STARA PLANINA HOLD PLC

PUBLIC NOTICE ON THE FINANCIAL STANDING

EXPLANATORY NOTES

for the third quarter of 2026 (on a consolidated basis)

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

Detailed information on the important events that have occurred from the beginning of the financial year to the end of the third quarter of 2026 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 regulatory requirements through the information media X3 News.

The general meeting of the shareholders of Stara Planina Hold Plc, held on June 10th, 2026 adopted a resolution for the amount of EUR 3 346 216.40 to be paid in the form of dividend under the following parameters:

1.1. gross dividend per share: EUR 0.16146;

1.2. initial date for dividend payment - August 1st, 2026;

1.3. The dividend payment period through the bank engaged under the dividend payment agreement shall be six months;

1.4. Method of payment: through Central Depository AD and the offices of International Asset Bank AD.

The amount of this dividend remains the highest in the Company's history. The total amount of dividends distributed to the shareholders of Stara Planina Hold Звъ to date exceeds EUR 35.12 million. The initial investment in the Company has generated a cumulative dividend return equivalent to 39.3 times the original investment.

The total amount of accrued dividends for the 2026 financial year expected to be received by Stara Planina Hold Plc amounts to EUR 3 248 775,19.

On March 4, 2026, the Board of Directors of the subsidiary Elhim-Iskra Plc adopted a resolution to suspend the operation of the enterprise effective as of March 23, 2026. Following the expiration of 19 working days from the commencement of the suspension, and effective from the 20th working day of the work stoppage, actions shall be initiated to terminate the employment relationships with the workers and employees pursuant to Art. 328, Para. 1, Item 4 of the Labor Code. The primary factor leading to this decision is the loss of market positions in Western European countries as a result of the prolonged decline in industrial production and the emergence of alternative manufacturers from Turkey, China, and India, which operate with significantly lower energy and labor costs and thus offer lower prices, as well as the loss of the company's most profitable markets in the CIS countries due to the military conflict in Ukraine and the sanctions imposed by the EU.

On April 16, 2026, the Board of Directors of the company adopted a restructuring plan for the company's activities, aimed at limiting and terminating the losses from manufacturing operations, which have been ongoing for a third consecutive year, as well as an updated business plan for 2026. The objective of the developed restructuring plan is to transform Elhim-Iskra Plc into a compact and flexible enterprise with high-tech manufacturing that guarantees a positive cash flow even in an aggressive market environment.

In the period since March 4, 2026, when the Board of Directors of the company adopted the resolution to suspend the operation of the company, a detailed analysis and a plan to discontinue all inefficient manufacturing activities and processes have been prepared. Under conditions of market uncertainty, the company is temporarily suspending high-budget investment projects with long payback periods and is focusing on immediate cost-of-sales optimization.

Manufacturing operations shall be limited to the production of the following product types: semi-traction batteries, cells for traction batteries, and traction batteries, restricting the volume to 100% capacity utilization only on the automated high-tech lines with no technological risk. Priority is given to orders with a guaranteed margin and low technological risk, which will enable the production team to achieve rhythmicity and eliminate losses resulting from frequent machine changeovers.

As part of the business restructuring plan, the Board of Directors of Elhim-Iskra Plc approved a personnel optimization plan to reduce the workforce to 135 employees (compared to 197 in 2025), maintaining an optimal ratio between production and support staff.

With a view to implementing the manufacturing program of Elhim-Iskra Plc, the Board of Directors of the company has approved an updated investment program for 2026, aimed at reducing

technological losses along the workflow and increasing the productivity of the main restructured sections. The Board of Directors of Elhim-Iskra Plc shall exercise ongoing control over the implementation of the restructuring plan and will take appropriate corrective measures and actions if necessary. In line with management's expectations as of mid-May 2026, production operations and deliveries to customers were restored.

The ongoing military conflict between the US/Israel and Iran has already led to an increase in oil and gas prices, which in turn drives up electricity prices—already above the EU average in Bulgaria even prior to the conflict. Hostilities have closed the Strait of Hormuz, disrupting over one-third of global oil and liquefied natural gas (LNG) exports, with tankers unable to pass through for more than a month. Metal prices are rising due to supply chain disruptions and higher energy costs for extraction and processing. The rerouting of ships and increased maritime insurance premiums are extending delivery times and driving up logistics costs, affecting not only Bulgarian exporters to Asia and the Middle East.

There have been no other significant events since the beginning of the financial year that have affected the results presented in the financial statements, other than the continuing uncertainty surrounding global trade policies, the military conflicts in Ukraine and the Middle East, and their adverse effects on economic activity, international trade, the prices of key raw materials and commodities, including energy resources, as well as inflation. The continued slowdown in the growth of the European economy and the increasing geopolitical uncertainty worldwide remain key factors affecting the overall operations and business performance of the companies within the group of Stara Planina Hold Plc.

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 first nine months of 2026, the companies in the Group of Stara Planina Hold Plc continued to operate amid persistent global economic and geopolitical uncertainty affecting international trade, supply chains and investment activity. Volatility in commodity and energy markets, trade restrictions and higher logistics costs continued to exert additional pressure on production costs. The global economy is facing one of the most complex combinations of economic, energy and geopolitical risks since the beginning of the 21st century. Strategic rivalry between the United States and China is intensifying across trade, technology, semiconductors and security, while Europe faces simultaneous energy, defence and fiscal pressures, with inflation accelerating again as a result of the energy shock. At the same time, by the end of the third quarter, manufacturing activity data indicated improvement in a number of leading economies, providing grounds for a more favourable outlook while maintaining a cautious approach to forecasting.

According to preliminary data from S&P Global, the eurozone manufacturing PMI rose to 52.9 in November from 52.7 in October, matching its September reading, the highest since May 2022. Manufacturing output growth accelerated, and employment in the sector increased at the fastest pace in three and a half years. Input costs and selling prices continued to rise sharply, albeit at slower rates. Investment in AI-related technologies and defence supported demand for machinery and equipment. Outside these segments, high prices and higher borrowing costs continued to weigh on demand.

In Germany, the preliminary manufacturing PMI rose to 55.0 in November from 54.2 in October, reaching a 56-month high. Rising export orders continued to support the expansion, and manufacturers increased employment for the first time since mid-2023. Growing backlogs of work and improved business expectations pointed to stronger growth momentum in the sector. In France, preliminary data from S&P Global showed that the manufacturing PMI fell to 47.9 in November from 49.5 in October, its lowest level in 12 months. Manufacturing output contracted at the fastest pace since February 2025

amid weak domestic demand. In Italy, the manufacturing PMI fell to 49.4 in October from 50.4 in September. New orders declined for the fourth consecutive month, and output contracted at the fastest pace since the start of the year. Manufacturers also reported higher costs, while delivery times lengthened at the fastest pace in three months. Expectations for the next 12 months remained positive, although business confidence weakened.

Against this backdrop, the S&P Global US Manufacturing PMI fell to 54.5 in November from 54.9 in October. The index signalled an improvement in business conditions for the sixteenth consecutive month, although the pace of expansion slowed for a second straight month and was the weakest since August. New manufacturing orders were little changed. High prices weighed on demand, while limited spare capacity held back output growth.

In India, the preliminary HSBC Manufacturing PMI, compiled by S&P Global, rose to 56.0 in November from 54.7 in October. The index reached a nine-month high, supported by faster growth in new orders and output, as well as an increase in employment. Stocks of finished goods rose at the fastest pace since March 2005. Input costs continued to rise moderately, while supplier delivery times shortened for another month.

In China, the official manufacturing PMI published by the National Bureau of Statistics fell to 49.3 in October from 50.1 in September. The private-sector RatingDog China General Manufacturing PMI, compiled by S&P Global, edged down to 52.0 in October 2026 from September's five-month high of 52.1. The index signalled expansion for the eleventh consecutive month, marking the longest period of improving manufacturing conditions since mid-2021. Output grew at the fastest pace in six months, supported by another solid increase in new orders.

Globally, the J.P. Morgan Global Manufacturing PMI, compiled in partnership with S&P Global, fell to 52.6 in October from 53.0 in September, remaining above 50 for the fifteenth consecutive month. Output continued to rise across the consumer, intermediate and investment goods sectors, while new export orders increased for the third consecutive month. Delivery delays and capacity constraints continued to make it harder for manufacturers to fulfil orders, and selling prices rose at one of the fastest rates in the past four years. Global manufacturing continued to expand at the start of the fourth quarter, although the outlook for sustained growth remained sensitive to cost pressures and supply chain disruptions.

Concurrently, the ongoing downward trend in Bulgarian industry is confirmed by preliminary seasonally adjusted data from the National Statistical Institute, which show that in September 2026, the calendar-adjusted Industrial Production Index decreased by 0.5 % compared to the previous month and registered another drop of 8.9 % compared to the same month of the previous year.

Against this backdrop, according to preliminary NSI data as of November 11, 2026, Bulgaria's foreign trade during the first nine months of the year continues to be characterized by growth in both exports and imports. During the period January – September 2026, total goods exported from Bulgaria amounted to EUR 35,599.3 million, which is 11.3% more compared to the same period in 2025, while total imports increased by 14.5% over the same period. In September alone, total exports rose by 21.4% year-on-year to EUR 4,422.5 million, while total imports grew by 14.3% compared to the same month of the previous year, reaching EUR 5,314.7 million. For the period January – September 2026, the total foreign trade balance (exports FOB – imports CIF) was negative at EUR 8,965.9 million. In September 2026, the total foreign trade balance (exports FOB – imports CIF) was also negative, amounting to EUR 892.2 million.

Data indicates that export growth remains insufficient to offset the accelerated import of raw materials, energy resources, intermediate goods, machinery, equipment, and consumer products. This worsens the structural imbalance in foreign trade and heightens the economy's reliance on imported resources, while posing a risk of a more adverse contribution of net exports to overall economic growth.

At the same time, in its World Economic Outlook report released on 13 October 2026, the IMF lowered its forecast for Bulgaria's economic growth in 2026 from 2.8% to 2.6% and revised its projection for average annual inflation upwards from 3.8% to 4.9% compared with its spring assessment. For 2027, the Fund expects Bulgaria's economic growth to accelerate slightly to 2.7%, an

upward revision from the 2.5% projected in April. At the same time, its forecast for average annual inflation next year has been raised from 3.7% to 4.8%.

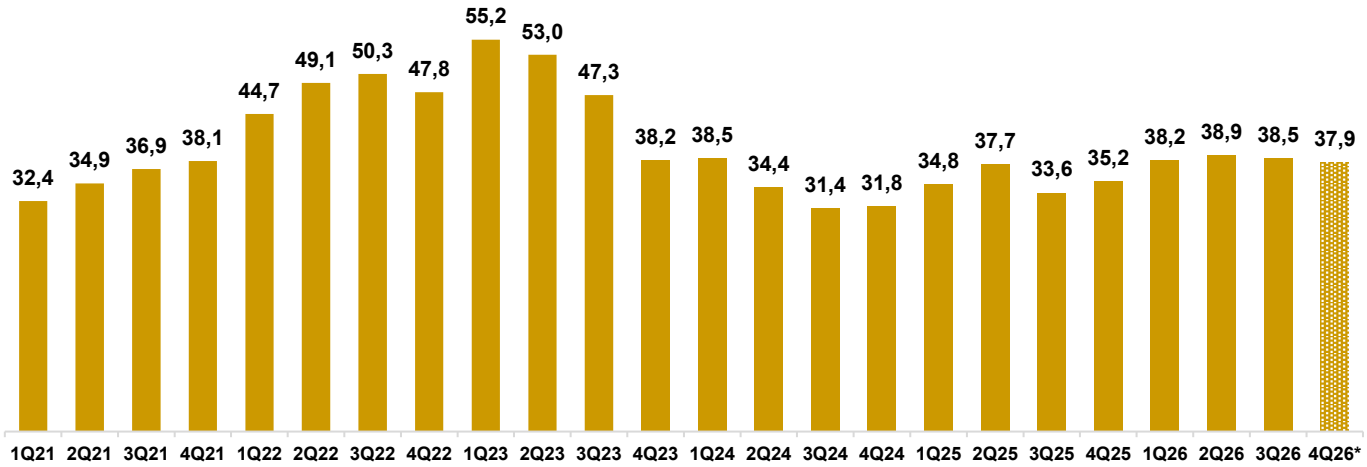
According to the BNB's baseline forecast prepared as of 21 September 2026, Bulgaria's real GDP growth is projected to reach 2.8% this year, before slowing to 2.5% in 2027 and rising to 2.7% in 2028. By comparison, in its previous forecast published in June, the BNB projected similar economic growth for the current year and GDP growth of 2.7% in 2027 and 2.9% in 2028.

In its Autumn Economic Forecast published on November 17, 2026, the European Commission raised its economic growth projection for Bulgaria in 2026 by 0.2 percentage points, while lowering its 2027 estimate by 0.1 percentage points, forecasting that the Bulgarian economy will expand by 2.7% in 2026 and 2.1% in 2027, following a growth rate of 3% in 2025. The Commission expects the budget deficit to reach 5% of gross domestic product (GDP) this year and temporarily narrow to 4% in 2027. Average annual inflation is projected to slow from 4.6% in 2026 to 3.9% in 2027.

The macroeconomic scenario of the Ministry of Finance, outlined in the 2027 Draft State Budget published on November 6, 2026, projects real GDP growth of 3.0% in 2026, 2.5% in 2027, and 2.4% in both 2028 and 2029. The expected slowdown in 2027 is primarily driven by more moderate growth in household consumption, in line with income dynamics. Average annual inflation, measured by the Harmonized Index of Consumer Prices (HICP), is forecast to decline from 4.8% in 2026 to 4.0% in 2027, 2.6% in 2028, and 2.4% in 2029.

Against this background, companies within the group of Stara Planina Hold Plc report results that exceed our forecast expectations for the third quarter of the year. Consolidated sales for the nine months of the year amounted to EUR 115.51 million, representing an increase of 8.77 % compared to the same period of 2025 and of 10.72 % compared to consolidated sales revenue for the nine months of 2024. Consolidated sales only for the third quarter of the year amounted to EUR 38.546 million, representing an increase of 14.38 % compared to the consolidated revenue for same period of the previous year and of 22.39 % compared to consolidated sales revenue for the third quarter of 2024.

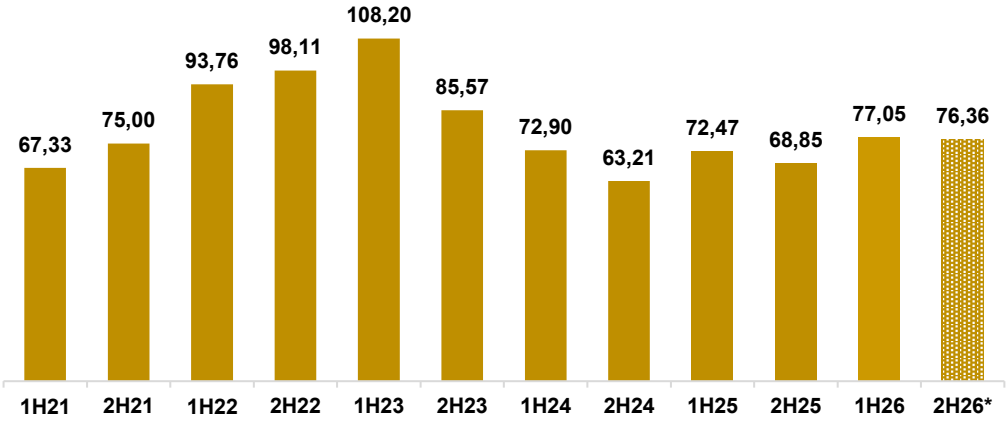
Consolidated net sales revenues by quarters including updated forecast *(EUR million)*



* *forecast*

Based on the results reported to date, we are raising our forecast for the second half of 2026. We now expect consolidated sales revenue to reach EUR 76.27 million, representing an increase of 10.78% over the same period in 2025 and more than 20 % compared to the second half of 2024. We reaffirm our expectation that the trend of higher sales will continue in the final quarter of the year and forecast full-year consolidated sales revenue of EUR 153 million for 2026.

Consolidated net sales by half year
including updated forecast *(EUR million)*



* forecast

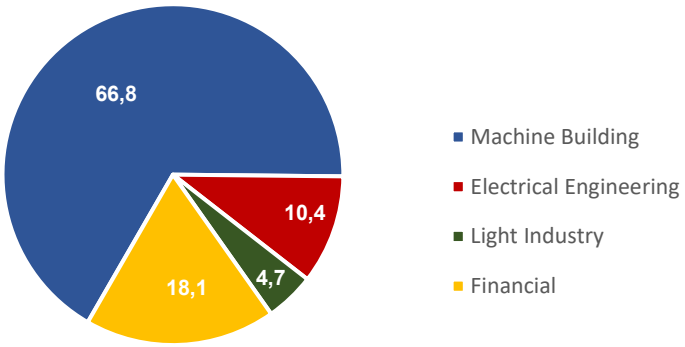
The factors that will continue to affect operations during the final quarter of 2026 include market prices of raw materials and production inputs, transportation of supplies, regional labour market costs, energy prices and security of energy supply. As at the end of the first nine months of 2026, the military conflict between the US/Israel and Iran, which began in late February, continues to pose significant risks to the global economy. Restricted energy supplies from the Middle East, disruptions to maritime transport and higher transportation and insurance costs are intensifying pressure on production costs and inflation. According to the International Energy Agency's September report, oil exports from the Persian Gulf countries in August were approximately half their pre-conflict level, while transit through the Strait of Hormuz remains severely restricted. Prolonged restrictions in the Strait of Hormuz, potential further disruptions to alternative routes and declining available oil inventories create a risk of further increases in fuel prices and worsening energy supply difficulties, with adverse consequences for industry and global economic growth.

Europe is particularly vulnerable to natural gas prices, which have already risen significantly, while the European manufacturing sector faces renewed difficulties, having already borne the burden of higher energy costs compared with manufacturers in the US and China. Transportation and cargo insurance costs are increasing substantially due to heightened risk in the region, which could also lead to production stoppages in key sectors as a result of shortages of energy resources and raw materials.

The country's macroeconomic developments, political environment and fiscal policy, together with geopolitical factors, remain the most concerning circumstances affecting business and may lead to revisions to 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

The participation of Stara Planina Hold Plc in the subsidiaries and associates is accounted for in compliance with the provisions and requirements of IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures.

Subsidiaries are all enterprises under the control of the Company. The control over the subsidiaries of the Company finds expression in its ability to manage and define the financial and operational policy of the subsidiaries so as to derive benefits as a result of their activities. In the separate financial statements of the Company, investments in subsidiaries are reported at cost price.

Subsidiaries included in the consolidated financial notice

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 EUR 0.51. 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 EUR 0.51. Stara Planina Hold Plc holds 12 905 790, representing 51.40 % 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 EUR 0.51. Stara Planina Hold Plc holds 1 143 919 shares, representing 92.65 % of the votes in the General meeting.
SPH Invest JSC Town of Slavyanovo, Pleven district. UIC 114034106	Non-operating enterprise. Registerred capital: 459 222 shares with nominal value of EUR 0.51. Stara Planina Hold Plc holds 453 440 shares, representing 98.74 % of the votes in the General meeting.

Associates included in the consolidated financial notice

Associates are those enterprises over which the Company has the ability to exercise significant influence but are neither subsidiaries nor jointly controlled companies. Investments in associates are reported under the cost price method. The Company reports dividends from an associate in profit or loss in its separate financial statements when its right to receive the dividend is recognized.

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 EUR 0.51.
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.

Bulgarian Rose PLC
Industrialna zona, 4300 Karlovo
UIC:11509344

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 EUR 0.51.
Stara Planina Hold Plc holds 2 675 460 shares, representing 49.99 % of the votes in the General meeting.

Applicable accounting policy

Taking into consideration the influence of the holding on the decision-making in relation to the associates' activities and the necessity of more comprehensive and accurate information for shareholders, investors and all stakeholders, since the beginning of 2011 Stara Planina Hold Plc has applied accounting policies to further facilitate investors in making informed investment decisions. Audit verification of the financial notice has not been made.

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 the first quarter of 2026 and in the medium term 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 enterprises.

According to information from the ECB Economic Bulletin of September 2026, the Eurozone economy proved more resilient than previously anticipated against the fallout from the conflict in the Middle East. Real GDP growth was surprisingly stronger in the second quarter of 2026, and short-term indicators point to steady growth in the near term as uncertainty recedes, confidence improves, and the energy supply shock resulting from the Middle East conflict is projected to gradually fade. In the medium term, domestic demand should continue to be supported by a recovery in real incomes, driven by lower energy inflation, as well as a robust labor market, with the unemployment rate expected to reach unprecedented new lows. Increasing public spending on infrastructure and defense, particularly in Germany, complemented by AI-related investments, should also contribute to growth in the later years of the forecast period. Externally, export growth is expected to accelerate on the back of strengthening foreign demand, although unresolved competitiveness challenges will continue to weigh on performance.

Overall, the baseline scenario of the September 2026 ECB staff macroeconomic projections for the Eurozone forecasts annual real GDP growth of 0.9 % in 2026, 1.4 % in 2027, and 1.5 % in 2028, reflecting an upward revision for both 2026 and 2027, primarily driven by the better-than-expected resilience of the Eurozone economy. Adjusted for the volatility of Irish data, growth is projected to stand at 1.2 % in both 2026 and 2027, before accelerating to 1.4 % in 2028. Compared to the June 2026 projections, GDP growth has been revised upward by 0.1 percentage points for 2026 (0.3 percentage points when adjusted for Irish data volatility). This reflects positive data surprises and strong survey indicators, which generate a carry-over effect into 2027, resulting in a 0.2 percentage point upward revision for that year. The GDP growth forecast for 2028 remains unchanged.

According to the latest seasonally adjusted data from Eurostat, in September 2026, industrial production volume decreased by 1.5% in the euro area and by 0.8% in the EU compared to September 2025, while on a monthly basis (compared to August 2026), industrial production rose by 0.2% in the euro area and by 0.5% in the EU. In September 2026, the steepest annual declines in industrial production were recorded in Ireland (-19.1%), Bulgaria (-8.9%), and Romania (-6.3%).

According to its latest World Economic Outlook, published in October 2026, the International Monetary Fund projects global economic growth to slow from 3.5% in 2025 to 3.1% in 2026, before accelerating to 3.4% in 2027. The projection for this year is unchanged from April, while that for next year has been revised upwards by 0.2 percentage points. The IMF's growth projections for the euro area also remain unchanged from April, at 1.1% in 2026 and 1.2% in 2027. Higher energy prices and weak consumer confidence continue to constrain economic activity. Compared with the US and some Asian economies, the monetary union benefits less from the investment boom associated with AI. The Fund's unchanged overall forecast for the euro area masks significant revisions across individual countries. Among the euro area's four largest economies, the most pronounced upward revision to projected growth in 2026 is for Germany, from 0.8% to 1.3%. The forecast for Italy has been raised from 0.5% to 0.8%, and that for Spain from 2.1 % to 2.5 %. The projection for France, however, has been more than halved, from 0.9 % to 0.4 %.

The US economy is expected to grow by 2.3 % in both 2026 and 2027. The forecast for this year is unchanged from April, while that for next year has been revised upwards by 0.2 percentage points. Growth is supported by resilient private consumption, fiscal policy, favorable financial conditions, investment in technology and productivity gains. The US's status as a net energy exporter limits the direct impact of the war in the Middle East. For China, the IMF projects growth of 4.5 % in 2026 and 4 % in 2027. The projection for this year is 0.1 percentage points below the previous forecast. Higher oil prices, persistent uncertainty and structural challenges, including those in the property sector, constrain economic activity, but government support prevents a sharper slowdown, according to the Fund's

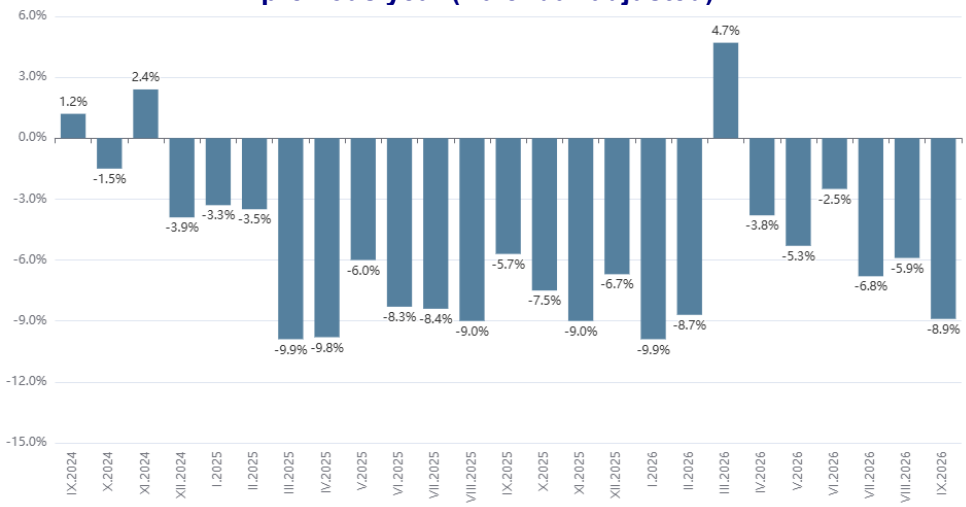
experts. India remains among the fastest-growing major economies. On the fiscal-year basis used by the IMF, growth is projected at 7% in both 2026 and 2027, with both forecasts revised upwards by 0.5 percentage points compared with April.

According to the IMF's assessment in its October World Economic Outlook, the Middle East remains the most severely affected region. The Fund now expects the Middle East and Central Asia region to contract by 0.3 % in 2026, compared with its April forecast of 1.9 % growth. For 2027, however, the forecast has been revised upwards from 4.6 % to 6.3 %, reflecting expectations of a recovery in production, exports and logistics.

According to the National Statistical Institute (NSI), the overall business climate indicator declined by 1.3 points in September 2026 compared with the previous month, from 16.6 % to 15.3 %, with decreases recorded in construction, retail trade and services. The composite business climate indicator in industry increased by 0.6 points, from 16.3% to 16.9 %, reflecting industrial entrepreneurs' improved assessments of their enterprises' current business situation. Their expectations for production activity over the next three months are also favorable. The main obstacles to business operations, whose adverse impact increased over the past month, remain the uncertain economic environment and labor shortages, including shortages of skilled workers, cited by 46.0 % and 31.2 % of enterprises, respectively, followed by insufficient domestic demand (24.8 %) and insufficient foreign demand (22.4%). With regard to selling prices in industry, most managers expect them to remain unchanged over the next three months.

According to preliminary seasonally adjusted data from the NSI, in September 2026, the Industrial Production Index decreased by 0.5 % compared to the previous month and registered a decline of 8.9% compared to the same month of the previous year. On an annual basis, a decrease in industrial production was recorded in mining and quarrying (by 56.6 %) and in manufacturing (by 9.4 %), while growth was observed in electricity, gas, steam and air conditioning supply (by 32.2 %). Within manufacturing, a significant decline compared to September 2025 was registered in the manufacture of fabricated metal products, except machinery and equipment (by 41.2 %).

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



Source: NSI

According to NSI data, in September 2026, the total Producer Price Index (PPI), which measures the average price change of industrial products manufactured and sold by Bulgarian enterprises, recorded an increase of 2.6 % compared to the previous month and a rise of 20.9 % compared to the September 2025 level. On an annual basis, price growth was registered in mining and quarrying (by 69.4 %), in electricity, gas, steam and air conditioning supply (by 26.7 %), as well as in manufacturing (by 10.6 %). Within manufacturing, higher prices were observed in the manufacture of basic metals (by 28.8 %), repair and installation of machinery and equipment (by 11.4 %), and manufacture of chemicals

and chemical products (by 11.2 %). A price decrease was recorded in the general and special purpose machinery and equipment (by 1.9 %).

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.

According to the ECB's Economic Bulletin of September 2026, following the interest rate increase in June 2026, bank lending rates for firms rose to 3.8% in June and July, compared with 3.6% in May. The cost of market-based debt for firms stood at 4.0% in July, broadly unchanged from previous months and well above its level before the conflict in the Middle East. The annual growth rate of bank lending to firms, which typically responds to changes in monetary policy with a longer lag, increased further to 4.4% in July, compared with 4.0% in May and June. Mortgage lending rates remained unchanged at 3.5% in June and July, while growth in mortgage lending slowed slightly to 3.0% in July, compared with 3.1% in May and June.

At its meeting on 10 September 2026, the Governing Council of the ECB decided to raise the three key ECB interest rates by 25 basis points. Accordingly, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility were increased to 2.50%, 2.65% and 2.90%, respectively, with effect from 16 September 2026. The conflict in the Middle East continues to generate inflationary pressures, and inflation is expected to remain well above the target for an extended period. The decision to raise interest rates reflects the Governing Council's commitment to setting monetary policy in a way that ensures inflation stabilizes at its 2% target over the medium term.

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.

In the third quarter of 2026, inflationary pressures intensified again due to renewed energy price shocks. In its Interim Economic Outlook of 23 September 2026, the OECD projected average inflation across the G20 to reach 4.1% in 2026. Central banks continue to maintain a tight monetary policy stance.

According to the ECB's Economic Bulletin of September 2026, the baseline macroeconomic projections for the euro area foresee headline inflation averaging 3.0 % in 2026, 2.5% in 2027 and 2.1% in 2028. Inflation excluding energy and food is projected in the baseline to average 2.5% in 2026, 2.6% in 2027 and 2.3% in 2028. Compared with the June 2026 Euro system staff macroeconomic projections for the euro area, the baseline inflation projection for 2026 remains unchanged, while the projections for 2027 and 2028 have been revised upwards.

According to the ECB, inflation expectations remain elevated in the short term, but most measures of longer-term inflation expectations stand at around 2%, confirming the stabilization of inflation around the target over the medium term. The conflict in the Middle East and the latest developments in the ongoing war in Ukraine are further contributing to higher energy prices, which are likely to keep headline inflation significantly above the target in the first half of 2027. Thereafter, energy price inflation should ease and turn negative by mid-2028, bringing headline inflation down. Higher energy prices are expected to gradually feed through to core and food price inflation. The improved economic outlook should also contribute to slightly higher underlying inflation, which is expected to continue rising until early 2027 and remain elevated until the end of the year, before easing in 2028. Overall, headline inflation is projected to return close to the target towards the end of 2027, owing to the effects of higher interest rates.

In its October 2026 World Economic Outlook, the IMF expects global inflation to accelerate from 4.1% in 2025 to 4.7% in 2026, before returning to 4.1% in 2027. Compared with April, the forecasts for 2026 and 2027 have been revised upwards by 0.3 and 0.4 percentage points, respectively, primarily due to higher energy and food prices. The IMF raised its forecast for average annual inflation in the euro area to 3.1% in 2026 and 2.8% in 2027, compared with 2.6% and 2.2%, respectively, in April. The Fund expects core inflation to return to around 2% only by mid-2028.

According to the latest Eurostat data published on 16 October 2026, annual inflation, measured by the Harmonized Index of Consumer Prices (HICP), accelerated to 3.8% in both the EU and the euro area in September 2026, up from 3.2% in August. The lowest annual inflation rates were recorded in Sweden (1.0%), Hungary and Denmark (both 2.1%). The highest annual rates were registered in Romania (6.5%), Lithuania (6.1%) and Bulgaria (5.6%). Compared with August 2026, annual inflation fell in one Member State, remained unchanged in three and rose in twenty-three.

According to the National Statistical Institute (NSI), monthly inflation measured by the Consumer Price Index (CPI) was -0.2% in September 2026, while annual inflation stood at 5.7%. Year-to-date inflation (September 2026 compared with December 2025) was 4.2%, and average annual inflation for the period October 2025–September 2026 compared with October 2024–September 2025 was 5.1%. Monthly inflation measured by the HICP was 0.0% in September 2026, while annual inflation stood at 5.6%. Year-to-date inflation (September 2026 compared with December 2025) was 4.9%, and average annual inflation for the period October 2025–September 2026 compared with October 2024–September 2025 was 4.2%.

In its autumn macroeconomic forecast, published on 28 September 2026, the Ministry of Finance raised its inflation projections for this year and next year to 4.8% and 4%, respectively, compared with its spring forecasts for average annual inflation of 4.3% in 2026 and 3.8% in 2027. The upward revision reflects a larger-than-expected increase in energy prices, which will continue to have an impact next year. The crisis in the Middle East remains a major risk factor. Initial expectations were that military operations and the blockade of the Strait of Hormuz would continue until mid-2026, followed by normalisation. However, the renewed escalation of the conflict after the summer months is creating additional price pressures, with normalization now expected in 2027.

According to the Bulgarian National Bank's September 2026 macroeconomic forecast, annual inflation, measured by the HICP, is projected to accelerate to 5.2% at the end of 2026 (from 3.5% at the end of 2025), while average annual inflation is expected to reach 4.6% in 2026 (compared with 3.5% in 2025). In 2027, the central bank expects inflation to slow to an annual average of 3.1% (2.9% at the end of the year). Energy products are expected to make the largest contribution to this slowdown, mainly reflecting the high base in 2026 and the baseline assumptions regarding commodity price developments in international markets.

Average annual inflation is projected to ease further to 2.9% in 2028 (2.6% at the end of the year). The BNB expects price growth across all major components of the consumer basket to slow compared with the previous year, except for energy products, owing to the planned introduction of the EU Emissions Trading System 2 (ETS2). According to the BNB's estimates, the introduction of ETS2 in Bulgaria, without accompanying fiscal compensation measures for affected households, would increase average annual inflation in 2028 by 0.5 percentage points.

In its Autumn Economic Forecast, the European Commission projects average annual inflation in Bulgaria to reach 4.6% in 2026, slowing to 3.9% in 2027 and 3.3% in 2028. Compared to its Spring Forecast, the EC has raised its projections for inflation and the budget deficit, while lowering its economic growth estimate for 2027.

Systematic foreign exchange risk is the risk arising from changes in exchange rates driven by factors affecting the overall economic environment, including changes in the monetary policies of major central banks, inflation, interest rates, geopolitical developments, and global financial markets. As this risk originates from external market factors, it cannot be fully controlled or eliminated by an individual enterprise and may have a material impact on financial performance and the value of investments.

As of 1 January 2026, Bulgaria officially became a member of the euro area and gained direct representation within the European Central Bank, participating in the formulation of the euro area's monetary policy. Following a one-month dual circulation period during January 2026, the euro became the sole legal tender in the country. Bulgaria's accession to the euro area has effectively eliminated foreign exchange risk associated with euro-denominated exposures for Bulgarian enterprises. Given the long-standing operation of the currency board arrangement and the fixed exchange rate of the Bulgarian lev against the euro, the immediate impact on foreign exchange exposure has been limited.

Nevertheless, the adoption of the single European currency has removed the residual risk associated with a potential change in the exchange rate regime.

Currency conversion is performed at the irrevocably fixed conversion rate of EUR 1 = BGN 1.95583. Accordingly, there is no risk of depreciation of the Bulgarian lev against the euro. However, exposure remains to adverse movements in the exchange rate of the euro against other major currencies, including the US dollar, Swiss franc, British pound sterling, and other foreign currencies.

According to an ECB analysis, Bulgaria's transition from the lev to the euro has so far had only a limited and largely one-off impact on consumer prices. The estimated inflationary effect of the introduction of the single European currency on 1 January 2026 is between 0.3 and 0.4 percentage points. Price increases have been concentrated mainly in the services sector, with part of the adjustment occurring even before the official changeover.

Given the export-oriented nature of a significant proportion of the companies within the Group of Stara Planina Hold Plc, fluctuations in foreign exchange rates continue to have a certain impact and represent a risk factor for their operations. Exchange rate movements affect both export revenues and the cost of imported raw materials, with these effects largely offsetting each other. As the Group companies conduct the majority of their transactions in euro, while generating most of their sales revenues in euro, the overall impact of foreign exchange risk on their operations is substantially mitigated. The Holding's management continuously monitors developments in foreign exchange markets and takes appropriate measures to minimize the adverse effects of exchange rate fluctuations.

Political risk: 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 unfavourable 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, there are indications that the political instability in the country over recent years - long assessed as a major factor negatively affecting not only economic activity and the business environment, but also all public systems - is being overcome. The results of the snap parliamentary elections held on April 19, 2026 - the eighth in Bulgaria since 2021 - led to the formation of a government with prospects for stable governance.

During the first nine months of 2026, assessments of Bulgaria’s creditworthiness improved despite persistent fiscal and macroeconomic risks. In May, S&P Global Ratings revised the outlook on the country’s credit rating from “stable” to “positive” and affirmed its long- and short-term ratings at “BBB+/A-2”. The positive outlook reflects the potential for rising incomes and faster economic growth, supported by improved political stability, planned reforms and the absorption of EU funds. On 25 September, Fitch Ratings also revised the outlook from “stable” to “positive”, while affirming the “BBB+” rating. The agency acknowledges the benefits of euro area membership and reduced political uncertainty, while also highlighting risks of economic overheating associated with procyclical fiscal policy, high inflation and a widening current account deficit. A sustained improvement in the credit rating remains conditional on the implementation of structural reforms and the containment of macroeconomic imbalances.

According to reported data from the Ministry of Finance published on November 2, 2026, the Consolidated Fiscal Programme (CFP) deficit on a cash basis as of September 30, 2026 amounted to EUR 3,669.2 million, or 2.8% of the projected annual GDP. Revenues, grants, and donations recorded an increase of 10.9%, while expenditures grew by 11.6% compared to the same period in 2025. This growth was primarily driven by higher social and health insurance payments—including pension expenditures following their indexation—increased personnel costs, and capital expenditures under projects from the Recovery and Resilience Plan and the Municipal Investment Programme.

According to a preliminary estimate by the Ministry of Finance from November 2, 2026, the cumulative CFP deficit as of the end of October reached EUR 5.2 billion, or 4.0% of the projected annual GDP. The 1.2 percentage point increase compared to the end of September is mainly

attributable to accelerated capital expenditures and transfers, including payments under Recovery and Resilience Plan projects and for military equipment deliveries.

The fiscal position remains a source of risk. The 2026 State Budget, adopted on 24 July, provides for a deficit under the Consolidated Fiscal Programme of 5.7% of GDP, while the medium-term framework in place at the time envisaged a reduction to 3.8% in 2027 and 3.0% in 2028. Meanwhile, on 10 July, the Council of the EU opened an excessive deficit procedure against Bulgaria based on the European Commission's projected general government deficit of 4.1% of GDP for 2026, recommending its correction by 2029 and setting a deadline of 15 October 2026 for effective measures to be presented. The figures of 4.1% and 5.7% are not directly comparable, as they differ in methodology, coverage and underlying forecast assumptions. In its June opinion, the Fiscal Council assessed the budgetary framework as posing significant risks to the medium-term sustainability of public finances owing to the high deficit, insufficient structural reforms to optimise public expenditure and the growing need for debt financing.

The 2027 Draft State Budget presented on November 6, 2026 projects a Consolidated Fiscal Programme (CFP) cash-basis deficit of 3.5% of GDP and a General Government sector accrual-basis deficit of 4.2% of GDP. The updated medium-term budgetary forecast projects the accrual-basis deficit to decrease to 3.5% in 2028 and 2.8% in 2029, while the cash deficit is expected to narrow to 3.1% and 2.4% of GDP, respectively. The government debt forecast for the end of 2027 has been revised downward compared to the October framework to EUR 44.3 billion (31.4% of GDP), though it is projected to reach EUR 56.7 billion (35.5% of GDP) by the end of 2029.

In its recommendations for drafting the 2027 budget, the Fiscal Council calls for a fiscal effort of at least 2% of GDP in 2027 and at least 1% in 2028, supported by structural reforms. The Council warns of the risk of a debt spiral and interest rate pressure, noting that "the accumulation of budget deficits creates a worrying trend regarding debt and interest payments," with the latter expected to reach EUR 1.88 billion in 2028, or about 1.3% of the size of the economy. Experts also warn of a potential upcoming recession, as several medium-term economic cycles are concluding and the output gap is set to narrow after 2028. This recommendation is also critical given the Excessive Deficit Procedure (EDP) in which Bulgaria is currently placed.

The business community also calls for future budgets to provide for accelerated fiscal consolidation through structural reforms on the expenditure side to improve the efficiency of public spending. This would reduce the deficit and debt without increasing the tax and social security contribution burden or resorting to indiscriminate cuts in productive public investment. The Bulgarian Industrial Capital Association's (BICA) main budget recommendations include more efficient management of public funds, effective programme budgeting, administrative reform, and the allocation of resources to infrastructure, human capital and economic growth.

Meanwhile, on 24 November 2026, the European Commission recommended imposing a fine on Bulgaria equivalent to 0.02% of GDP for significantly deviating from the recommendations to rein in its budget deficit in 2026. According to the Commission's estimates, the deficit exceeds the prescribed limits by 2.3%. The EU's Economic and Financial Affairs Council (ECOFIN) is due to take a decision on 11 December. The Commission noted that the measures included in Bulgaria's draft budgetary plan for 2027 were "clearly restrictive" and would partly offset the significant deviation projected for 2026 and help correct the excessive deficit. The Commission also called on Bulgaria to implement its 2027 budget strictly and ensure that its fiscal policy delivers a lasting correction of the excessive deficit while preserving fiscal and macroeconomic stability and maintaining full, uninterrupted access to EU funding.

According to the latest available quarterly Eurostat data, updated on 21 October 2026, the seasonally adjusted general government deficit reached 3.5% of GDP in the EU and 3.3% in the euro area in the second quarter, compared with 3.1% and 3.2%, respectively, in the previous quarter. The figures indicate a deterioration in the overall fiscal position of the European economy. These indicators relate to the individual quarter and are calculated on an accrual basis in accordance with the European System of Accounts (ESA 2010).

At the same time, on 15 July 2026, the European Commission published its 2026 Rule of Law Report, which, despite acknowledging limited progress in certain legislative and institutional initiatives,

concluded that Bulgaria had made no progress on four of the six recommendations issued by the Commission in 2025. The Commission noted that a number of recommendations from previous reports remain only partially implemented and that shortcomings persist with regard to the effectiveness and independence of the judiciary, the track record in combating high-level corruption, the transparency and predictability of the legislative process, and the safeguarding of media pluralism. The Report emphasizes that sustained progress in these areas remains essential for strengthening the institutional framework and ensuring legal certainty. The continued existence of unresolved structural deficiencies contributes to increased regulatory uncertainty and may adversely affect perceptions of the investment climate, the predictability of the business environment and investor confidence. Although the Report does not call into question Bulgaria's membership of the euro area, it highlights that improving institutional quality and the effective enforcement of legislation remain key prerequisites for enhancing the competitiveness of the economy and attracting long-term investment.

In addition, in June 2026, the Institute for Management Development (IMD), Switzerland, published the 38th edition of the World Competitiveness Ranking, in which Bulgaria improved by one position, ranking 56th among 70 economies. Despite this modest improvement, the country continues to rank among the least competitive economies in the European Union. The IMD assessment indicates that structural weaknesses related to the effectiveness of public administration, the institutional environment, productivity, shortages of skilled labor and innovation capacity continue to constrain the country's potential to accelerate economic growth and improve the competitiveness of Bulgarian enterprises. The findings underline the need for consistent structural reforms aimed at improving the business environment, strengthening institutional quality and stimulating investment, which remain essential prerequisites for the sustainable development of both the economy and industry.

According to the “Economic Freedom of the World 2026” report published by Canada’s Fraser Institute in October 2026 and disseminated by the Institute for Market Research in Bulgaria, Bulgaria’s score has improved, but the country remains well outside the group of the freest economies. Bulgaria scores 7.31 out of a maximum of 10 points and ranks 54th among 165 countries and territories, between South Korea and Slovenia. The data in this edition relate to 2024. Bulgaria’s overall score has increased by 0.12 points compared with the previous edition, but the entire increase is attributable to the easing of inflation in 2024. The country’s scores have declined in three of the five categories, and, excluding the effect of price developments, its overall score would have been lower.

The score for sound money records the most substantial increase, from 8.19 to 8.93 points, accounting for almost the entire positive contribution to the overall index. Following the inflationary shock of recent years, particularly in 2022, the slowdown in price growth has restored a substantial portion of the score previously lost. An improvement is also recorded in the freedom to trade internationally category, from 8.39 to 8.56 points, placing Bulgaria 38th globally. This remains one of the country’s main strengths, associated with its participation in the European single market and the free movement of goods and capital.

However, scores have declined in the remaining three areas. The score for size of government falls from 6.73 to 6.62 points, placing Bulgaria 88th. Low direct taxes remain an advantage but are increasingly less able to offset high public expenditure and the growing role of the state in the economy. A deterioration is also recorded in the regulation category, from 6.74 to 6.60 points, placing the country 71st. The most pronounced decline is in the score for the impartiality of public administration. For another consecutive year, Bulgaria records its lowest score in the legal system and property rights category, which measures the rule of law, judicial independence, the performance of law enforcement bodies and the protection of property rights. The country’s score in this category declines to 5.83 points from 5.91 a year earlier, placing Bulgaria 57th. This score reflects weak results in judicial independence and impartiality, the protection of property rights and the quality of law enforcement, with the most substantial decline recorded in the score for judicial impartiality.

As a positive development for Bulgaria, it should be noted that on October 30, 2026, the Financial Action Task Force (FATF) decided at its plenary meeting in Paris to remove Bulgaria from the list of jurisdictions under increased monitoring, commonly known as the "grey list." The decision followed a successfully completed on-site visit, after the FATF determined in June 2026 that Bulgaria had

substantially completed its action plan. In its final assessment, the FATF recognized significant progress in addressing the strategic deficiencies in the country's anti-money laundering and counter-terrorist financing (AML/CFT) regime identified when Bulgaria was placed on the list in October 2023. Bulgaria will continue to work with the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

The termination of increased monitoring reduces reputational risk for the Bulgarian economy and may strengthen the confidence of international investors and financial institutions in the country. This creates conditions for improving the investment climate, facilitating access to international financing, and reducing enhanced due diligence checks on cross-border payments and trade operations.

During the period June–September 2026, Bulgaria made substantial progress in implementing its National Recovery and Resilience Plan. On 31 July, the country received EUR 896 million under its fourth payment request following the European Commission’s positive assessment of the fulfilment of 23 out of 26 milestones and targets. In August, a further EUR 109.2 million was disbursed, representing funds withheld under the third payment request in connection with the reform concerning the accountability of the Prosecutor General.

On 30 September, Bulgaria submitted its fifth and final payment request for EUR 1,823 million, reporting the fulfilment of the remaining 59 milestones and targets related to key reforms and investments, including the establishment of the new Commission for Counteracting Corruption, the introduction of integrity tests for civil servants, improvements to the public procurement system, and the introduction of measures to improve the quality of water supply and sewerage services, among others.

As at the end of the reporting period, the European Commission’s assessment of this request remains pending, and the final amount of funding will depend on whether the reported results are recognized as fulfilling the relevant milestones and targets. The deadline for implementing the measures was 31 August, while payments by the Commission must be completed by 31 December 2026.

At the same time, according to actual electricity market trading data from the European Union's power exchanges, electricity prices in Bulgaria continue to rank among the highest in Europe, while electricity prices across Europe remain significantly higher than those in Asia and North America. This places European industry - and, consequently, Bulgarian businesses - at a competitive disadvantage in international markets. At the European level, the long-standing structural divisions between Eastern, Central-Western and Northern Europe continue to constrain electricity transmission capacity and cross-border market integration. As a result, efforts to improve interconnection and accelerate the integration of national electricity networks into a more efficient European energy market remain essential. Another major challenge is the European Green Deal, which requires substantial review within a relatively short timeframe to ensure that it supports rather than constrains Europe's industrial development. At the same time, the implementation of the EU Emissions Trading System (EU ETS) and the Carbon Border Adjustment Mechanism (CBAM) is creating significant additional challenges for European industry. According to numerous European industrial organizations, these measures increase regulatory costs and competitive pressures and are regarded as posing material risks to the long-term competitiveness of European manufacturing and the wider European economy.

The introduction of the Carbon Border Adjustment Mechanism (CBAM) is intended to facilitate the gradual phase-out of the free emission allowances that have so far provided protection for energy-intensive industries. As a result, European companies will progressively bear the full cost of the CO_2 emissions embedded in their products. On 7 April 2026, the European Commission officially established the first reference price for CBAM certificates at EUR 75.36 per ton of CO_2. Market expectations suggest that certificate prices may increase further over time, which, according to industry analyses, could materially raise production costs for certain products and sectors.

A significant limitation of the current CBAM framework is that, while it imposes a carbon adjustment on imports into the European Union, it does not provide a corresponding mechanism to compensate European exporters. Consequently, when European companies export goods to countries without comparable carbon pricing mechanisms - such as the United States, China, India or Türkiye - they continue to bear the additional carbon costs incurred within the EU, placing them at a competitive

disadvantage relative to local producers. As steel and aluminium are essential inputs for many manufacturing industries, CBAM increases the cost of imported metals to levels comparable with European-produced materials, whose prices are already elevated due to the EU Emissions Trading System (EU ETS). As a result, downstream industries that rely on steel, aluminium or cement as production inputs face higher raw material costs, while many of their finished products remain outside the scope of CBAM protection when imported into the European Union. Consequently, although imported raw steel is subject to the carbon adjustment mechanism, many finished manufactured products imported from jurisdictions without carbon pricing are not subject to an equivalent adjustment. This may create competitive distortions by allowing imported finished products to remain more price-competitive than comparable products manufactured within the European Union using higher-cost, low-carbon materials.

The implications are particularly significant for the mechanical engineering sector, which is often described in industry analyses as occupying the "mid-value-chain trap". Unlike primary producers of steel or aluminium, which receive direct protection through CBAM's border adjustment mechanism, engineering companies consume these materials as production inputs, while their finished products frequently remain outside the scope of equivalent protective measures. According to numerous European industrial organizations, this situation increases the risk of further constraining export competitiveness and accelerating deindustrialization within Europe. These concerns appear inconsistent with the European Commission's stated objective of reducing administrative burdens and regulatory obstacles for European manufacturers in order to strengthen industrial competitiveness. For the European mechanical engineering industry, CBAM effectively operates as an additional cost on production inputs, reducing competitiveness both within the internal market and in export markets. Moreover, uncertainty regarding the future price of carbon allowances may encourage companies to relocate production capacity outside the European Union and may influence major international investors to favor new industrial investments in regions with lower regulatory costs and greater cost predictability.

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 expanding scope and complexity of European and national regulation across a wide range of areas, including the growing emphasis on sustainability-related requirements. At the same time, the continued increase in administrative burdens, without corresponding and proportionate regulatory simplification, has significantly increased the compliance costs associated with new regulatory obligations and reporting requirements. As a consequence, Europe continues to lag behind its principal global competitors, particularly the United States and China, in terms of economic growth, innovation, advanced technologies and demographic development. The deterioration of the business environment within the European Union - characterized by persistently high energy prices, an expanding regulatory framework that substantially increases administrative burdens on businesses, and new geopolitical challenges - continues to discourage entrepreneurial activity, contribute to capital outflows from Europe, weaken competitiveness and constrain economic growth.

Following the efforts of the nationally representative employers' organizations and trade unions in the Republic of Bulgaria and their adoption of the Declaration for the Protection of Bulgarian Industry and for a Predictable and Fair Climate Policy in Europe, on 18 March 2026, Bulgaria's Minister of Economy and Industry formally joined the joint "Friends of Industry" initiative, officially supported by the industry ministers of Austria, Croatia, Czechia, France, Germany, Italy, Luxembourg, Poland, Portugal, Romania, Slovakia, Slovenia and Spain.

During the period March - September 2026, the initiative's demands were reflected in specific European legislative proposals aimed at strengthening industrial competitiveness. In July, the European Commission proposed a revision of the EU Emissions Trading System (EU ETS), and in September, the Council of the EU agreed on a position to increase free allowances for certain energy-intensive industries during 2026–2030, with expected relief of approximately EUR 6 billion under the

Commission’s proposal and additional allowances proposed by the Council. In parallel, work continued on the Industrial Accelerator Act, aimed at simplifying permitting procedures and encouraging investment.

These developments indicate progress towards a more balanced and investment-oriented approach. However, as at the end of September, the key measures still required final legislative agreement. The Ministry of Economy and Industry maintains a firm position that the green transition must be implemented in a manner that ensures the preservation of production capacity, encourages investment and safeguards employment within the EU.

At the national level, the absence of comprehensive structural reforms aimed at achieving sustainable fiscal consolidation could lead to an increase in the tax and social security burden on businesses and employees in the private sector. Such developments could place additional pressure on economic activity, alongside the expected effects of ongoing global geopolitical developments. According to analyses by Bulgarian business organizations, the country's tax and social security burden remains above the European average despite Bulgaria's relatively broad tax base and comparatively low statutory tax rates. In their view, higher taxation would not necessarily result in increased budget revenues but could instead weaken economic growth and reduce investment activity.

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 2026 Economic Bulletin, the Governing Council assesses the risks to the growth outlook as tilted to the downside. This is due, in particular, to the conflict in the Middle East and developments in Russia’s unjustified war against Ukraine. Renewed disruptions to energy supplies could cause energy prices to rise further and remain elevated for longer than currently expected. This would adversely affect real incomes, spending and investment. A deterioration in global financial market sentiment or spillovers to bond markets worldwide could tighten lending conditions and thereby constrain demand. Renewed trade tensions between major economies could also cause further supply chain disruptions, dampen exports and weaken consumption and investment. In addition, the adoption of new technologies by euro area businesses, spending on defense and infrastructure, and reforms to enhance productivity and complete the EU Single Market could boost growth more than expected.

The risks to the inflation outlook are tilted to the upside. This is due, in particular, to the conflict in the Middle East and developments in Russia’s unjustified war against Ukraine. The energy shock could intensify further, and its impact on other prices and wages could prove stronger than currently expected. In particular, natural gas prices could rise in the event of further supply disruptions or an unusually cold winter combined with low inventory levels. The longer energy prices remain high, the more likely they are to drive broader inflation through indirect and second-round effects. Renewed trade tensions could lead to greater fragmentation of global supply chains, reduce the supply of critical raw materials and intensify capacity constraints in the euro area economy.

Against this backdrop, the ECB considers that achieving higher potential growth requires structural reforms and must be underpinned by sound public finances. Key building blocks include simplifying and harmonizing rules across the EU Single Market, accelerating the energy transition and completing the Savings and Investments Union. Fiscal measures in response to the energy shock should be temporary, targeted and tailored.

At the European level, a comprehensive review of the European Union's policy framework across all key areas is needed to ensure conditions that are conducive to economic growth and the strengthening of international competitiveness. This conclusion is supported by the findings of the first monitoring report on the implementation of the Antwerp Declaration (2024), published on 11 February 2026, which identifies a number of significant structural challenges facing European industry. According to the report, 83% of the competitiveness indicators show either stagnation or deterioration. Industrial natural gas prices remain approximately 4.6 times higher than those in the United States, while

electricity prices are around 2.4 times higher than in the United States, China and India. Over the past three years, the share of companies identifying regulation as the main obstacle to investment has increased by 42%. European companies devote approximately 1.5 times more management resources to regulatory compliance than their U.S. counterparts and around 11 times more than companies in China. The European Union remains fully dependent on imports for more than half of its critical raw materials, while internal barriers within the Single Market generate costs equivalent to tariffs of approximately 65% for goods and up to 100% for services. In addition, Europe lags behind by approximately 20 percentage points in innovation performance compared with China and by 15 percentage points compared with the United States. Reassessing the EU's climate targets and implementing policies that do not hinder competitiveness and growth or lead to deindustrialization should become a key priority.

Against this backdrop, the latest EY European Attractiveness Survey 2026, published on 23 June 2026, indicates that the decline in investment activity across Europe not only continued but also accelerated, with the annual decrease in foreign direct investment (FDI) projects widening from 5% in 2024 to 7% in 2025. According to the survey, the number of announced foreign direct investment (FDI) projects fell by 7% to 5,026 in 2025, reaching its lowest level in a decade, while the number of jobs expected to be created by these projects declined by 25% to approximately 200,000. The downturn affected not only Europe's leading investment destinations - France, the United Kingdom and Germany - but also key industrial sectors, including automotive manufacturing, chemicals and healthcare products. The continued deterioration across Europe's three largest economies suggests that the slowdown reflects structural rather than purely cyclical factors. The survey identifies persistently high energy prices, subdued economic growth, geopolitical uncertainty, regulatory complexity and shortages of skilled labor as the principal factors constraining Europe's investment attractiveness and industrial competitiveness. Of particular concern is the finding that 37% of industrial investors have postponed, scaled back or cancelled investment projects in Europe because of high or unpredictable energy costs, a development that is especially relevant to the machinery industry and other energy-intensive manufacturing sectors. Furthermore, only 54 % of investors intend to establish or expand operations in Europe over the next twelve months, compared with 59 % a year earlier and 72 % in 2024, indicating a continued deterioration in investment sentiment.

European industrial production remains weak, with no clear signs of a sustained recovery. According to the latest published Eurostat data, in September 2026 it decreased on an annual basis by 1.5% in the euro area and by 0.8% in the EU. High electricity costs remain a significant challenge to competitiveness. According to the International Energy Agency, average wholesale spot electricity prices in the EU rose by more than 30% year on year in the second quarter of 2026, driven by higher natural gas prices and supply disruptions associated with the conflict in the Middle East, while prices in the United States remained virtually unchanged. Meanwhile, the Agency's comparative estimates of end-user electricity prices for large energy-intensive industrial consumers in 2025 indicate that the average level in the EU was more than twice that in the United States and approximately 50% higher than in China. These estimates take applicable compensation measures into account, although actual costs vary depending on the country, location and electricity consumption of individual businesses. The persistent gap in energy costs continues to constrain the competitiveness and investment capacity of European industry.

In October 2026, the average monthly baseload electricity price on the Day-Ahead market of the Independent Bulgarian Energy Exchange (IBEX) reached EUR 232.03/MWh excluding VAT, 39.6% above the September level of EUR 166.24/MWh. The average daily price reached EUR 299.98/MWh for delivery on October 20 and EUR 320.13/MWh for delivery on October 29.

In the first half of November, price pressure on Bulgarian businesses intensified. For delivery on November 10, the average daily baseload price reached EUR 402.60/MWh, compared to EUR 410.31/MWh in Romania and EUR 400.29/MWh in Hungary. Following this peak, the price in Bulgaria declined to EUR 246.44/MWh for delivery on November 16 and to EUR 227.02/MWh for November 17. Despite the drop in recent days, the average price for delivery during the November 1–17 period stood at EUR 280.97/MWh, or 21.1% above the full-month average for October.

Against this backdrop, the government-adopted compensation program for non-household end customers for the period September 1, 2026 – June 30, 2027 provides support of up to 80% of the difference between the average exchange price on the IBEX Day-Ahead segment for the entire ten-month period and a base value of EUR 122.71/MWh excluding VAT, with compensations to be paid out as a lump sum after the end of the period. The exact percentage is set to be determined after the period concludes based on the available funds in the Electricity System Security Fund (ESSF), within an indicative budget of up to EUR 140 million. In addition to this mechanism, under the EUR 2 billion government package of energy measures announced in November 2026, non-household customers are also granted monthly advance assistance of EUR 15/MWh through the Bulgarian Development Bank (BDB), as well as monthly interim compensation when average monthly exchange prices exceed EUR 180/MWh. All interim and advance funds paid out will be deducted during the final calculation and settlement of compensations after June 2027.

Meanwhile, according to a study by the Bulgarian Branch Chamber of Mechanical Engineering, more than 60% of Bulgarian factories' output is destined for the EU, making the sector vulnerable to economic recession in Europe. Increased imports of low-cost machinery and equipment from China and Asia create a challenging environment for domestic manufacturers in the absence of sufficient protective tariffs imposed by the European Commission. The most serious long-standing problem remains the shortage of qualified engineers and specialists resulting from demographic trends; recruiting workers from third countries and using artificial intelligence (AI) technologies cannot fully replace human expertise. According to the Chamber's surveys, key measures to improve competitiveness include developing proprietary products and technologies, cooperating with universities, improving energy efficiency, and implementing digitalization and AI.

Against this backdrop, the Confederation of Bulgarian Industry's Annual Report for 2016–2025, officially presented on 24 November 2026, points to a contraction in industrial activity and deepening deindustrialisation. Between 2016 and 2025, the gross value added (GVA) of Bulgarian industry rose by 88.2 % in current prices to EUR 19,341.9 million. In real terms, however, it fell by 8.8 % compared with 2016 and by 15.2 % from its 2022 peak, indicating that the increase in nominal GVA was entirely driven by prices. In 2025, manufacturing's share of national GVA fell for the first time in volume terms, to 14.9% from 16.6 % in 2024. Over the period, the value of exports rose by 78.5 %, while export volumes increased by just 14.5 %. Bulgaria risks losing competitive advantages as foreign investors and production operations relocate to other countries in the region.

Meanwhile, industrial employment declined steadily between 2016 and 2025, falling by 8.3% over the period. Compensation per employee nearly tripled in nominal terms (up 164.7%) and rose by 83.3% in real terms, while real labour productivity in manufacturing increased by just 28.5%. As a result, unit labour costs more than doubled, eroding Bulgaria's traditional cost advantage.

The trade deficit reached EUR 10.8 billion in 2025, while industrial investment fell from 25.3% to 19.4% of industrial value added. According to the report by the Confederation of Bulgarian Industry, the main factors behind this adverse trend are the European Green Deal, sanctions and tariff regimes, high energy prices, rising labour costs, which have grown nearly three times as fast as productivity, labour shortages, and insufficient investment in innovation, automation and robotics. The report also identifies demographic pressures and the movement of workers into publicly funded employment. It calls for a predictable legislative and tax environment, better regulation, higher investment and a long-term national strategy for manufacturing development.

Against the backdrop of the risks outlined above, the Company's Management continues to recognize a high degree of uncertainty regarding the global economic and geopolitical outlook, with many of these risks expected to remain elevated or intensify further. These factors may continue to affect global trade, investment activity, supply chains, energy markets, and overall business confidence, thereby creating an increasingly challenging operating environment for industrial enterprises. The Board of Directors of Stara Planina Hold Plc will therefore continue to closely monitor macroeconomic developments and geopolitical risks and will adapt its business and investment policies as necessary in order to preserve financial stability, operational resilience and competitiveness of the companies within the Group.

Possible changes in demand for manufactured products and changes in price levels, quality, reliability and solvency of consumers, technologies used and the organization of production are risky.

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.

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

In the reporting third quarter of 2026 was concluded a loan agreement dated 01.07.2026 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 EUR 2 000 000 for a term of one year effective from 01.07.2026 at an annual interest rate on the utilized loan principal in the amount of 3.7%. The outstanding principal as of 30.09.2026 amounts to EUR 1 700 thousand.

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	None.
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	None.
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 2026 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 Velev

Vasil Georgiev Velev

Digitally signed by Vasil Georgiev Velev
Date: 2026.11.27 10:00:50 +02'00'