administrative burden on business, along with new geopolitical challenges, continues to demotivate entrepreneurial activity and leads to an outflow of capital from Europe, a decrease in competitiveness and hinders economic growth. In recent years, the EU economy has lagged behind that of the US and China. The EU's share of the world economy has fallen from 25.8% in 2004 to 17.6% in 2024. Over the same period, the EU's share of global exports has fallen from 18.9% to 14%.

At 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 for businesses and those working in the private sector, which will have an additional negative impact on economic activity, along with the expected effects of global geopolitical changes. According to business analyses, the tax burden in Bulgaria is currently higher than the European average with a broad tax base on which low rates are applied. An increase in taxes would not guarantee an increase in budget revenues, but would lead to a decrease in economic growth and investments.

In addition to the indicated systematic risks, the activities of the companies in the group of Stara Planina Hold Plc are related to non-systematic risks such as industry risk, concerning the state and trends for development of a given industry as a whole and a company risk arising from the specifics of the company.

Impact of the main risks and uncertainties

According to the ECB's September 2025 Economic Bulletin, the Governing Council assesses that the risks to economic growth are now more balanced. While uncertainty has been decreasing as a result of the recent trade agreements, a further deterioration in trade relations would put further pressure on exports and dampen investment and consumption. The deterioration in financial market sentiment could lead to tighter financing conditions, greater risk aversion and weaker growth. Geopolitical shocks, such as the military conflict in Ukraine and the Middle East, remain the main sources of uncertainty.

The inflation outlook remains more uncertain than usual due to the still volatile global trade policy environment. A stronger euro exchange rate could lead to a larger-than-expected decline in inflation. It could also be lower if higher tariffs lead to lower demand for euro area exports and countries with excess capacity increase their exports to the euro area. Trade tensions could lead to more volatility and risk aversion in financial markets, which would dampen domestic demand and consequently lower inflation. Increased spending on defense and infrastructure could lead to higher inflation in the medium term.

In this context, the ECB considers it essential to take urgent action to strengthen the euro area and its economy in the light of the current geopolitical context. Fiscal and structural policies should lead to increased productivity, competitiveness and resilience of the economy. One year after the publication of Mario Draghi's report on the future of European competitiveness, it remains crucial that its recommendations are followed up with concrete action and that their implementation is accelerated in line with the European Commission's roadmap. Governments should prioritize growth-enhancing structural reforms and strategic investments, while ensuring sustainable public finances.

Against this background and in complete contradiction to the intentions announced in February 2025 for active deregulation to support and promote the competitiveness of European business, on July 16, 2025, the European Commission presented a record draft EU budget for the period 2028-2034 in the amount of almost EUR 2 trillion, according to which the contributions of the member states are maintained, but in order to cover the increased costs - especially related to security, green transformation and recovery after the pandemic - Brussels is relying on five new sources of revenue, including a new annual corporate tax for medium-sized companies that have a net annual turnover of over EUR 100 million in the EU. Two other sources of additional revenue are envisaged to come from redirecting part of the carbon quotas (ETS) revenues that currently go to national budgets, with an expected revenue for the EU budget of €9.6 billion per year, and revenues from a new "carbon border tax" that would be levied on imported goods from countries with weaker environmental regulations, with part of these funds,

approximately €1.4 billion per year, also expected to go to the EU budget. Germany, the Netherlands and Hungary have already issued serious criticism and warned that "an overall increase in the EU budget is unacceptable at a time when all member states are making significant efforts to consolidate their national budgets" and that the new budget proposed by the European Commission for the period 2028-2034 "has no clear strategic foundations and would ruin the European Union."

In this context, the latest research by the consultancy EY on Europe's attractiveness to investors in 2024, published on July 17, 2025q shows a 5 % decline in foreign direct investment in Europe and a 16% decline in jobs with 45 % of companies surveyed saying that Europe's approach to rules and requirements is reducing its attractiveness as an investment destination and that streamlining regulations and harmonizing approaches across member states could be essential to increase Europe's investment attractiveness. The study also found that 37 % of companies have postponed, cancelled or scaled back their investment plans due to high electricity prices, complex regulatory requirements and geopolitical tensions. Based on the views of business leaders from 45 countries, EY offers a plan of 12 collective steps to regain investor interest in Europe, which include reducing energy prices and increasing energy independence as a top priority; streamlining regulations and harmonizing approaches across member states; reducing corporate tax rates and predictability of the tax environment; a new trade strategy; protecting critical industries; accelerating the transition to low-carbon energy and simplifying access to decarbonization programs; stimulating investment in innovation, including artificial intelligence and clean energy, etc.

At the same time, the negative effects of the existence of price imbalances on the European electricity market and the prolonged periods of extremely high prices in South-Eastern Europe, systematically lead to an increase in inflation and production costs, as well as to a deterioration in industrial competitiveness and the business environment for the development of supply chains. Price imbalances in South-Eastern Europe are sustainable, with the difference with Central Europe reaching 30 % for the whole of 2024, and in individual months exceeding 50 %. This situation continues at present, and the war in Ukraine, as well as its destroyed energy infrastructure, but also the limited interconnections on the borders of Hungary and Croatia, are prerequisites for the imbalances to manifest themselves for a long time to come. Overcoming these imbalances requires the introduction of additional national regulations for adequate protection of domestic consumers, applicable at least until the development and implementation of pan-European mechanisms for compensating for significant price deviations. In response to this need, the Electricity Cost Compensation Program proposed by the Council of Ministers is intended to be applied to non-household end customers only when the weighted average baseload price of the "Day Ahead" segment of the "Bulgarian Independent Energy Exchange" EAD for the respective six-month period (from 01.07.2025 to 31.12.2025 and from 01.01.2026-30.06.2026) is above 240 BGN/MWh. According to calculations by the Association of Industrial Capital in Bulgaria, this practically means that the program does not actually provide compensation for non-household consumers of electricity, since the weighted average six-month price for the first period is below 206 BGN/MWh, and for the next six-month period January-June 2026 it is expected to be below 200 BGN/MWh.

Against this background, the Bulgarian Chamber of Mechanical Engineering reports a 30 % decrease in orders in the mechanical engineering sector in Bulgaria as a result of the industrial crisis in our country over the past three years. Bulgarian mechanical engineering continues to report serious declines in turnover since the beginning of the year, with expectations that the negative trend will be maintained by the end of 2025. The data on the continued decline in production are highly worrying for the prospects for Bulgaria's economic growth, as mechanical engineering is a major industry in our country's industry and in recent years the volume of mechanical engineering production has formed over 10% of the gross domestic product. Among the reasons for these results in mechanical engineering, the chamber highlights geopolitical factors, the shortage of personnel, and energy policies.

The main market for Bulgarian mechanical engineering is the EU and especially Germany - the country most affected by the recession and crises, which also affects economic production in our country. A significant problem facing the industry, which is common not only to mechanical engineering, but also

to the industry as a whole, is the high price of energy. The industry expects that with the continuation of the energy support program for business, some of the problems will be solved. Another reason that has a negative impact on the activities of enterprises in the sector is the significant increase in the minimum wage implemented in recent years, which not only entails a forced increase in the average, but also provides a basis for an automatic new increase in the minimum wage, which leads to the stimulation of poorly qualified and poorly working individuals at the expense of qualified and capable specialists. The most serious problem and main risk, with a growing negative impact, both in the mechanical engineering industry and in any other business in Bulgaria, remains the lack of training itself. Along with the negative demographic trend in the country, the absence of a state policy facilitating labor immigration and a methodology for planning and training personnel coordinated with the business, the shortage of human resources continues to be a key problem facing business and part of the reasons for the withdrawal of international companies from our country. At the same time, the implementation of an inadequate income policy, by increasing the minimum wage absolutely disproportionate to the growth of productivity and even inflation, deepens this problem by further worsening the business environment and leading to a leveling off that demotivates workers and employees.

The responsible and consistent implementation of reasonable state policies for implementing reforms for quality education and healthcare, adequately functioning pension, insurance and judicial systems, for transparently directing funds from European funds and programs into projects with long-term potential for developing the economy are essential for achieving the last, at this stage, strategic goal of our country for joining the OECD.

Share price



Source: BSE-Sofia AD

----- closing price in BGN

The graph shows the price movement of the shares of Stara Planina Hold Plc on the Bulgarian Stock Exchange for the period 01.01.2025 – 30.09.2025.

- Start price: BGN 8.6770 лв. (01.01.2025)
- Last price: BGN 9.8000 лв. (30.09.2025)
- Max price: BGN 10.1000 лв. (23.09.2025)
- Min price: BGN 7.7129лв. (11.04.2025)
- Value change: BGN +1.1230
- Percentage change: + 12.9423 %.

The market capitalization of the holding as of 30.09.2025 is BGN 205.8 million.

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

There are no transactions between related and/or interested parties concluded during the reporting period of the current financial year, which have significantly affected the financial condition or the results of the company's activity in this period except for the announced under Section IV of this announcement.

IV. Information on newly-arising significant receivables and/or liabilities for the respective reporting period

In the reporting third quarter of 2024 was concluded a loan agreement dated 01.07.2025 with Hydraulic Elements and Systems Plc, with UIC: 838168266 - borrower and which Stara Planina Hold Plc - parent company whereby the parent company credits its subsidiary HES Plc under the terms of Art. 114, para. 10, item 3 of the Public Offering of Securities Act by providing a cash loan in the amount of BGN 3 500 000 (three million and five hundred thousand) for a period of one year starting from 01.07.2025 at an annual interest on the principal amount of the used loan in the amount of 3.7 %.

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

Change in the persons exercising control over the company	None.
Initiation of insolvency procedure for the company or its subsidiary and all material stages related to the proceedings	None.
Concluding or executing significant transactions	Information is provided under Section IV of this document.
Decision to conclude, cancel and terminate a joint venture agreement	None.
Change of the company's auditors and reasons for the change	None.
Initiation or termination of a court or arbitration case relating to liabilities or receivables of the company or its subsidiary with a claim value of at least 10 percent of the company's equity	None.
Purchase, sale or established pledge of shares in commercial companies by the issuer or its subsidiary	Information is provided under Section I of this document.
Other circumstances that the company considers to be possibly relevant to investors in deciding to acquire, sell or continue holding publicly traded securities	Information is provided under Section I of this document.

Media

Stara Planina Hold Plc discloses regulated information to the public through the information media **Extri News**.

The inside information for Stara Planina Hold Plc under Art. 7 of Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 concerning the circumstances occurred during the nine-month period of 2025 is published on the company's website in the **News section** - <https://www.sphold.com/en/news>, as well as in the **X3News media-**

http://www.x3news.com/?page=Company&target=InsiderInformation&BULSTAT=121227995&MESSAGE_TYPE=2 through which the company publicly discloses inside information.

This document was prepared in accordance with Art. 100o¹, para. 1 of the Law on Public Offering of Securities.

Executive Director: Vasil Veleв