HERTI - AD

CONSOLIDATED FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT

December 31, 2024

SHUMEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of December 31, 2024

	Notes	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Non-current assets			
Property, plant and equipment	*4*	23 908	22 674
Intangible assets	*5*	30	69
Investments	*6*	3	3
Total non-current assets		**23 941**	**22 746**
Current assets			
Inventories	*7*	13 871	13 825
Trade and other receivables	*8*	10 482	9 209
Cash and bank balances	*9*	5 429	11 348
Total current assets		**29 782**	**34 382**
Total assets		**53 723**	**57 128**
Equity attributable to owners of the Company			
Share capital	*10*	12 014	12 014
Retained earnings		22 583	17 434
Total equity		**34 597**	**29 448**
Non-current liabilities			
Non-current bank borrowings	*11*	3 708	5 580
Government grants	*12*	1 402	1 893
Deferred tax liabilities	*13*	390	547
Retirement benefit obligation	*14*	708	571
Total non-current liabilities		**6 208**	**8 591**
Current liabilities	*15*	**12 918**	**19 089**
Total liabilities		**19 126**	**27 680**
Total equity and liabilities		**53 723**	**57 128**

Chief Executive Officer: (signed)
Zahari Zahariev

Chief Financial Officer: (signed)
Ivaylo Petrov

Registered Auditor: (signed)

Nikolay Kolev

Anton Svrakov

April 11, 2025

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2024

	Notes	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Revenue	*16*	74 564	76 723
Other income	*17*	1 692	1 366
Total revenue and other income		**76 256**	**78 089**
Raw materials and consumables used	*18*	35 939	38 940
Hired services	*19*	6 995	6 656
Employee benefits expense	*20*	20 191	17 909
Depreciation and amortisation expenses		4 841	4 985
Other expenses	*21*	430	1 229
Total operating expenses		**68 396**	**69 719**
Cost of goods sold		12	17
Changes of inventories of finished goods and work in progress		107	413
Total adjustments		**119**	**430**
Interest income/(expenses)	*22*	(275)	(609)
Exchange rate gain/(loss)		235	13
Other finance costs		(137)	(81)
Total finance income/(costs)		**(177)**	**(677)**
Profit before tax		**7 564**	**7 263**
Tax benefit/(expense)	*23*	(845)	(812)
Profit for the year		**6 719**	**6 451**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses), net of income tax		(102)	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(2)	(12)
Other comprehensive income for the year		**(104)**	**(12)**
Total comprehensive income for the year		**6 615**	**6 439**
Total comprehensive income attributable to:			
Owners of the Company		6 615	6 439
Earnings per share in BGN	*24*	**0,56**	**0,54**

Chief Executive Officer: (signed)
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2024

	Equity attributable to equity holders of the parent						
	Share capital	**Share premium**	**Legal reserve**	**Additional reserve**	**Retained earnings**	**Profit/ (loss)**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Balance at January 1, 2023	**12 014**	**29**	**702**	**446**	**4 470**	**6 249**	**23 910**
Transfer to retained earnings	-	-	-	-	6 249	(6 249)	**-**
Transfer to legal reserve	-	-	521	-	(521)	**-**	**-**
Dividends distribution	-	-	-	-	(901)	**-**	**(901)**
Total comprehensive income for the year	-	-	-	-	(12)	6 451	**6 439**
Balance at December 31, 2023	**12 014**	**29**	**1 223**	**446**	**9 285**	**6 451**	**29 448**
Transfer to retained earnings	-	-	-	-	6 451	(6 451)	**-**
Dividends distribution	-	-	-	-	(1 466)		**(1 466)**
Total comprehensive income for the year	-	-	-	-	(104)	6 719	**6 615**
Balance at December 31, 2024	**12 014**	**29**	**1 223**	**446**	**14 166**	**6 719**	**34 597**

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April 11, 2025

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CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2024

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Cash and cash equivalents at the beginning of the year	**11 348**	**4 926**
Cash from operating activities		
Receipts from customers and other debtors	81 398	88 847
Payments to suppliers and other creditors	(44 068)	(53 607)
Payments for salaries, social security and other	(19 480)	(18 225)
Refunded/(paid) taxes, net	(4 899)	(5 777)
Other cash flows from operating activities	(36)	125
Net cash from operating activities	**12 915**	**11 363**
Investing activities		
Purchases of property, plant and equipment	(6 417)	(1 767)
Proceeds on disposal of property, plant and equipment	4	18
Proceeds from government grants	162	1 174
Net cash used in investing activities	**(6 251)**	**(575)**
Financing activities		
Proceeds from borrowings	9 635	910
Repayment of borrowings	(20 450)	(3 780)
Dividends paid	(1 417)	(901)
Interest and bank commisions paid	(351)	(641)
Net cash from/(used in) financing activities	**(12 583)**	**(4 412)**
Net increase/(decrease) in cash and cash equivalents	**(5 919)**	**6 376**
Effects of foreign exchange rate changes	**-**	**46**
Cash and cash equivalents at the end of the year	**5 429**	**11 348**

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April 11, 2025

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024

1. General information

These consolidated financial statements present the financial position, the financial performance and the cash flows of Herti – AD (the Parent) and its subsidiaries together further referred as the Group. The Parent is registered as a joint-stock company under company file No in the Shumen District Court and entered in the Commercial Register at the Registry Agency under Unified Identification Code 127631592. The seat and the address of management of the Group is Shumen, 38, Antim I Str.

Herti AD is a public company and its shares are traded on the unofficial market of the Bulgarian Stock Exchange. The main activity of the Group is related mainly with the production of aluminium closures, plastic closures and thermo contractible capsules for wine bottles, lacquering and lithography on metal sheets.

The Group has a one-tier management system. At the date of preparation of these consolidated financial statements, the Group is managed by a Board of Directors consisting of five members and is represented by the Chief Executive Officer and the Chairman of the Board of Directors individually and jointly according to the size of the transactions specified in the Articles of Association of the Group. These consolidated annual financial statements have been approved by the Board of Directors for issue on April 11, 2025.

2. Basis of preparation of the consolidated financial statements and accounting principles

2.1. Basis of preparation

The annual closing of accounts and preparation of annual financial statements for 2024 is carried out in accordance with the Accountancy Act, which entered into force from January 1, 2016. The Group's management has reviewed the latest amendments and additions that were made to the Accountancy Act as of December 31, 2024. Some of them come into force from the beginning of 2024, and the other from January 1, 2025, respectively. The management of the Group believes that they do not necessitate a change in the applied and consistently disclosed accounting policy as it is set out further on. Under that Act, companies in Bulgaria prepare their financial statements in accordance with National Accounting Standards, approved by the Council of Ministers (NAS). Some companies, exhaustively listed in the Accountancy Act, are required to prepare their financial statements in accordance with International Accounting Standards issued by the International Accounting Standards Board and adopted by the European Union (IAS). Companies that have adopted and apply IAS under the repealed Accountancy Act may continue with their application in the future or one-off return to applying NAS. The Group is a public entity and its shares are traded on a regulated market in a European Union Member State. Therefore, the present consolidated annual financial statements are prepared under IAS. These are the standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of International Accounting Standards. As of December 31, 2023 IAS include the International Accounting Standards, the International Financial Reporting Standards (IFRS), Interpretations of the Standing Interpretations Committee and Interpretations of the International Financial Reporting Interpretations Committee, as well as subsequent amendments and future standards and interpretations. IAS and the Interpretations are reissued annually and after the formal approval of the European Union become applicable for the year, in which they are issued. Most of them are not yet applicable to the Group’s activity due to the specific and considerably more complex issues discussed. The Group has complied with all standards and interpretations that are applicable to its activities and that are officially approved by the European Union as of the date of preparation of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.2. Changes in accounting policies

Changes in IAS that have been in effect since January 1, 2024 did not have and are not expected to have an significant effect on the accounting policies applied to the consolidated annual financial statements prepared by the Group. Moreover, the management of the Group does not consider necessary to disclose in the consolidated annual financial statements the name of the International Accounting Standards and Interpretations that have been amended, whether formally approved by the European Union or not, related to their application in 2024 and in future periods, if they do not relate to or seriously affect its activity. Such disclosure of the names of Standards and Interpretations that do not apply and are not expected to apply to the Group's activities, could lead to misunderstanding or mislead of the users of the information from the present consolidated financial statements.

2.3. Applicable measurement base

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and/or liabilities to their fair value as of the end of the reporting period as far it is required by the relevant accounting standards and as far as this value can be reliably measured. All such deviations from the historical cost convention are disclosed in the further disclosure of accounting principles. All figures and disclosures for 2024 and 2023 are presented in thousands of Bulgarian Lev (BGN) unless otherwise stated. Earnings per share are calculated and disclosed in BGN. Rounding of amounts is based on generally accepted requirements.

2.4. Fair value measurement

Some accounting standards permit initial and subsequent measurement of certain assets and liabilities at their fair value. The accounting standards require fair value measurement of certain financial assets and liabilities at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability at the measurement date. The fair value of a liability reflects the effect of non-performance risk. Where possible the Group measures the fair value of an asset or liability using quoted prices in active markets that the entity can access. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When quoted prices in active markets are not available the Group applies valuation techniques that maximizes the relevant observable inputs and minimises unobservable inputs. The chosen valuation technique captures all factors that market participants would take into account when pricing the asset or liability. The fair value concept assumes that financial instruments which will be realized through the market. In most cases, however, especially regarding current trade receivables and payables as well as borrowings granted, the Group expects them to be realized or settled through their collection or payment at the due date. Therefore, such financial instruments are reported at their nominal value or amortized cost. The majority of financial assets and liabilities are current so, their fair value approximates their carrying amount. The management of the Group believes that under the existing circumstances the fair value of the financial instruments reported in the consolidated statement of financial position are most adequate and reliable for the purposes of financial reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.5. Consolidation

Consolidated financial statements of the Group include the separate financial statements of the Parent and the financial statements of the subsidiaries prepared as of December 31, 2024. All assets, liabilities, equity, income, expenses and cash flows of the companies within the Group are presented as those of a single economic entity. Subsidiaries are companies that are controlled by the Parent. Control is achieved where the Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. When preparing consolidated financial statements, a uniform accounting policies for reporting like transactions and other events in similar circumstances is used by all companies within the Group. All mutual participations in equity as well as all significant inter-company transactions, balances and unrealized gains on transactions within the Group are eliminated in full. The results from the activities of the subsidiaries are included in the consolidated financial statements from the date the Parent gains control until the date when the Parent ceases to control the subsidiary. On acquisition of a subsidiary due to internal Group restructuring its net assets and financial results are included at the beginning of the earliest period presented in the consolidated financial statements.

2.6. Subsidiaries

As of December 31, 2024 the Group`s direct or indirect interest in subsidiaries consolidated in these financial statements is as follows:

Name of subsidiary	**31.12.2024 Proportion of ownership interest**	**31.12.2023 Proportion of ownership interest**
Tihert – EAD	100	100
Herti UK	100	100
Herti France	100	100
Herti Germany	100	100
Herti US	100	100
Herti Group International Romania	100	100

2.7. Investments in associates

Associates are those entities over which the Group has significant influence but not control over the financial and operating activities. Associates are accounted for and presented in the consolidated financial statements using the equity method. The consolidated financial statements include the proportion of the Group consistent with its participation in the revenue and expenses of the associates as at the end of the reporting period.

2.8. Non-controlling interest

Non-controlling interest is that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly by the Parent. As of December 31, 2024 and 2023 all subsidiaries are 100 % owned by the Group so, no non-controlling interest is presented in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.9. Comparative figures

According to the Bulgarian accounting legislation and the requirement of IAS, the reporting year ends as of December 31 and entities are obliged to present financial statements as of the same date together with comparative figures for the prior year. If the Group has retrospectively amended its accounting policy or has restated or reclassified certain items, it presents comparative figures for two prior periods in the consolidated statements of financial position and in the corresponding notes as follows:

a) as of the end of the prior reporting period;
b) as of the end of the earliest comparative reporting period.

Regarding the rest of the elements of the consolidated financial statements and the corresponding notes, the comparative figures are presented only as of the end of the prior reporting period.

2.10. Use of accounting estimates

The preparation of the consolidated financial statements in conformity with IAS requires the management to apply some accounting assumptions and accounting estimates which affect the reported assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the preparation of the consolidated financial statements, as well as the reported amounts of income and expenses during the reporting period. All accounting estimates and assumptions are based on the best estimate performed by the management as at the date of the consolidated financial statements. The actual results may differ from the results presented in the accompanying consolidated financial statements.

2.11. Functional currency and presentation currency

Functional currency is the currency of the primary economic environment in which the Group operates and in which the Group primarily generates and expends cash. The functional currency of the Group is Bulgarian Lev (BGN) which is the national currency of Bulgaria, and has been pegged to the EURO at a fixed exchange rate of EUR 1: BGN 1.95583. The exchange rates of BGN to the other foreign currencies are determined by the Bulgarian National Bank (BNB) applying the exchange rate of EURO to the respective currency on the international markets. The foreign exchange rate differences arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported as financial income or financial expenses for the period in which they arise. The consolidated financial statements presentation currency of the Group is also BGN. The monetary positions denominated in foreign currency as of December 31, 2024 are stated in these consolidated financial statements as follows:

- Assets and liabilities are stated at the closing exchange rate of BGN to the respective functional currency as at the end of the reporting period;
- Income and expenses are recalculated applying the weighted average exchange rate of BGN to the respective functional currency for the period;
- All exchange rates differences resulting from the recalculations are reported as other comprehensive income for the period.

The closing exchange rate of the Bulgarian Lev to the main currencies with which the Group operates, at the end of the current and prior reporting periods is as follows:

December 31, 2024	December 31, 2023
USD 1 = BGN 1.8826	USD 1 = BGN 1.76998
GBP 1 = BGN 2.3587	GBP 1 = BGN 2.25054

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.12. Financial risks management

The Group's activities expose it to a variety of financial risks. Market risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate as a result of changes in market prices, including currency (foreign exchange) risk, interest rate risk, and other price risk. Credit risk is the risk that the financial instrument counterparties could cause each other financial losses should they fail to perform as contracted. Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due. The Board of Directors is responsible for identifying and managing the risks to which the Group is exposed. The Group's risk management policy is developed to identify and analyse the risks it faces, to establish limits for taking risks and controls, to monitor risks and to comply with established limits. These policies are subject to periodic review to reflect changes in market conditions and business activity. Through its standards and procedures for training and management, the Group aims to develop constructive control environment in which all employees understand their roles and obligations.

2.12.1. Foreign currency risk

The Group's activities are carried out mainly in Europe but it also has relationships with foreign suppliers and customers from America and other continents and therefore, it is currently exposed to a risk of exchange rate fluctuations as it sells or purchases goods and services denominated in USD and EURO. Major part of the transactions of the Group is denominated in EURO. Since the exchange rate of the Bulgarian Lev is pegged to the EURO, the Group is not exposed to a foreign currency risk. The Group is exposed to a risk associated with possible changes in the exchange rate of other foreign currencies with which it operates. Part of the risk is hedged naturally by synchronizing the incoming and outgoing cash flows denominated in foreign currency. The Group is using also other options, including foreign currency transactions with pre-fixed rates in order to minimize the foreign currency risk.

2.12.2. Interest risk

The financial instruments that potentially expose the Group to an interest rate risk are primarily bank borrowings and finance lease contracts. The Group uses bank borrowings and leases, whose interest rates are variable according to the general economic and financial conditions. As the negotiated interest rate of the most borrowings and leases is determined by a fixed margin over EURIBOR/Average Deposit Index, the Group is potentially exposed to a cash flow risk. The management performs periodic analyses of the macroeconomic environment and assesses the future interest rate risks for the Group. In the event of deterioration in the overall interest rates, the Group has the ability to use hedging instruments. The management of the Group does not believe that currently there are conditions for a substantial negative change in the agreed total cost of financing that would lead to additional financial risks in respect to borrowings and finance lease contracts as at 31 December 2024.

2.12.3. Price risk

The Group is exposed to price risk as it uses in its production process inventories whose prices are influenced by those on international markets. The Group does not hedge the risk of changes in commodity prices. The policy is to negotiate fixed prices with suppliers with predominant maturity up to half a year, thus avoiding the negative effect of possible increase in the price of raw materials during this period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.12. Financial risks management (continued)

2.12.4. Credit risk

Credit risk is the risk that the Group’s clients will not be able to pay the amounts of trade receivables due in full and in time. The financial assets of the Group are concentrated in two groups: cash and receivables. The Group’s funds and cash transactions are concentrated in commercial banks with strong liquidity, which limits the credit risk.

Trade receivables

Exposure to credit risk is the result of the individual characteristics of clients. This exposure may also depend on the risk of non-payment inherent in the industry or the domestic market in which the Group operates. The Group's credit policy provides for each new customer to be considered for creditworthiness before offering standard delivery and payment terms. The Group's policy includes providing a credit period according to the type of market, the size of the client, and whether the relationship with the client is long-lasting. Clients not eligible for creditworthiness may make purchases against a down payment. The Group does not require collateral in respect of trade and other receivables.

Guarantees

The policy of the Group is to provide financial guarantees only after prior approval by the majority shareholder.

2.12.5. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties in fulfilling its obligations when they become due. In order to manage this risk, the management of the Group maintains an optimal level of fast liquid assets and an ability to utilize credit lines. The Group has no difficulty in servicing its current commercial and financial obligations within the agreed deadlines. The Group applies cost calculations based on activities for its products and services, helping to monitor cash flows and optimize return on investment. The Group makes financial planning to meet the expenses and current liabilities for a period of 30 days, including the servicing of financial obligations. The Group monitors the level of expected cash inflows from trade and other receivables together with the expected outflows to trade and other payables.

2.12.6. Capital risk management

The policy of the management is to maintain a strong capital base so as to maintain the confidence of the owners and the market as a whole in order to provide the conditions for business development in the future. The aim of the Group is to maintain a balance between the higher returns that may be possible with higher levels of indebtedness and the benefits and security of a strong capital position. The Group's goal is to achieve a sufficiently high return of capital. In 2024, the return is 19.42 % (2023 – 21.91 %). In order to prevent the increase of the loss and decrease of the capital, the management takes measures in the direction of optimization of the production process in order to improve the gross profitability. Efforts are also being made to reduce operating costs and above all costs of hired services and administrative management costs. During the year there were no changes in the management of the Groups capital. In accordance with the provisions of Art. 252, para. 1, item 5 of the Commercial Act, the ‘Group should maintain the amount of its net assets above the amount of the registered capital. As at 31 December 2024, the Group fulfils these requirements because its net assets amount to BGN 34,597 thousand and the amount of the registered capital is BGN 12,014 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.13. Definition and valuation of the consolidated statement of financial position elements

2.13.1. Property, plant and equipment

Property, plant and equipment are valued at cost comprising purchase price and any installation costs incurred, less accumulated depreciation and impairment. The Group has approved a threshold amounting to BGN 500 in determining an asset as property, plant and equipment. Subsequent expenditure on property, plant and equipment, which improves the condition of the asset beyond its originally assessed standard of performance or increases the future economic benefits which will flow to the enterprise, should be capitalized to the carrying amount of the asset. All other subsequent expenditure should be recognized as an expense in the period in which it is incurred.

The carrying amounts of property, plant and equipment are subject of a review for impairment when there are indications that the carrying amounts differ substantially from their recoverable amounts. If such indicators exist an asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. An impairment loss is recognized immediately in profit or loss unless the asset is carried at revalued amount. Then impairment loss is charged as a revaluation decrease and is recognised in other comprehensive income. If the impairment loss exceeds the amount of the revaluation surplus, the difference is charged as a current expense in the consolidated statement of comprehensive income.

2.13.2. Intangible assets

Intangible assets are valued at cost comprising purchase price and any installation costs incurred, less accumulated amortisation and impairment. The carrying amount of intangible assets is subject of an annual review for impairment when there are indications that the carrying amounts differ substantially from their recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

2.13.3. Right-of-use assets

A lessee shall present in the consolidated statement of financial position, or disclose in the notes right-of-use assets separately from other assets. An exception is made for those assets that are leased for a period less than one year as well as for those with initial value up to BGN 10 thousand, which are not presented in the consolidated statement of financial position of the Group. The lease due is charged as a current expense for the period of their use. At the commencement date, a lessee shall measure the right-of-use asset at cost. In the consolidated statement of financial position as of December 31, 2024 right-of-use assets are valued at cost, less accumulated depreciation and any accumulated impairment losses. The depreciation policy for right-of-use assets is consistent with the normal depreciation policy for similar assets but also with regard to the relevant lease term. Interest is recognised in the consolidated statement of comprehensive income according to the repayment schedule.

2.13.4. Investments in associates

These investments are recorded and presented in the consolidated annual financial statements using the equity method. Under this method the Group’s share in the comprehensive income of the associate is consolidated so that the value of the investment corresponds to the Group’s share in the associate’s net assets as of December 31 of that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.13. Definition and valuation of the consolidated statement of financial position elements (continued)

2.13.5. Inventories

Inventories are recorded at cost comprising purchase price and any purchase costs incurred. Upon consumption, the cost of inventories is calculated using the weighted average cost method. At the year - end inventories are valued at the lower of cost or net realizable value. The costs of conversion of inventories include costs directly related to the units of production. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. When the costs of conversion of each product are not separately identifiable, they are allocated between the products on a rational and consistent basis.

2.13.6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

At initial recognition financial assets/ (liabilities) are designated at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial assets are derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the financial asset and the transfer qualifies for derecognition. Financial liabilities are removed from the statement of financial position when, and only when, they are extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires. For the purpose of subsequent measurement, the Group classifies financial assets and liabilities in the current and prior periods in the following categories:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income and reclassified to profit or loss
- Equity instruments measured at fair value through other comprehensive income without reclassification of profit or loss
- Financial assets measured at fair value through profit or loss.

Except for financial assets held for trading, all other financial instruments of the Group y are expected to be realised at maturity and cannot be traded. Therefore, the business model underlying the classification of the financial instruments of the Group limits them to the application of the following specific categories:

(a) Trade and other receivables

Trade and other receivables in BGN are valued at nominal value and those in foreign currency are revalued at the closing exchange rate of the Bulgarian National Bank as of December 31, 2024, less loss allowance. The Group recognises a loss allowance on trade receivables by applying the expected credit losses model. Management is assessing all objective evidence of collectability of amounts due since initial recognition until lifetime. Indicators for expected losses on trade receivables are financial difficulties of the debtor, probable debtor insolvency or non-fulfilment of the terms of the contract and payments delay from the maturity date. For the loss allowance on individual receivables, management applies rates that are determined on the basis of delay of payments over time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.13. Definition and valuation of the consolidated statement of financial position elements (continued)

2.13.6. Financial instruments (continued)

(a) Trade and other receivables (continued)

The loss allowance is presented in the consolidated statement of financial position as reduction in the value of receivables and allowances are presented in the consolidated statement of comprehensive income as expenses. If a receivable is non-collectable and there is an allowance accrued, the receivable is written-off by decrease of the respective allowance account. The reversal of the loss allowance on trade receivables is reported in the consolidated statement of comprehensive income as decrease in the item, in which the allowance was previously recorded. Recognised and reversed loss allowances are presented net and are disclosed in the notes to the consolidated financial statements.

(b) Cash and cash equivalents

Cash in BGN is stated at nominal value and cash in foreign currency is stated at the closing exchange rate of BNB as of December 31, 2024. For cash flow purposes cash and cash equivalents include non-restricted cash at banks and in hand.

(c) Non-current liabilities

Non-current liabilities in BGN are valued at face value and those in foreign currency are valued at the closing exchange rate of the Bulgarian National Bank as of December 31, 2024.

(d) Current liabilities

Current liabilities in BGN are valued at face value and those in foreign currency are valued at the closing exchange rate of the Bulgarian National Bank as of December 31, 2024.

2.13.7. Non-current assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Group measures a non-current asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

2.13.8. Share capital

The subscribed share capital is represented by the amount of the actually paid shares. Share capital is entered in the Trade Register to the amount subscribed by the shareholders and it has to be fully paid within two years. Share capital registered as a contribution in kind is valued by the amount adopted by the General Assembly of Shareholders, which cannot be higher than the value of the contribution in kind determined by licensed appraisers specially appointed by court. Costs that are directly attributable to the issue of new shares or options through an initial public offering of organized stock market are presented as a deduction in equity net of tax, if such is stipulated.

2.13.9. Reserves

The reserves of the Group are formed by allocating its financial results for the period after corporate income tax. The reserves of the Group can be used only by decision of the General Meeting of Shareholders under the Commercial Act and the Articles of Association of the Parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.13. Definition and valuation of the consolidated statement of financial position elements (continued)

2.13.10. Employee benefits

(a) Defined contribution plans

The Government of the Republic of Bulgaria is responsible for the ensuring of the statutory minimum threshold of the pensions pursuant to defined contributions plans. The expenses of the Group for transferring of funds pursuant to the defined contributions plans are recognized in the consolidated statement of comprehensive income upon their occurrence.

(b) Annual paid leave

The Group recognizes as a payable the non-discounted amount of the estimated expenses for annual paid leave, expected to be paid to the employees for the past reported period.

(c) Retirement benefits

Pursuant to the requirements of the Labour Code, upon termination of the employment contract the employees are entitled to retirement benefits amounting to two gross monthly salaries when the overall length of service of the employee in the Group is less than 10 years, or six gross monthly salaries, when the overall length of service is more than consecutive 10 years. The Group records as an expense the discounted amount of the accrued retirement benefit obligations and an interest expense based on an estimation made by a licensed actuary.

2.14. Depreciation and amortization

The Group consistently applies the straight-line depreciation method. Depreciation is not charged on land and assets under construction before they are completed and put into operation. Right-of-use assets are depreciated for a period based on the shorter of their useful life and the period for which they are available for use.

The depreciation and amortization rates for the class of assets determined on the ground of their expected useful lives are as follows:

Classes of assets	**2024**	**2023**
Buildings	25 – 30	25 - 30
Plant and equipment	2 – 30	2 - 30
Vehicles	5 – 15	5 – 15
Office equipment	5 – 20	5 – 20
Software	2 – 8	2 - 8
Patents and trademarks	6 – 20	6 - 20

The management of the Group has determined depreciation rates for the classes of assets on the grounds of their expected useful lives. As of the year end the management of the Group performs a review of the expected useful lives and carrying amounts of the assets for indications for impairment and/or change of depreciation rates.

2.15. Provisions

Provisions are accrued in the consolidated statement of comprehensive income and recognized in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

2.15. Provisions (continued)

Provisions are discounted where the effect of the time value of money is material, using discount rate, which shall be pre-tax rate and shall reflect current market assessments of the time value of money and if appropriate, risks specific to the liability.

2.16. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an asset is determined when both of the following conditions are present and met:
(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

All leases in which the Group is the lessee are recognised and presented under a single lessee accounting model. When the Group is the lessor, leases are recognised based on whether they meet the requirements for finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

2.17. Revenue and expenses recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue denominated in foreign currencies is translated into BGN at the rate of exchange ruling at the date of the accrual of the Bulgarian National Bank. Revenue and expenses are accrued when incurred, regardless of the date of the cash flow. Revenue and expenses recognition is based on the principal for matching costs and revenues according to the terms in the respective contract.

2.17.1. Revenue from sale of finished goods, goods for resale and rendering of services

Revenue from the sale of finished goods and goods for resale is recognized in the consolidated statement of comprehensive income when the customer obtains control. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. For the contracts executed by the Group, the transfer of control usually occurs by transferring the finished goods and goods for resale or upon the occurrence of the agreed event, where the significant risks and rewards of ownership are transferred to the customer. Revenue from rendering of services is recognised in the consolidated statement of comprehensive income by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion of a transaction is determined by surveys of work performed. When the outcome of a transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognised. In case of expected loss on the sale of real estate, it is accrued immediately in the consolidated statement of comprehensive income.

2.17.2. Costs to obtain and fulfil contracts

Such costs are recognized as an asset and amortised on a systematic basis if they meet the conditions specified in IFRS 15 Revenue from Contracts with Customers. Such costs are recognised as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.17. Revenue and expenses recognition (continued)

2.17.3. Income from government grants

Government grants related to depreciable assets are recognized in the consolidated profit or loss over the periods and in proportions in which depreciation expense is recognized on those assets, acquired as a result of the grants after all conditions of the agreement are met. Government grants are recognized in in the consolidated profit or loss over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

2.17.4. Finance income/ (costs)

Interest income and expenses are accrued based on the current negotiated interest rate and the amount of the related receivable or payable. They are accrued directly in the consolidated statement of comprehensive income as incurred. Interest expenses on bank borrowings are calculated and recognised in the consolidated statement of comprehensive income using the effective interest method. Finance income and costs are presented net in the consolidated statement of comprehensive income.

2.18. Earnings per share

The Group presents basic and diluted earnings per share of its ordinary shares. Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares of the Parent outstanding during the period.

2.19. Operating segments

An operating segment is a component of the Group that relates to provision of related products or services (business segment) or provision of products or services within a particular economic environment (geographical segment). The Group presents its financial information in three main segments, which represent the geographic strategic directions of its activity. The results of the segments are estimated based on their profits and losses before taxes. For each strategic direction, the Board of Directors examines internal management reports, at least on a quarterly basis. Performance evaluation is based on segment revenue, and management considers that this is the most relevant indicator to measure its performance compared to other companies operating in these geographical segments.

2.20. Taxation

According to the Bulgarian tax legislation for 2024 the Group is subject to a corporate income tax, which is 10 % of the taxable profit (2023 – 10%). For 2025 the rate of corporate income tax is 10 %. For internationals and for the large groups of national companies in some cases an additional corporate income tax was introduced by tax law. According to the tax legislation the current taxation is based on the financial results of the companies' individual accounts within the Group and no additional consolidation adjustments are required. This applies both to companies registered in the country and to those registered abroad. The Group accounts for deferred taxes on the basis of the balance sheet liability method. Deferred tax is provided for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax shall be recognised as income or an expense and included in the consolidated profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity. Deferred tax assets and liabilities should are offset and the tax effect is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

2.20. Taxation (continued)

The deferred tax liabilities should be recognized for all taxable temporary differences. The deferred tax assets should be recognized when it is probable that taxable profits will be available against which the deferred tax assets can be utilized.

2.21. Dividends

Dividends are reported as decrease in the net assets against a current liability to the shareholders in the period the dividends are approved for distribution.

2.22. Related parties

For the purposes of these consolidated financial statements, the shareholders, key management personnel, together with the close members of their families, including companies controlled by them are considered and referred to as related parties.

3. Segment information

The Group has three main segments described below, which represent the geographic strategic directions in its operations. Different directions are managed differently, as they require a specific marketing strategy.

	European Union (excl. Bulgaria)		**Bulgaria**		**Other**		**Group as a whole**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Revenue from external customers:								
Sales	44,584	46,485	6,790	8,017	23,190	22,221	74564	76,723
Total income	**44,584**	**46,485**	**6,790**	**8,017**	**23,190**	**22,221**	**74,564**	**76,723**
Cost of sales	34,643	35,066	4,415	6,291	15,350	16,250	54,408	57,607
Gross profit	**9,941**	**11,419**	**2,375**	**1,726**	**7,840**	**5,791**	**20,156**	**19,116**
Unallocated revenue							1,692	1,366
Unallocated expenses							(14,107)	(12,542)
Profit before tax							**7,741**	**7,940**
Finance income/(costs)							(177)	(677)
Tax expenses							(845)	(812)
Profit for the year							**6,719**	**6,451**
Segment assets	4,591	3,654	708	1,097	4,620	4,247	9,919	8,998
Unallocated assets							43,804	48,130
Total assets							**52,723**	**57,128**
Unallocated liabilities							19,126	27,680
Total liabilities							**19,126**	**27,680**
Capital costs							5,925	1,952
Depreciation and amortisation expenses							4,841	4,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

4. Property, plant and equipment

	Land and buildings BGN'000	Plant and equipment BGN'000	Other BGN'000	Assets under construction BGN'000	Total BGN'000
Cost:					
Balance at January 1, 2023	**12,069**	**45,541**	**387**	**1,031**	**59,028**
Additions	-	1,642	-	1,270	**2,912**
Transferred	-	1,390		(1,390)	**-**
Disposed	-	(898)		(95)	**(993)**
Balance at December 31, 2023	**12,069**	**47,675**	**387**	**816**	**60,947**
Additions	336	536	5	5,355	**6,232**
Transferred		1,698	-	(1,698)	**-**
Disposed		(223)	-	(203)	**(426)**
Balance at December 31, 2024	**12,405**	**49,686**	**392**	**4,270**	**66,753**
Accumulated depreciation:					
Balance at January 1, 2023	**4,787**	**28,228**	**386**	**-**	**33,401**
Charge for the year	472	4,457	-	-	**4,929**
Eliminated on disposals	-	(57)	-	-	**(57)**
Balance at December 31, 2023	**5,259**	**32,628**	**386**	**-**	**38,273**
Charge for the year	406	4,383	1	-	**4,790**
Eliminated on disposals		(218)	-	-	**(218)**
Balance at December 31, 2024	**5,665**	**36,793**	**387**	**-**	**42,845**
Carrying amount at December 31, 2024	**6,740**	**12,893**	**5**	**4,270**	**23,908**
Carrying amount at December 31, 2023	**6,810**	**15,047**	**1**	**816**	**22,674**

Assets under construction represent capitalized costs in the course of construction of property, plant and equipment, which after put into operation, are used in the activity of the Group.

As of December 31, 2024 property, plant and equipment with carrying amount of BGN 16,278 thousand are mortgaged as collateral on bank borrowings received by the Group.

5. Intangible assets

	Software BGN'000	Patents and trade marks BGN'000	Total BGN'000
Cost:			
Balance at January 1, 2023	927	337	1,264
Balance at December 31, 2023	**927**	**337**	**1,264**
Additions	12	**-**	**12**
Balance at December 31, 2024	**939**	**337**	**1,276**
Accumulated amortisation:			
Balance at January 1, 2023	**832**	**307**	**1,139**
Charge for the year	50	6	**56**
Balance at December 31, 2023	**882**	**313**	**1,195**
Charge for the year	45	6	**51**
Balance at December 31, 2024	**927**	**319**	**1,246**
Carrying amount at December 31, 2024	**12**	**18**	**30**
Carrying amount at December 31, 2023	**45**	**24**	**69**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

6. Investments

The Group has an investment in Ecopack AD amounting to BGN 3 thousand. Proportion of ownership interest in this Company is 5.6 %.

7. Inventories

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Raw materials	7,864	9,128
Finished goods	4,544	3,412
Work in progress	1,463	1,285
Total	**13,871**	**13,825**

As of December 31, 2024 inventories with a carrying amount of BGN 2,934 thousand serve as collateral for bank borrowings provided to the Group.

8. Trade and other receivables

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Trade receivables	10,365	9,488
Loss allowance	(446)	(490)
Trade receivables, net	9,919	8,998
Tax refundable	352	68
Receivables on advances given	170	108
Other receivables	41	35
Total	**10,482**	**9,209**

9. Cash and bank balances

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Cash in foreign currency	5,112	10,970
Cash in BGN	317	378
Total	**5,429**	**11,348**

10. Share capital

As of December 31, 2024 the share capital of the Group comprises 12,013,797 dematerialized ordinary, freely transferable shares with the right to one vote, each with a nominal value of 1 BGN. Initially, on January 25, 2008 Herti AD realized an initial public offering of 3 million ordinary shares at a nominal value of BGN 1 and an issue price determined by the book building method of 3.10 BGN. After the public offering, the registered capital was increased to BGN 12,013,797, distributed in 12,013,797 shares. The shareholders of the Group are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

10. Share capital (continued)

	Number of shares	Percentage
IGM Holding	3,997,316	33.3
Alexander Yulianov	3,991,420	33.2
Zahari Zahariev	3,030,622	25.2
Elena Zaharieva	960,000	8.0
Other individuals	34,439	0.3
Total	**12,013,797**	**100.0**

11. Non-current bank borrowings

11.1. As at 31 December 2024, the Group has three long-term investment borrowings totalling BGN 4,524 thousand, including a long-term portion of BGN 3,708 thousand and a short-term portion of BGN 816 thousand. The deadline for repayment of the borrowings is in the period 2028 - 2024. The annual interest rate is determined by the reference interest rate, the one-, three- and six-month EURIBOR for the respective period, plus a certain mark-up. The borrowings are secured by movable property owned by the Group and a special pledge on receivables.

11.2. As at December 31, 2024 the Group has liability to one long-term loan totalling BGN 286 thousand which contain short-term portion only. The annual interest rate is determined by the one-, three- and six-month EURIBOR for the period plus a mark-up. The borrowings are secured by property, plant and equipment owned by the Group.

11.3. As at December 31, 2024, the Group has contracted a bank overdraft amounting of EURO 3,000 thousand (equivalent of BGN 5,867 thousand). The repayment term of is in 2028. The annual interest rate is determined by the one- and six-month EURIBOR for the period plus a mark-up. The borrowings are secured by property, plant and equipment owned by the Group and a special pledge on receivables. As at December 31, 2024 the Group has not utilized this bank overdraft.

12. Government grants

12.1. In prior reporting period the Group has concluded a contract with the Ministry of Economy and Energy for a grant under the Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007 - 2013. The project entitled “Investments for reducing the energy consumption in the production system of Herti AD” has a total amount of BGN 2,450 thousand and the maximum amount of the grant is BGN 1,225 thousand. In March 2014 after verification of the investments made, the amount of BGN 1,201 thousand was paid to the Group. In 2024 the income from government grants amounts to BGN 80 thousand and the project liability as of December 31, 2024 is BGN 265 thousand, with a short-term portion of BGN 80 thousand and a long-term portion of BGN 185 thousand.

12.2. In December 2013 the Group concluded a contract with the Ministry of Economy and Energy for a grant under the Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007 - 2013 under the project "Implementing Innovation in Enterprises". The investment costs for the project amount to BGN 3,528 thousand and the grant amounts to BGN 1,768 thousand. The equipment was delivered in January 2015. All project documents were approved by the contracting authority - the Ministry of Economy and Energy and the grant was paid to the Group in June 2015. In 2024 income from government grants is BGN 118 thousand. The liability as of December 31, 2024 is BGN 502 thousand, of which a short-term portion amounting to BGN 117 thousand and long-term portion of BGN 385 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

12. Government grants (continued)

12.3. In prior reporting period the Group has signed a contract with Working Conditions Fund for financing under project “Improving the factors of the working environment, working process and work organization and reducing the health and safety risk for the workers in Herti AD at the production building in the town of Pliska". The total amount of the project is BGN 327 thousand and the government grant of BGN 98 thousand is received in 2018. In 2024 the income from government grants is BGN 6 thousand. The liability as of December 31, 2024 is BGN 23 thousand, of which a short-term portion amounting to BGN 6 thousand and long-term portion of BGN 17 thousand.

12.4. During the prior reporting period the Group has concluded a contract for financing with Innovation Norway under the GALP program. The maximum amount of funding is EUR 800 thousand (equivalent to BGN 1,565 thousand), and the target is the purchase of machinery and equipment in the amount of EUR 1,646 thousand (equivalent to BGN 3,219 thousand). In 2022, the Group has received financing to the amount of EUR 314 thousand (equivalent to BGN 615 thousand) and in January 2023 - the remainder of in the amount of EUR 486 thousand, equivalent to BGN 950 thousand. In 2024 the income from this grant is BGN 327 thousand. The liability as of December 31, 2024 is BGN 857 thousand, of which a short-term portion amounting to BGN 303 thousand and long-term portion of BGN 554 thousand.

12.5. In April 2023 the Group has concluded another contract for financing with Innovation Norway Fund for acquisition of machinery for producing of cups. The maximum amount of funding is EUR 200 thousand (equivalent to BGN 391 thousand). In 2024 the income from this grant is BGN 65 thousand. The liability as of December 31, 2024 is BGN 326 thousand, of which a short-term portion amounting to BGN 78 thousand and long-term portion of BGN 248 thousand.

12.6. In prior reporting period, the Group signed a contract with the Working Conditions Fund for financing under the project "Improvement of the conditions in Tihert - EAD." The total amount of the project is BGN 129 thousand, and the grant is BGN 39 thousand. In 2024 the income from government grants is BGN 3 thousand. The liability as of December 31, 2024 is BGN 16 thousand, of which a short-term portion amounting to BGN 3 thousand and long-term portion of BGN 13 thousand.

13. Deferred tax liabilities

As of December 31, 2024 the components of the deferred tax liabilities/(assets) are as follows:

	December 31, 2024 BGN’000	December 31, 2023 BGN’000
Effect of retirement benefits	(71)	(57)
Effect of unused paid leave	(47)	(42)
Effect of loss allowance	(44)	(49)
Total deferred tax assets	**(162)**	**(148)**
Difference between the carrying amount and tax base of depreciable assets	552	695
Total deferred tax liabilities	**552**	**695**
Deferred tax liabilities, net	**390**	**547**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

13. Deferred tax liabilities (continued)

The movement of the deferred tax liabilities/(assets) in 2024 is as follows:

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Balance at the beginning of the year	547	601
Charge to profit or loss	53	72
Charge to other comprehensive income	(11)	(1)
Reversal to profit or loss	(199)	(125)
Balance at the end of the year	**390**	**547**

14. Retirement benefit obligation

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Balance at the beginning of the year	571	661
Current service cost and interest cost	88	80
Benefits paid	(65)	(171)
Actuarial (gains)/losses	114	1
Total	**708**	**571**

The demographic statistical assumptions used are based on the following:

(a) Degree of retirement and early retirement due to sickness.
(b) Mortality rate of the population of Bulgaria according to data from the National Statistical Institute for the period 2021 – 2023.
(c) Statistics from the National Centre for Health Information on disability and early retirement.

15. Current liabilities

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Trade payables	7,358	5,413
Employees	1,388	1,204
Taxes	1,195	1,030
Current portion of non-current bank borrowings	1,102	2,613
Social security	635	446
Advances from customers	593	402
Current portion of government grants	587	534
Bank borrowings	-	7,432
Other payables	60	15
Total	**12,918**	**19,089**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

15. Current liabilities (continued)

As of December 31, 2024, the Group has concluded a contract for a bank overdraft amounting to BGN 2,000 thousand (equivalent to BGN 3,912 thousand). The term of repayment of the overdraft is in 2025. The annual interest rate is determined by one-, three and six-month EURIBOR for the relevant period plus a certain mark-up. The overdraft is secured fixed assets owned by the Grpop and a special pledge on receivables. As of December 31, 2024 the Group has no utilized this bank overdraft.

The Group accrues expenses for unused paid leave for employees and the related social securities in the consolidated statement of comprehensive income. The outstanding balance is presented in the consolidated statement of financial position in payables to employees and social security.

The movement of the unused paid leave is as follows:

	Year ended December 31, 2024 BGN'000	**Year ended December 31, 2023 BGN'000**
Balance at the beginning of the year	412	490
Accrued	1,447	1,898
Used-up and written-off	(1,386)	(1,976)
Balance at the end of the year	**473**	**412**

16. Revenue

	Year ended December 31, 2024 BGN'000	**Year ended December 31, 2023 BGN'000**
Revenue from sale of aluminium closures	53,669	57,755
Revenue from sale of composite closures	18,254	15,848
Revenue from sale of plastic closures	1,005	1,236
Other	1,636	1,764
Total	**74,564**	**76,723**

17. Other income

	Year ended December 31, 2024 BGN'000	**Year ended December 31, 2023 BGN'000**
Income from government grants	810	606
Quantity discounts	224	220
Written-off liabilities	80	-
Gain on sale of materials	10	15
Gain on sale of property, plant and equipment	9	-
Other income	559	525
Total	**1,692**	**1,366**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

17. Other income (continued)

Income from government grants in the amount of BGN 810 thousand (2023: BGN 606 thousand) represent financing under the programme for compensation of industrial electricity consumers in the amount of BGN 208 thousand (2023: BGN 71 thousand) and government grants related to investments in the amount of BGN 602 thousand (2023: BGN 535 thousand).

18. Raw materials and consumables used

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Raw materials	29,775	32,297
Electricity	1,819	1,843
Gas	782	1,089
Other	3,563	3,711
Total	**35,939**	**38,940**

19. Hired services

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Transport services	4,305	3,831
Commissions	353	364
Advertising and consulting services	265	140
Repairs	228	236
Rents	219	187
Insurance	143	95
Communications	90	91
Other hired services	1,392	1,712
Total	**6,995**	**6,656**

The remuneration of the auditors for the audit services provided to the Group for 2024 amounts to BGN 26 thousand. The auditors of the Group have not provided any consultancy services other than performing an independent financial audit. With the permission of the Audit Committee of the Group the auditors have performed another non restricted service amounting to BGN 2 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

20. Employee benefits expense

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Salaries	16,907	14,391
Social security	2,731	2,691
Food vouchers	476	952
Unused paid leave, net	54	(36)
Retirement benefits, net	23	(89)
Total	**20,191**	**17,909**

21. Other expenses

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Waste of assets	150	126
Business trips	87	73
Written-off receivables	1	509
Other expenses	192	521
Total	**430**	**1,229**

22. Interest income/(expenses)

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Interest income	1	-
Interest expenses on borrowings	(276)	(582)
Other interest expenses	-	(27)
Total	**(275)**	**(609)**

23. Tax benefit/(expense)

As of December 31, 2024 the reconciliation of the tax benefit/ (expense) is as follows:

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Profit before tax	7,564	7,263
Tax at the applicable tax rate	(756)	(726)
Tax effect of permanent differences	58	48
Effect of consolidation adjustments	(147)	(134)
Tax benefit/(expense)	**(845)**	**(812)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

23. Tax benefit/(expense) (continued)

As of December 31, 2024 the components of the tax benefit/ (expense) are as follows:

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Current tax expense	(991)	(950)
Origination and reversal of temporary differences	157	54
Effect of consolidation adjustments	(11)	84
Tax benefit/(expense)	**845**	**(812)**

24. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year. Where shares are issued but not fully paid, they are treated in the calculation as a fraction of a share to the extent that they are entitled to participate in dividends during the period.

	Year ended December 31, 2024	Year ended December 31, 2023
Profit for the year (BGN'000)	6,719	6,451
Weighted average number of shares (thousands of units)	12,014	12,014
Earnings per share in BGN	**0.56**	**0.54**

25. Financial instruments

Credit risk

The carrying amount of financial assets at 31 December 2024 includes:

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Cash and cash equivalents	5,429	11,348
Trade and other receivables	9,919	8,998
Other investments	3	3
Total	**15,351**	**20,349**

The maximum credit exposure of the Group as of the date of the consolidated financial statements for trade receivables less loss allowance by geographical regions is:

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
European Union (excluding Bulgaria)	4,591	3,654
Domestic	708	1,097
Other	4,620	4,247
Total	**9,919**	**8,998**

25. Financial instruments (continued)

Loss allowance on receivables

The aging of trade receivables of the Group as of December 31, 2024 is as follows:

	31.12.2024 Gross BGN'000	31.12.2024 Loss allowance BGN'000	31.12.2023 Gross BGN'000	31.12.2022 Loss allowance BGN'000
Not past due	9,444	-	6,979	-
Past due up to 30 days	86	-	1,473	-
Past due 31-360 days	166	-	193	-
Past due over 1 year	223	446	353	490
Total	**9,919**	**446**	**8,998**	**490**

As a result of the credit risk analysis, the Group believes that no further loss allowance of the past due trade and other receivables.

Liquidity risk

The contractual maturities of financial liabilities, including estimated interest payments, are presented below, excluding the effect of contracted offsetting commitments:

December 31, 2024	**Carrying amount BGN'000**	**Agreed cash flows BGN'000**	**6 months or less BGN'000**	**6-12 months BGN'000**	**1-2 years BGN'000**	**2-5 years BGN'000**	**More than 5 years BGN'000**
Secured long-term bank borrowings	4,524	4,848	509	466	1,705	2,168	-
Secured short-term bank borrowing	286	298	298	-	-	-	-
Bank overdraft	1	103	24	9	23	47	-
Trade payables	7,358	7,358	7,358	-	-	-	-
Total	**12,169**	**12,607**	**8,189**	**475**	**1,728**	**2,215**	**-**

December 31, 2023	**Carrying amount BGN'000**	**Agreed cash flows BGN'000**	**6 months or less BGN'000**	**6-12 months BGN'000**	**1-2 years BGN'000**	**2-5 years BGN'000**	**More than 5 years BGN'000**
Secured long-term bank borrowings	6,229	6,820	1,521	1,399	2,278	1,622	239
Secured short-term bank borrowing	8	9	9	-	-	-	-
Bank overdraft	9,388	9,922	1,452	6,415	2,055	-	-
Trade payables	5,413	5,413	5,413	-	-	-	-
Total	**21,038**	**22,164**	**8,395**	**7,814**	**4,333**	**1,622**	**239**

Foreign currency risk

The exposure of the Group to foreign currency risk is insignificant as 12 % of sales for 2024 are realized on the domestic market in Bulgarian levs (in 2023 - 13%) and 67 % of sales for 2024 are realized in Euro (in 2023 - 70%). Imports of materials and goods in 2024 are almost entirely carried out in Euro. The loans denominated in foreign currency are granted in Euro and in BGN.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

25. Financial instruments (continued)

Interest rate risk

The table below includes the carrying amount of financial instruments by type of interest rate:

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Fixed interest rate instruments		
Financial assets	5,424	11,343
Total	**5,424**	**11,343**
Variable interest rate instruments		
Financial liabilities	(4,811)	(15,625)
Total	**(4,811)**	**(15,625)**

26. Related party transactions

As of December 31, 2024 transactions and outstanding balances with related parties are as follows:

26.1. Transactions with majority shareholders

Transactions during the year and the outstanding payables as of December 31, 2024 are stated out below:

Related party	Type of transaction	Turnover 2024 BGN'000	Outstanding payables 2024 BGN'000	Turnover 2023 BGN'000	Outstanding payables 2023 BGN'000
IGM Holding	Purchases	62	-	6	-
Total			**-**		**-**

26.2. Transactions with other related parties

Transactions during the year and the outstanding receivables as of December 31, 2024 are stated out below:

Related party	Type of transaction	Turnover 2024 BGN'000	Outstanding receivables 2024 BGN'000	Turnover 2023 BGN'000	Outstanding receivables 2023 BGN'000
Raifen – OOD	Sales	2	-	2	-
Timshel – OOD	Sales	2	-	2	-
Total					**-**

Transactions during the year and the outstanding payables as of December 31, 2024 are stated out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2024
(continued)

26. Related party transactions (continued)

26.2. Transactions with other related parties (continued)

Related party	Type of transaction	Turnover 2024 BGN'000	Outstanding payables 2024 BGN'000	Turnover 2023 BGN'000	Outstanding payables 2023 BGN'000
Timshel – OOD	Purchases	104	39	104	39
Raifen – OOD	Purchases	991	70	1,109	101
Total			**109**		**140**

All outstanding receivables and payables to related parties are current. There are no unusual terms or conditions associated with these transactions or variances from the market prices.

26.3. Remuneration of key management personnel

The remuneration of the members of the Board of Directors of the Group for 2024 amounts to BGN 904 thousand (2023: BGN 825 thousand).

27. Commitments and contingent liabilities

As of December 31, 2024 a Bulgarian commercial bank issued a bank guarantees on behalf of the Group in favour of Varna - Customs Bureau to the total amount of BGN 1,000 thousand. The collateral has a term expiring at June 3, 2025.

Chief Executive Officer: (signed)
Zahari Zahariev

Chief Financial Officer: (signed)
Ivaylo Petrov

April 11, 2025
Shumen

****

Unofficial translation of the original in Bulgarian.
In case of any divergences the Bulgarian version is prevailing

CONSOLIDATED ANNUAL ACTIVITY

REPORT FOR YEAR 2024

Content:

MESSAGE OF THE CHIEF EXECUTIVE DIRECTOR

Dear shareholders, partners, colleagues and friends,

Another important year for our Company has passed and the challenges and success are just to motivate us to continue to perfect ourselves and to reach new heights. Herein I want to share with you the results of our work and our commitment to the future development of Herti JSC.

Over the past year of 2024, not only did we continue to establish ourselves as a leader in the production and supply of high-quality aluminium caps, but we also managed to overcome numerous challenges related to the global economic conditions, industry innovations and the global markets demands. Taking advantage of the opportunities provided by our dynamic business environment, we perfected our relations with the partners and clients and promoted our internal efficiency.

We have realized another green project "GREENPRESS" with the financial support of the Norwegian Financial Mechanism, targeting the reduction of carbon emissions of Herti JSC. Production. In regard of our targets to reduce the energy costs and to increase the green energy consumption on 1st of July 2024 Herti has signed a contract for the supply of 100% green energy from solar, wind and hydropower plants, for which it receives a guarantee of origin from the Agency for Sustainable Energy Development.

We have placed the foundations of another huge investment project, related to the sustainable development - construction works on new production premise started in the beginning of September to the built up are of 6 thous. sq. m. on the territory of the production site in Pliska.

We believe that Herti JSC. success is a result of team work, dedication and professionalism of all our Employees. The efforts made to optimize production processes, investments in innovation and sustainable development are the foundation for our future achievements.

The year was also a period of improving our corporate social responsibility, focusing on sustainable resource management, reducing carbon emissions, and supporting local communities.

For sure we are facing lots of challenges, however they could be seen as new opportunities. We shall continue building stable future for Herti JSC. together with our partners and clients, being committed to innovations, high quality and sustainability.

I would like to thank you all for the trust and support during the year that is past. I am sure that we shall continue building success together and we shall achieve the ambitious targets we have placed.

Best wishes for good health, success and new achievements in year 2025!

Yours Sincerely,

Zahari Zahariev
Chief Executive Director

MISSION

Maximum satisfaction of the needs of our customers and partners with high-quality products and solutions, establishing the Group on the world market. Achieving a degree of profitability, ensuring sustainable development and continuous growth of the Group for the benefit of shareholders, staff, and society.

VISION

To be in the top five cap manufacturers in Europe, creating a market advantage by introducing innovative products, production processes and business models.

CORE VALUES

- **The People**
  Trained staff is the main driving force of our development. It shapes our prestige and vitality.
- **High quality**
  Quality is our top priority to provide our customers with products that fully meet their needs.
- **Profitability growth**
  Ensuring growth that will guarantee a return on shareholder investment and staff security.
- **Clients' servicing**
  The client should be the focus of all our efforts, since he is the source of our existence.
- **Continuous improvement**
  Everything we do today, we can do even better tomorrow.
- **Professionalism**
  Effective and dedicated use and development of staff skills is a basic requirement in our work.
- **Empathy**
  Employees and workers are a team in which everyone must treat each other with trust, respect, integrity, and fairness.
- **Partnership**
  Continuous mutually beneficial relationships with all business partners.

THE GOOD NAME

Creating respect and responsibility for the property and the good name of the Group.

I. INTRODUCTION

This annual activity report is an integral part of the consolidated annual financial statements prepared as of December 31, 2024, in accordance with the requirements of the Accounting Act and the Public Offering of Securities Act.

II. HERTI JSC. PROFILE

Herti AD (Jsc.) (parent company, HERTI) and its subsidiaries, together hereinafter referred to as the Group, is registered as a joint-stock company under company file No. 567/2007 in the Shumen District Court and is entered in the Commercial Register at the Registry Agency with UIC 127631592. The registered office and management address of the group is Shumen, 38 Antim I Str.

The Group has public status and its shares are traded on the unofficial market of the Bulgarian Stock Exchange. The group's business is primarily related to the production of aluminum screw caps, plastic caps and heat-shrinkable capsules for wine bottles, lacquering and lithography on metal sheets.

As of December 31, 2024, the shareholders of the group are as follows:

	Number of shares	**Percent**
IGM Holding	3,997,316	33.27
Aleksandar Yuliyanov	3,991,420	33.22
Zahari Zahariev	3,030,622	25.23
Elena Zaharieva	960.000	7.99
Other shareholders - individuals	34.439	0.29
Total	**12,013,797**	**100.00**

The Group is managed by a Board of Directors, consisting of 5 members. The following are members of the Board of Directors (BD):

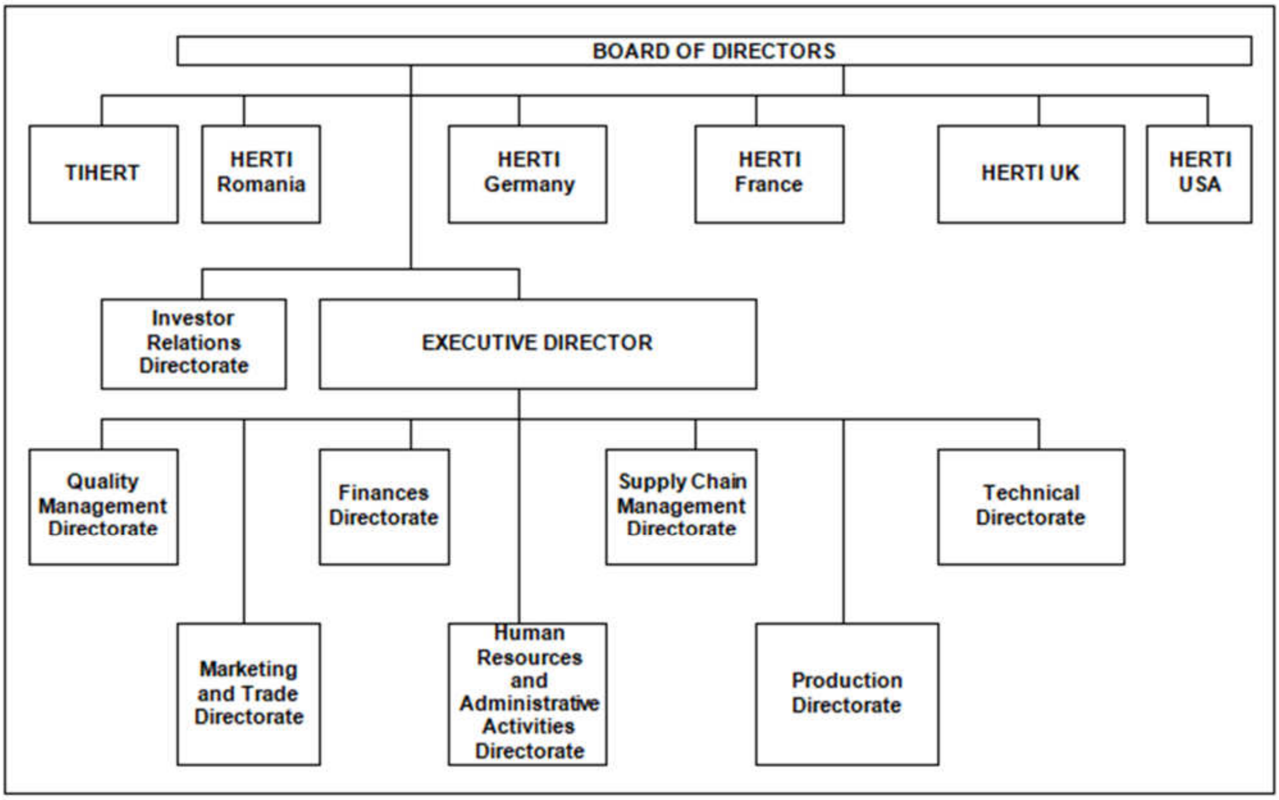
- Mr. Aleksandar Blagoev Yuliayanov - Chairman of the Board of Directors
- Mr. Zahari Ganev Zahariev - Chief Executive Officer
- Mr. Josef Mayer – Member of the Board of Directors
- Mr. Svetoslav Stamenov– Member of the Board of Directors
- Mariya Georgieva Velinova – Member of the Board of Directors

The Board of Directors has not authorized a procurator or other commercial agent.
The Investor Relations Director is Ms. Elena Zaharieva.

The Group is represented separately by Zahari Zahariev – Chief Executive Officer and Aleksandar Yuliyanov – Chairman of the Board of Directors, for transactions totalling up to BGN 15,000. For transactions worth more than BGN 15,000, the Chief Executive Officer and Chairman of the Board represent the Group jointly.

The Group organization structure consists of a few departments, each of them with different units and offices.

Herti JSC. Management and organizational structure



III. SELECTED PERFORMANCE INDICATORS

In thous. BGN	2024	2023	Amendment (%)
Income from activity	76.256	78.089	(2.3%)
Expenses for activity	68.515	70.149	(2.3%)
Profit before interests, taxes and depreciation (EBITDA)	12.681	12.857	1.4%
EBITDA / Incomes from activity	16.6%	16.5%	-
Profit before interests and taxes (EBIT)	7.840	7.872	0.4%
EBIT / Incomes from activity	10.3%	10.1%	-
Profit before taxes	7.564	7.263	4.1%
Corporate tax	(845)	(812)	4.1%
Net profit	6.719	6.451	4.2%
Assets (thous. BGN)	53.723	57.128	(6.0%)
Liabilities (thous. BGN)	19.126	27.680	(30.9%)
Equity (thous. BGN)	34.597	29.448	17.5%
Equity / Assets (%)	64%	52%	-
Liabilities / Equity (%)	55%	94%	-
Liabilities / Assets (%)	36%	48%	-
Equity return (%)	19.4%	21.9%	-
Assets return (%)	12.5%	11.3%	-

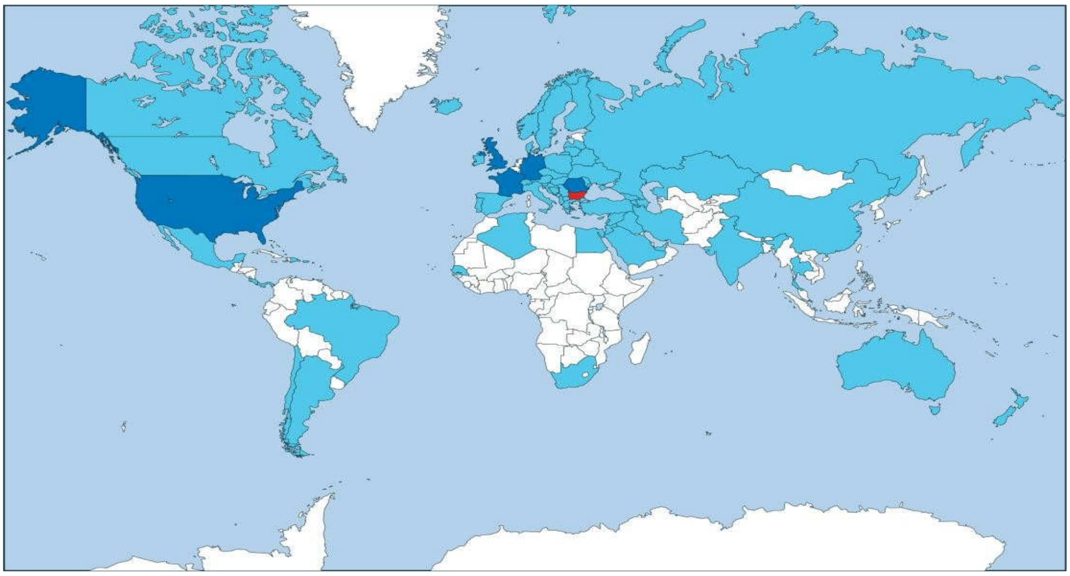
IV. OVERVIEW OF THE GROUP'S ACTIVITY

1. Market and main trends' overview

Herti JSC. sells both on the domestic market in Bulgaria and abroad. The "HERTI" brand is well known in many countries around the world. The perfect message and meaning included in the brand have an advantage over our competitors. The main subject of activity is the production of

- Aluminium caps;
- Plastic caps;
- Composite caps.

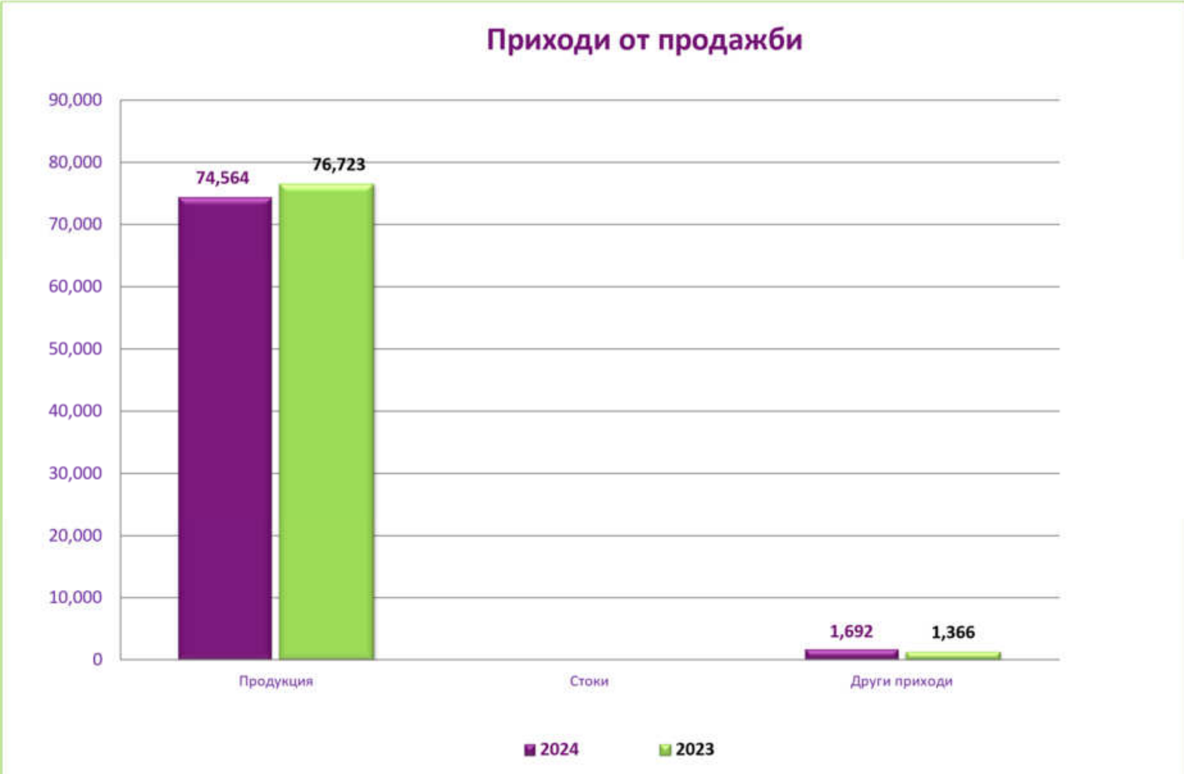
The largest market of Herti JSC's products is United Kingdom and the next most important markets for year 2024 are France, Germany, Bulgaria, Italy, Greece and the rest of Europe, forming a total of about 86% of turnover. The map below indicates the countries in which the Group sells its products, as well as the countries in which subsidiaries are established.



Despite the effect of the war in Ukraine on the global economy and markets, Herti was able to preserve its market share and the position amongst its clients, despite the slight drop of sales, as all the competitors in the field. The high quality of the products, timely deliveries, ensuring continuity in the supply chain, and after-sales service have maintained the trust of the partners and led to finding new customers and markets. The Group continue to invest in assets, increasing the capacity and flexibility of the production process and therefore achieved extraordinary results in year 2024.

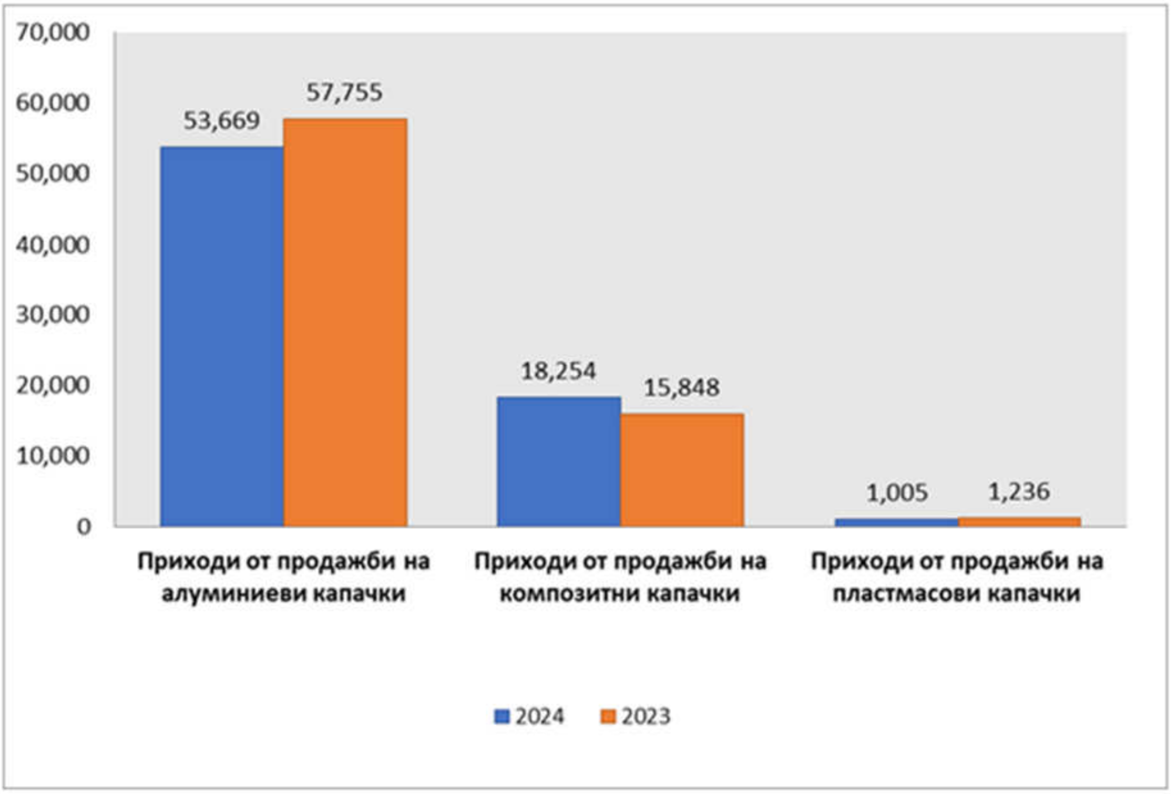
This year promises to be challenging and the global economic growth shall meet the stagnation of the large European economics, all accompanied with the protection policies. Considering this situation the Bulgarian export companies shall be bound to look for alternative markets and to create new commercial corridors, which is a complex task, taking lots of time.

Income from sales (in thous. BGN)



Production Goods Other income

Income from sales of production as per types (in thous. BGN)



Revenues from sale of:

aluminium caps composite caps plastic caps

2. Results from the activity and the financial situation

In 2024 Herti JSC realized profit before taxes to the size of 6,719 thous. BGN (6,451 thous. BGN in 2023). The profit before taxes, interests and depreciation (EBITDA) is 12,681 thous. BGN in 2024 in comparison to 12,857 thous. BGN for the previous period. A deduction of the sales of production is registered in 2024. Part of the markets show increase of sales, while others - decrease. When analysing the production the following results are reported:

Indicators	**2024 thous. pcs.**	**2023 thous. pcs.**	**Amendment in thous. pcs.**	**Amendment In %**
Aluminium caps	1,064,863	1,099,507	(34.644)	(3%)
Composite caps	412.033	326.761	85.272	26%
Plastic caps	31.176	39.526	(8.350)	(21%)

Analysing the revenues and expenses for the year ending on December 31, 2024, it is evident that the Group realizes decrease of the variable costs. The main part of the production materials is in stock exchange prices, which Herti JSC. cannot influence.

The steps taken to upgrade the technological equipment lead to a reduction of production costs per a production unit in the reporting period. The aspiration of the companies for sustainable development and environment protection as well as the EU regulations in that regard, lead to additional investments and expenses, affecting the end prices. A common decrease of the drinks' consumption is also registered. Budget expenditures are constantly monitored and controlled. The ERP system provides us the opportunity for more timely and accurate information for making adequate management decisions.

During the past period, the Group has not run into liquidity difficulties, all liabilities have been paid at maturity. The policy of maintaining liquidity and the ability to meet all obligations will continue in 2025 and the Group does not anticipate problems in this area. For this purpose, loans for turnover means are provided to secure the necessary funds when needed.

The total liquidity, expressed in the ratio of the sum of inventories, short-term receivables, and financial assets of the Group to its current liabilities during the reporting period, is 2.30 (compared to 1.8 at the end of 2023), which is an increase of 0.5 points, which is mainly due to the decrease in current liabilities. At present, the overall liquidity ratio is good for an industrial company. The results obtained should be assessed as an increase in working capital, taking into account the length of the production cycle, the speed of turnover, and the specifics of the activities performed by the Group. It should also be noted that during the reporting period the Group repaid a total of loans to the amount of BGN 14,974 thousand BGN.

3. Capital resources and investments

In 2024 the Group has invested 6,408 mln. BGN predominantly in production buildings and assets, as well as extensions and improvements of existing long-term fixed assets. The expenses are funded with own means of the Group, investment loan and financial lease contracts. The main part of the investments bought are related to acquired machineries and devices for the production needs, helping on the one hand with capacity increase and on the other - decrease of lead time, optimal usage of resources and energy efficiency of production. The percent of investments related to reduction of expenses for energy and emissions - 68 %. In 2024 the following were introduced into exploitation:

- Press ESJA TP 100-2024;
- Kraus Maffei Injection moulding 200/750 CX;
- Vision control module - 2 pcs.

As of December 31, 2024, the equity of the Group, which includes fixed capital, revaluation reserve, other reserves, and accumulated profits, is 34,597 thous. BGN. The amount of assets is 53,723 thous. BGN as of December 31, 2024. In 2024, the ratios of the return on equity (ROE) and return on assets (ROA) are 19.40% and 12.50 % respectively. The total liabilities of the Group for 2024 (non-current and current liabilities) mark a decrease from 27,680 thous. BGN. to 19,126 thous. BGN.

4. Research and development

Herti's structure has a specialized Research and Development Department at the Technical Directorate, which works primarily to optimize products, processes, and production organization to implement new environmentally friendly materials, save resources and energy, create innovative solutions and achieve sustainable results. The introduction of new materials, machines, and processes in the production process helps to efficiently use all types of resources and to achieve the Group's goals for sustainable development. The Group's vision is to create a market advantage by introducing innovative products, production processes, and business models and achieving a degree of profitability that will ensure a return on shareholder investment and staff security.

Herti has three registered utility models, three trademarks as well as several designs and European Community trademarks.

5. Human resources

The management constantly takes care of creating and improving the working conditions in the enterprise and the development of the staff to provide an atmosphere of mutual respect and belonging to the company. The main goal of Herti's leadership is to develop highly professional morale, in which are set norms and values that contribute to the achievement of public interests.

In 2024, Herti JSC. continued the process of long-term investment in its human resources. The total average number of staff for 2024 is 462 people (in 2023 – 543 people).

Training is the most important element in the Group's efforts to constantly improve the performance and achievements of each employee. Almost all of them were included in trainings and training programs for an additional qualification in the respective professional field.

6. Risk management

HERTI is exposed to risks, associated with changes in raw material prices.

The Group is exposed to risks, related to changes in the prices of the main raw materials, in particular aluminium, as it uses in its production process inventories, the prices of which are influenced by those on the international markets and the London Metal Exchange. The policy in this area consists of negotiating fixed prices with suppliers with a predominant maturity of up to half a year, to avoid the negative effect of the possible rise in prices of raw materials during this period.

HERTI is exposed to exchange rate risks.

HERTI works with clients from more than 60 countries around the world, which is why it is subject to risks related to cross-border transactions and in particular risks of exchange rate fluctuations and risks of late payments by our counterparties from certain countries. The main currency risk is related to the British pound and the US dollar. If necessary, HERTI uses hedging instruments in currency risk management. Besides, HERTI has assets and liabilities for liquidity and cash flow management in its day-to-day operations.

The markets in which HERTI operates are highly competitive and are subject to constant price pressure.

The Group's product market is highly competitive and there is strong pressure to lower final prices, especially in the presence of stagnant markets or markets with an attitude of change in consumer demand. HERTI faces strong competitors (especially from Europe) with huge resources. In response to increasing competition in the sector, HERTI and many other producers may be forced to increase their efficiency by reducing costs, including raw material costs.

7. Development prospects. Strategy and its implementation.

In 2025, the Group plans a moderate growth in sales of products due to different problems in the supply chain. The strategy for achieving the planned volumes includes maintaining the achieved market shares in Bulgaria and other countries in Europe and increasing the market share in the export markets. Commercial activity in certain regions will be supported by various marketing activities, in accordance with the potential of individual countries and the return that the Group expects in the short and medium-term. The medium-term development strategy also includes the launch of new investment projects to increase production capacity, expand and supplement the range of products, as well as contribute to reducing the cost of production. The Group annually develops new products and regularly participates in exhibitions to find new customers.

V. OTHER SIGNIFICANT INFORMATION

Herti maintained its normal activity in 2024, despite the smaller workload and for positive signals for its development. Despite the challenges due to the global economic situation, Herti preserved its business stability and found new growth opportunities.

One of the key moments of success was the completion of the “GREENPRESS” Project at the end of April 2023, funded by the Norwegian Financial Mechanism. This project involved investments in new equipment for reduction of the energy consumptions and the carbon emissions, including a press and a die machine, optimizing the production process. The funding covers almost 50% of the expenses and through the means of the innovations introduced Herti shall achieve significant ecology and energy improvements. The project completion in 2024 and the receipt of the funding to the amount of 200,000 EUR was an important milestone in implementation of the Group sustainable targets.

In January 2024 Herti participated in Unified Symposium in Sacramento - the biggest wine and wine production exhibition in the region. This participation is part of the Group strategy to increase its presence on the USA market.

A sitting of the Board of Directors was held on the 29th February 2024, where the individual audited financial statements for year 2023 were approved. Some important decisions for the Group future were taken, including summoning the general meeting of the shareholders in June and extending a credit line with DSK Bank for another 12 months, to secure additional liquidity for investment projects.

ProWein, leading commercial fair for wine and spirits took place in March 2024 in Dusseldorf, where Herti was one of the exhibitors on Closure group joint stand and the full range of products were presented, both for the spirit and wine industry. These exhibitions are an important part of the Group efforts to extend its network of international partners and to follow up the innovation trends in the industry.

In April 2024, Herti participated in a workshop, organized by the Norwegian Financial mechanism in Sofia, for the exchange of experience and good practices with other Bulgarian companies, also part of the program for business development and innovations. The trainings on AI in business, ESG standards and stress management were extremely beneficial for Herti’s team. Herti has implemented two projects with the support of the Norwegian Financial Mechanism 2014-2021 within the program "Business Development, Innovation and SMEs in Bulgaria” to the total value of 1 mil. EURO.

On 3rd June 2024 Herti renewed its certificate for BRC/IOP standard, version 6 after successful unannounced audit where the Group was awarded with the highest level A+ in “Great hygiene’ category. Herti applies the Global standard for packages and packaging materials since 2010. The BRC standard is a guarantee for all Herti products’ hygiene and safety.

On 27th June 2024 a general meeting of the Board of Directors of Herti JSC. took place. The Board of Directors took a decision to apply with UniCredit Bulbank for an investment loan up to 11 million BGN for the construction of a new production building. New policy on Environment and Rules for Suppliers were approved. The General meeting of the shareholders took a decision to distribute dividend of the 2023 profit.

The Group has been actively working on the sustainable development, as part of it is the investments in energy efficiency. In July 2024, Herti underwent a periodic energy efficiency audit, taking into account the achieved reduction in energy consumption and carbon emissions. Thanks to investments in innovation and sustainable technologies in recent years, Herti has saved over 5,000 MWh of energy in 2023 compared to 2019 and continues to implement ambitious plans to achieve even greater savings in the coming years.

On July 1, 2024, the Group signed a contract for the supply of 100% green energy, which underlines Herti's commitment to environmental protection and sustainable development. This is part of the Group's broader efforts to reduce its carbon footprint and secure its future in the face of growing environmental demands.

In early September 2024, Herti began a new series of investments with the construction of a new production building in Pliska with an area of 6 thousand sq.m. These efforts are part of the Group's capacity expansion strategy, which will allow it to meet increased demand and optimize production processes.

In the fall of 2024, Herti continued to demonstrate its leadership position on the international stage by participating in a number of prestigious exhibitions such as SIMEI, BrauBeviale and Vinitech Sifel. These events provided an opportunity to strengthen partnerships with leading manufacturers and technology providers, while opening up new business opportunities in various sectors of the beverage industry.

On 28th November 2024 an extraordinary meeting of the shareholders of Herti JSC. Took place and Mr. Yozef Mayer was released from his position as a member of the Board of Directors and IGM Holding Ltd., Austria took his position, represented by Mr. Yozef Mayer.

In December 2024 Herti participated in the WIN Expo in Santa Rosa, California, as a part of its strategic presence on the American market. The Group's participation in these events highlights its commitment to global standards and successful adaptation to changing market conditions.

VI. SIGNIFICANT EVENTS, THAT OCCURRED AFTER THE END OF THE REPORTING PERIOD

No significant events and circumstances regarding the Group activity occurred after the end of the reporting period, therefore no additional announcement are needed in the annual financial statements.

VII. INFORMATION FOR ACQUISITION OF OWN SHARES, REQUIRED BY ART.187D OF THE COMMERCIAL LAW

As of the date of this report, the Group has not fulfilled redemption of own shares within the meaning of Art.187 of the Commercial Code.

VIII. COMPANY BRANCHES

The Group has no registered branches.

IX. INFORMATION, REQUIRED AS PER ART. 247 IF THE COMMERCIAL LAW

1. Remuneration of members of the board of directors and redemption of shares

The total remuneration of the executive director and the members of the Board of Directors for the reporting period is 904 thous. BGN.

2. Shares and bonds of the Group acquired, owned and transferred by the members of the boards during the year

During the reporting period of 2024 no members of the board of directors of the parent company acquired parent company shares.

During the reporting period of 2024, no members of the Board of Directors of the parent company sold any parent company shares.

3. The rights of the members of the boards to acquire shares and bonds of the Group

The rights of the members of the Board of Directors of the Group are determined in accordance with the Commercial Law and there are no additional restrictions or preferences, imposed by the Articles of Association of the parent company.

4. Participation of board members in companies as unlimited liability partners , owning of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives in capacity of procurators, managers or board members

There are no members of the Board of Directors of the parent company, who are unlimited shareholders holding more than 25 percent of the capital of another company.

The members of the Board of Directors participate in the management of other companies as managers or members of the board as follows:

Aleksandar Blagoev Yuliyanov

- Directly owns 50 % in Timshel-Ltd., Shumen, UIC: 127044260;
- Directly and indirectly owns 29.5 / 100 of the votes in the General meeting of Raifen -Ltd. (through the participation of Timshel - Ltd.), Shumen, UIC: 12700362;
- Manager of Timshel-Ltd., Shumen
- Directly owns 50% in Juls888-Ltd., Sofia, UIC: 207727164;
- Manager of Juls888-Ltd., Sofia.

Zahari Ganev Zahariev

- Directly owns 50% in Timshel-Ltd., Shumen, UIC: 127044260;
- Directly and indirectly owns 30.5 / 100 of the votes in the General meeting of Raifen -Ltd. (Through the participation of Timshel - Ltd.), Shumen, UIC: 127003623;
- Manager of Timshel-Ltd., Shumen
- Directly owns 50% in Zerini-Ltd., Shumen, UIC 207719922;
- Manager of Zerini-Ltd., Shumen, UIC 207719922
- Manager of Madara Non-profit Association, Shumen, UIC 127604823.

Yozef Mayer

- 25 % in IGM Holding - Ltd. Austria;
- Manager of IGM Holding Ltd. - Austria.

Mariya Velinova

- Directly owns 51 % in Velinova-Ltd., Shumen, UIC: 202873051;
- Directly owns 40 % in iService-Ltd., Sofia, , UIC: 201688288;
- Manager of SD Velinova, Hadzhieva and Sie, Shumen, UIC: 127030894;
- Manager of Velinova-Ltd. Shumen, UIC: 202873051;
- Manager of Vipharm- EOOD (Ltd.) Shumen, UIC: 201024272;
- Manager of iService-Ltd. Sofia, UIC: 201688288;

Svetoslav Stamenov

- Directly owns 49 % in Energo -1-Ltd., Shumen, UIC: 130572734;
- Directly owns 25 % in Termocomplex-Ltd., Shumen, UIC: 127528261;

- Directly owns 66.66 % of Capital Glass JSC., Pliska 9920, 30 Aleksandar Stamboliyski Str., UIC 204803781;
- Indirectly owns 66.66 % of the capital of Glass Pack Trade EOOD, Shumen, UIC: 207528707

5. Contracts as per Art. 240B of the Commercial Law, signed through the year

None.

X. FINANCIAL INSTRUMENTS

The functional currency of the Group is BGN (Bulgarian Lev). Most of the transactions carried out on the foreign market are carried out in euros. This minimizes the currency risk. The agreed deadlines with customers and suppliers as of the date of preparation of this report allow the Group not to resort to financial instruments such as hedging. The objectives and policy of the enterprise for financial risk management and the exposure of the enterprise to price, credit and liquidity risk and cash flow risk are disclosed in the notes to the independent financial statements of the Group.

XI. CORPORATE SOCIAL RESPONSIBILITY

Herti – JSC applies the principles of the National Corporate Governance Code. The principles of transparency, free and fair competition are enshrined in the Group's Code of Ethics. Herti is socially responsible company engaged in social and cultural events in the municipality. During the reporting period the Group has supported the holding of cultural and sports events in the municipality of Shumen and the municipality of Kaspichan.

Responsibilities, goals and activities under Herti's Security Code are detailed in Other additional information on page 59.

XII. MANAGEMENT RESPONSIBILITIES

According to the Bulgarian legislation, the management should prepare an annual financial statements for the activity for each period, including annual financial statements, annual activity report and other information determined by an ordinance (as per Ordinance 2 for the prospectuses in public offering and admission to trading on a regulated securities market and for disclosure of information, Annex №3), report on the remuneration policy, corporate governance statement and non-financial information, for each reporting period to give a true and fair view of the financial condition of the Group at the end of the reporting period, for its financial results from operations and the cash flows, in accordance with the applicable accounting framework. The Group applies the International Financial Reporting Standards (IFRS), applicable in EU, for the purposes of reporting, as per the Bulgarian accounting legislation. This responsibility includes: development, implementation and maintenance of an internal control system, related to the preparation and reliable presentation of financial statements, which do not contain significant inaccuracies, deviations and inconsistencies, whether they are due to fraud or error; selection and application of appropriate accounting policies and preparation of accounting estimates, which are reasonable in the particular circumstances. The Management confirms that it has acted in accordance with its own responsibilities, and that the financial statements have been prepared in full compliance with International Financial Reporting Standards, applicable in European Union. The management also confirms, that when preparing the current annual financial statements for the activity, it has presented faithfully and honestly the development and results from the activity of the Group for the past period as well as its condition and the main risks it faces.

ADDITIONAL INFORMATION AS PER ANNEX 2 TO ART. 10; 1, ART.11,I.1, ART.21, I.1, LETTER „A” AND I.2, LETTER”A” OF ORDINANCE 2 FOR THE YEAR ENDING ON 31.12.2023

1. Information, given in value and quantity, concerning the main categories of goods, products and/or services provided, indicating their share in revenues from sales of the issuer, in general, the changes that occurred during the reporting financial year

Products	2024				2023			
	In thous. pcs.	In thous. BGN	Share of sales	Amm. as to 2023	In thous. pcs.	In thous. BGN	Share of sales	Amm. as to 2022
Aluminium caps	1,064,863	53,669	72.0%	(7.1%)	1,099,507	55,755	75.3%	(15.0%)
Composite caps	412,033	18,254	24.5%	15.2%	326.761	15,848	20.7%	(20.6%)
Plastic caps	31,176	1,005	1.3%	(18.7%)	39.526	1,236	1.6%	45.3%
Others	-	1,636	2.2%	(13.1%)	-	1,884	2.5%	(2.9%)
Total	**1,508,072**	**74,564**	**100.0%**	**(2.9%)**	**1,465,794**	**76,723**	**100.0%**	**(15.5%)**

2. Information on the revenues distributed by the different categories of activities, domestic and foreign markets, as well as information on sources of supply with materials, necessary for the production of goods or the provision of services reflecting the degree of dependence in respect of each individual seller or buyer/ user, as if the relative share of any of them exceeds 10 percent of expenses or sales revenue, information for each person is provided separately, for its share in sales or purchases and its relations with the issuer, respectively the person in paragraph 1e of the additional regulations of the Law on Public Offering of Securities:

	EU (without Bulgaria)		Bulgaria		Others		The Group as a whole	
	2024 thous. BGN	2023 thous. BGN	2024 thous. BGN	2023 thous. BGN	2024 thous. BGN	2023 thous. BGN	2024 thous. BGN	2023 thous. BGN
Incomes from Sales	44,584	46,485	6,790	8,017	23,190	22,221	74,564	76,723

Main suppliers of the Group are suppliers of basic materials Akzo Nobel Hilden GmbH, Constellium Rolled Products Singen GmbH & Co.KG, Laminazione Sottile S.p.A., Actega DS GmbH, Gränges AB – Impexmetal S.A., Chrotex and others.

3. Information on significant deals concluded.

None.

4. Information on transactions, concluded between the issuer and related parties during the reporting period, proposals for concluding such transactions, as well as transactions that are outside its usual activities or significantly deviate from the market conditions, on which the issuer or its subsidiary is a party, indicating the value of the transactions, the nature of the relatedness and any information, necessary to assess the impact on the issuer's financial position.

- **Identity of related parties**

The Group has a relationship of a related person with its shareholders, executive directors and members of the Board of directors, subsidiaries and companies under common control and their managers. The Group is in the position of a related party with the following companies:

Timshel Ltd.	Bulgaria	-	-
Raifen Ltd.	Bulgaria	-	-

- **Related party transactions**

Sales to related parties

Sales transactions completed during the year and outstanding liabilities from related parties as of December 31, 2024 are as follows:

Name	Type	Turnover 2024	Liability 2024	Turnover 2023	Liability 2023
Timshel Ltd.	Sales	2	-	2	-
Raifen Ltd.	Sales	2	-	2	-
Total			-		-

Purchases from related parties

Purchase transactions completed and outstanding settlements with shareholders in the group as of December 31, 2024 are as follows:

Name	Type	Turnover 2024 thous. BGN	Liability 2024 thous.BGN	Turnover 2023 thous. BGN	Liability 2023 thous.BGN
IGM Holding	Purchases	62	-	6	-
Total			-		-

Purchase transactions completed during the year and outstanding liabilities with related parties as of December 31, 2024. are as following:

Name	Type	Turnover 2024 thous. BGN	Liability 2024 thous.BGN	Turnover 2023 thous. BGN	Liability 2023 thous.BGN
Timshel Ltd.	Purchases	104	39	104	39
Raifen Ltd.	Purchases	991	70	1,109	101
Total			**109**		**140**

All related party settlements are of a short-term nature. The terms of transactions with related parties do not differ from the market ones, applicable for unrelated parties.

Receivables and payables to related parties are disclosed in detail in the notes to the consolidated financial statements for 2024.

5. Information about events and indicators of an unusual nature for the issuer, having a significant impact on its activities, and its realized revenues and incurred expenses; assessment of their impact on the results in the current year.

None.

6. Information about off-balance sheet transactions - nature and business purpose, indicating the financial impact of the transactions on the activity, if the risk and benefits of these transactions are material to the issuer and if the disclosure of this information is material to the assessment of the issuer's financial condition.

None.

7. Information on the issuer's equity interests in its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as investments in equity securities outside its group of companies within the meaning of the Accountancy Act and the sources/methods of financing.

Subsidiaries and associated companies	**Country**	**Ownership 2024**	**Ownership 2023**
Herti Group International	Romania	100 %	100 %
Herti France	France	100 %	100 %
Herty UK	UK	100 %	100 %
Herti Germany	Germany	100 %	100 %
Herti USA	USA	100 %	100 %
Tihert	Bulgaria	100 %	100 %

8. Information regarding loan agreements concluded by the issuer, its subsidiary or parent company, in their capacity as borrowers, indicating the terms and conditions thereof, including the repayment deadlines, as well as information on guarantees provided and assumption of obligations.

The Group has entered into the following loan agreements as of December 31, 2024

31st December 2024	**Book value**	**Contracted Monetary flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
	thous. BGN	**thous. BGN**	**thous. BGN**	**thous. BGN**	**thous. BGN**	**thous. BGN**	**thous. BGN**
Secured long-term bank loans	4.524	4.848	509	466	1.705	2.168	-
Secured short-term bank loan	286	298	298	-	-	-	-
Bank overdraft	1	103	24	9	23	47	-
Liabilities to suppliers	7.358	7.358	7.358	-	-	-	-
Total	**12.169**	**12.607**	**8.001**	**475**	**1728**	**2.215**	**-**

31St December 2023	Book value thous. BGN	Contracted Monetary flows thous. BGN	6 months or less thous. BGN	6-12 months thous. BGN	1-2 years thous. BGN	2-5 years thous. BGN	More than 5 years thous. BGN
Secured long-term bank loans	6.229	6.820	1.521	1.399	2.278	1.622	-
Secured short-term bank loan	8	9	9	-	-	-	-
Bank overdraft	9.388	9.922	1.452	6.415	2.055	-	-
Liabilities to suppliers	5.413	5.413	5.413	-	-	-	-
Total	**21.038**	**22.164**	**8.395**	**7.814**	**4.333**	**1.622**	**-**

More information about the loan contracts, concluded by the Group, has been disclosed in the Annexes of the Consolidated Financial Statements for year 2024.

9. Information on loan agreements concluded by the issuer, its subsidiary or parent company, in their capacity as lenders, including the provision of guarantees of any kind, including to related parties, indicating the specific terms and conditions thereof, including the payment deadlines, and the purpose for which they were granted.

None.

10. Information on the use of the funds from a new issue of securities during the reporting period.

None.

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

In the previously published forecast financial data for the fourth quarter of 2024, the Group has announced a financial result – profit before taxes 7,552 thous. BGN. In the final individual financial statements for the year ended on 31st of December 2024, the Group publishes a financial result – profit before taxes to the amount of 7,564 thous. BGN, profit after taxes to the amount of 6,719 thous. BGN and total comprehensive income for the period to the amount of 6,615 thous. BGN. The differences are due to accrued taxes and temporary tax differences for the year.

12. Analysis and assessment of the policy on the management of financial resources, indicating the possibilities for servicing obligations, possible threats and measures that the issuer has taken or is about to take with a view to eliminating them.

The Group has bank loans disclosed in the Group's Consolidated financial statements. The Group believes that future cash flows will be sufficient to service the liabilities in line with the agreed schedules.

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

The Group has determined that the realization of the investment intentions is secured by bank loans. The Group does not envisage a change in the financing structure of the investment activity.

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

None.

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

15.1. Internal control system

The internal control system includes the preparation of an analysis of the financial position and financial risks related to the group's activities based on the half-yearly and annual financial statements. The analysis is prepared by the Audit Committee and is presented and discussed with the Board of Directors of the parent company.

15.2. Risk management system

The management of the Group strives to develop active management to all types of risks, arising from the specifics of its activity. The risk management system defines the powers and the responsibilities in the separate structural subdivisions of the Group, the organization and the order for interaction in risk management, analysis and evaluation of risk related information, preparation of periodic reporting of risk management.

Components and main features of the internal control and risk management systems in relation to the financial reporting process.

1.1 Control environment.
1.2 The control environment covers the following elements:

- Communicating and enforcing integrity and ethical values. The imposition of integrity and ethical values includes, but is not limited to, management actions to eliminate or mitigate incentives or temptations, which could encourage staff to engage in dishonest, illegal or unethical acts. The Group’s integrity and ethical values policy includes communication of behavioural standards for staff by following the Group’s code of ethics.

- Commitment to competence. Competence represents knowledge and skills, necessary to perform the tasks that define a person's job description.

- Participation of the general management persons by supervising the design of the model and the effective functioning of the warning procedures and processes for reviewing the effectiveness of the Group’s internal control.

- Philosophy and operational style of management.

- An appropriate organizational structure has been established, including taking into account the main areas of competence and responsibilities and appropriate hierarchical levels of accountability and reporting.

- Assignment of appropriate powers and responsibilities.

- Human resources policy and practice, including high standards for the selection of qualified persons – with a focus on educational qualifications and previous professional experience, as well as emphasis on continuing education.

1.3. Process of the Group for risk assessment.

For financial statements purposes, the Group's risk assessment process includes how management identifies business risks, essential for the preparation of the financial statements in accordance with the general financial reporting framework applicable to the entity, assesses their importance, assesses the probability of their occurrence and decides how to respond to these risks and how to manage them and how to evaluate the results accordingly. The risks related to reliable financial reporting, include external and internal events, transactions and circumstances, which may arise and adversely affect the Group's ability to initiate, registers, processes and reports financial data corresponding to the allegations of fidelity, made by management in the financial statements. Risks may arise or change due to circumstances such as those listed below:

- Changes in the regulatory environment.
- New employees.
- New or updated information systems.
- Fast growth.
- New technologies.
- New business models, products or activities.
- Corporate restructuring.
- New accounting standards and interpretations.

The financial risk of the Group is conditioned also by the possibility of troubled receivables collection, which could lead to disruptions in cash flows. The control over the collection of receivables is carried out by the traders, who work directly with the respective clients following the terms and the amount. Plans are drawn up for inflows and outflows and their implementation is monitored weekly by the Financial Directorate. At certain periods and mandatory at the end of the year an inventory of settlements with written confirmations of customer obligations are being done. For new clients we work with letters of credit or advance payments. Studies are being done on their financial stability. Insurance of receivables of risky clients and markets has been concluded.

1.4. Information system, including related business processes related to financial reporting and communication.

The information system includes infrastructure (physical and hardware components), software, people, procedures and data. The information system of the Group, relevant to the purposes of financial reporting, which includes the financial reporting system, covers methods and documentation that:

- Identify and reflect all valid transactions and operations;
- Describe transactions and operations in sufficient detail in a timely manner, allowing them to be properly classified for financial reporting purposes;
- Evaluate the value of transactions and operations in a manner, which allows their appropriate monetary value to be reflected in the financial statements of the Group;
- Determine the time period during which the transactions and operations have occurred, to allow them to be recorded in the appropriate accounting period;
- Appropriate presentation of transactions and deals and related disclosures in the financial statements.

The Group has an ERP informational system integrated for documentation and process reporting. In order to implement internal control, the system grants different access rights for employees and, accordingly, control rights for managers. Specialized software is installed on separate computers and is used with client applications and passwords providing different levels of access.

Internet access is limited in risk areas, rules have been introduced for access to certain applications and resources related to business management systems. Access levels are clearly and precisely formulated. Regular training of staff is conducted related to financial theory and practice and information technology and security. The Sales Director and the Controlling Department monitor compliance with the procedures for accepting and confirming orders from customers and access to price lists is limited. Periodic checks are carried out on the recording of input materials according to cost norms and the inventories carried out. A system with automatic controllers is being develop in order to enter the production data in the SAP system.

1.5. Activities of control.

The Group has adopted a number of policies and procedures, related to the following control activities:

- Reviews of the implementation and results of the activity.
- Information processing.
- Physical controls (asset security, approval of access to computer programs and files with data; periodic counting and comparison with the amounts in accounting registers). and
- Distribution of responsibilities.

1.6. Ongoing monitoring of controls.

An important responsibility of the management is to establish and maintain continuous internal control. Ongoing monitoring of controls by the management includes an assessment of whether they are working as intended and whether they are modified accordingly, to reflect changes in conditions. Internal auditors and staff performing similar functions, contribute to the ongoing monitoring of the entity’s controls through separate assessments.

16. Information on changes in the management and supervisory bodies during the reporting financial year.

None.

17. Information on the amount of remuneration, awards and/or benefits of each of the members of the management and control bodies for the reporting financial year, paid by the issuer and its subsidiaries, regardless of whether they were included in the issuer's expenses or resulted from the distribution of profits, including:

a) amounts received and non-monetary remuneration:

The amount paid by the issuer in 2024 is, as follows:

- permanent monthly salaries of the members of the Board to the total amount of 126,000 BGN and remuneration of the Audit Committee to the total amount of 3,000 BGN;
- variable remuneration of the executive members of the Board of Directors to the total amount of 57,600 BGN
- remuneration under management contracts in the amount of 720,060 BGN

b) contingent or differed remuneration incurred during the year, even if the remuneration is due at a later date;

None.

c) amount due from the issuer, which is not a public company, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities or its subsidiaries for the payment of pensions, retirement benefits or other similar benefits.

None.

18. Information on shares of the issuer, held by members of the management and supervisory entities, the procurators and senior management, including the shares held by each of them separately and as a percentage of the shares of each class, as well as options provided to them by the issuer on its securities – type and size of securities, on which the options are based, the exercise price of the options, the purchase price, if any , and the term of the options.

Shareholders - members of the BD	%	number of shares	thous. BGN
Mr. Aleksandar Blagoev Yuliyanov	33.22	3,991,420	3.991
Mr. Zahari Ganev Zahariev	25.23	3,030,622	3.031

19. Information about the arrangements known to the Group (including after the end of the financial year), as a results of which in the future there are may be changes in the relative share of shares or bonds by current shareholders or bondholders.

None.

20. Information on pending legal, administrative or arbitration proceedings concerning the issuer's liabilities or receivables, amounting to at least 10 percent of its equity; if the total value of the issuer's liabilities or receivables, in all proceedings initiated, exceeds 10 percent of its equity, information shall be provided for each proceeding separately.

None.

<u>Other additional information</u>

Sustainability is an important factor for any responsible business. This is especially true for the packaging industry, as more and more products are sold packaged. Selling its products on 6 continents in more than 60 countries around the world, the Group is fully aware of its responsibility for the impact of its business and the importance of its mission: **Satisfying the needs of our customers and partners to the maximum with high-quality products and solutions, establishing the Group on the global market. Ensuring sustainable development and constant growth of the Group.**

The management of the Group supports the principles of responsible and environmentally sustainable business, which not only benefits business and society, but also contributes to social, economic and environmental development and improvement of the quality of life in general. We strive for sustainable development of the organization, resources, people and society as a whole. We ensure publicity and transparency of management, protect the rights of all shareholders and treat them equally. Basic principles are reasonable and effective management of the Group's resources and control of risk and their impact on the environment when using them.

The areas where Herti invests resources, time and efforts are products safety and quality, energy efficiency of the production, introduction of innovative products, processes and business models, healthy, hygienic and safe occupational conditions, sexes equality, strategic partnership establishment, local communities support.

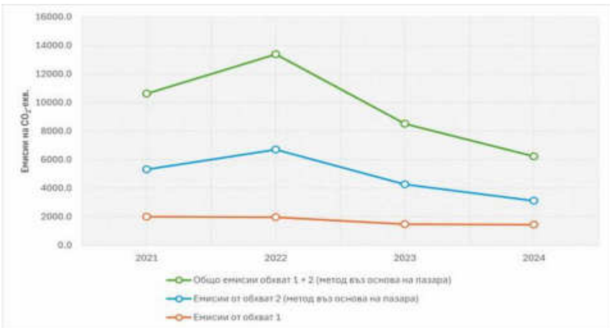
Herti monitors and reports the effect of its ecology, social and management parameters, in line with the Directive for Corporate Sustainability Reporting (CSRD), by analysing and assessing the Group risks and also the Group influence on those factors. In connection with the requirements of the Directive for Sustainability Reporting and the European Standards for Sustainability Reporting (ESRS), Herti has started work on the assessment of readiness for reporting, established a committee and started work with consultants on determining important themes and placing targets.

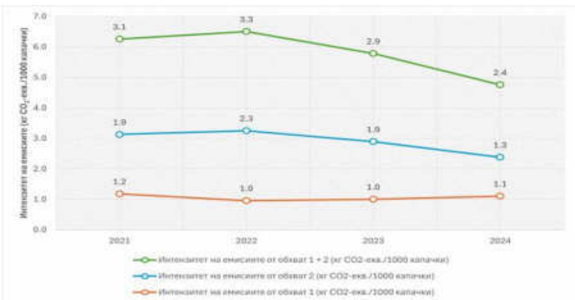
1. Ecology and environment protection

Herti AD strives to carry out its economic activity by constantly investing in new technologies that increase energy efficiency. The management is aware of the importance of protecting nature and pays attention to the efficient use of resources, prevention and control of pollution and the transition to a circular economy. As a shareholder and partner of Ecopack AD, in its work it adheres to all principles of environmental protection and restoration. For us, sustainable development is a priority as the group strives to be an active and interested corporate entity, aware of the responsibility we bear to future generations

Herti has developed and implements an Environmental Protection Policy and a Waste Management Program.

The Group regularly monitors pollution levels and emissions of waste gases in the atmospheric air, as well as quarterly indicators of domestic-fecal wastewater, which are processed by the treatment plant. With the help of an external specialized organization, an inventory of emissions for the last 4 years has been made in accordance with the requirements of the GHG protocol. The carbon emission intensity per 1,000 caps produced for 2024 is 2.4 kg, and for 2023 and 2022, respectively, 2.9 and 3.3.





The Group does not consume water for its production. The water is used only for drinking and hygiene needs. The production premises are located in a sensitive area. The quality of the wastewater discharged from the WWTP is monitored every three months.

- **Total volume of water consumed:**
  - Water and Sewage Company network - drinking water - 2693 m^3
  - Underground water from a well - 1477 m^3

- **Quantity of the purified water discharged from the WWTP in water site - 2307 m^3**

Individual emission restrictions and analysis of the purified waters from WWTP.

Test Protocol No 339/1/10.12.2024 of Mobile Lab Test Laboratory - Ruse

№	*Indicators*	*Sample results (mg/dm^3)*	*Individual emission restrictions (mg/dm^3)*	*Comply YES/NO*
1;	Active reaction pH	7,61±0,03	6,0-8,5	Yes
2;	Undissolved substances mg / dm^3	12,3±0,3	50	Yes
3;	BOD_5	16±1	25	Yes
4;	COD	88,9±3,6	125	Yes
5;	Petroleum products	1,0±0,1	10	Yes
6;	Total phosphate	14,7±0,2	15	Yes
7;	Total phosphorus	<2,0	2	Yes

In 2024, an additional facility for chemical waste water treatment was designed and put into operation to improve the performance of discharged domestic fecal wastewater.

In 2024, the Development Department of the Technical Directorate worked in various directions on over 20 design projects for machines and tools to achieve optimization of the production organization and reduction of technological waste, as well as energy saving. New machines and tools were put into operation.

Since the beginning of June 2023, Herti JSC has started the implementation of the "GREENPRESS" project with the financial support of the Norwegian Financial Mechanism 2014-2021, within the framework of the "Business Development, Innovation and SMEs in Bulgaria" program.

The main objective of the "GREENPRESS" project is to further expand the green initiatives started in the previous GALP project by implementing new innovative equipment for cutting caps of certain sizes from a whole sheet of aluminum, which reduces technological waste. As a result, the project also led to a reduction in energy consumption by 87.6 MWh and a reduction in CO_2 emissions by 41.4 tons.

Important aspect to achieve sustainable circular economy is the waste collection and recovery as well as subsequent use of recycled materials. The Group applies measures for:

- separate collection, minimization, recovery and recycling of productional and household wastes;
- ensuring appropriate training of personnel on issues related to environmental protection and pollution prevention;
  responsibly implements the imperative requirements of Decree 137 of the Council of Ministers and the Regulation on Packaging and Packaging Waste;
- in line with the running legislation the emissions of emissions of waste gases into the ambient air from stationary emission sources are also measured.

Production and other waste is stored on specially designated sites that meet regulatory requirements. The waste is handed over to licensed companies for recycling, disposal and recovery. Every month and once a year, a report is made on the imported and/or placed on the market packaging by type of material, for which a monthly contribution is paid to Ecopack JSC, with which Herti JSC has a contract for the recovery of packaging waste.

The two baling presses for aluminium waste are operating at full capacity, for the purposes of timely baling and transfer of aluminium waste from production to specialized companies that recycle and melt it, thus returning it to production through the supply chain. Aluminium retains its full properties when recycled, and the process uses about 95% less energy than its original production. According to our aluminium suppliers, the share of recycled aluminium out of the aluminium material supplied for 2023 was 94%.

Waste code	Waste type	Generated - 2024	Given for recycling - 2024	Given for recovery / disposal - 2024	Given for deposition - 2024
12.01.03.	non-ferrous metals - aluminium	981,219			
12.01.05.	plastics	68,0759	63,94728		4,880
15.01.01.	paper	37,988	37,988		
15.01.02.	plastic packaging	8,350	7,785		
12.01.01.	ferrous metals	38,788	38,788		
13.02.05.*	motor oils	0,200	0	0	0
13.01.10.*	hydraulic oils	1,450	0	0	0
15.02.02.*	towels contaminated with	43,565		43,580	
08.01.11.*	paints and lacquer	8,520	9,048	1,851	
15.01.10.*	barrels contaminated with hazardous substances	30,717		30,266	
14.06.03.*	other organic solvents	0	0	0	0
16.06.01.*	Lead-acid batteries	2,465		2,465	
20.01.21.*	fluorescent lamps	0,003	0	0	0
19.08.05.	sewage sludge	0	0	0	0
15.02.03.	absorbents, wipes	0	0	0	0
12.01.99.	wastes, not mentioned elsewhere	0	0	0	0
12.01.09*	Machine emulsions and solutions, halogen-free	1,080		1,080	
20.01.36	Discarded electrical and electronic equipment	0,596		0,596	
17.04.05	Cast iron and steel	38,900	38,900		

At the beginning of November 2023, Herti was successfully awarded with ISO 14001:2015 certification. The standard defines the requirements for an environmental management system that Herti will use to improve its environmental performance. An integrated control audit was conducted by SGS in October 2024 for compliance with the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards, which ended with a very good result.

The EU Taxonomy disclosure in connection with the 2024 annual reporting of Herti AD and the companies included in the group has been prepared in accordance with the requirements of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (EU Taxonomy Regulation) and its delegated acts. The disclosure includes information on the economic activities that are eligible for assessment, as well as those that comply with the technical criteria of the Taxonomy.

Key points of the Taxonomy Regulation

The EU Taxonomy is a classification system that creates a list of environmentally sustainable economic activities and sets out technical criteria for each of them, linked to the implementation of the six environmental objectives. Under the Regulation, companies are required to disclose information on the compliance of their activities with environmentally sustainable economic activities, including data on the proportion of turnover, capital and operating costs related to these sustainable activities.

Methodology

We considered all economic activities corresponding to the Taxonomy listed in the following regulatory framework:

- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852.
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139.
- Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139.
- Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 amending Delegated Regulation (EU) 2020/2178.

We analyzed which of the activities of the companies in the Herti AD Group fall within the scope of the Taxonomy (eligible activities) and meet the compliance criteria (activities compliant with the Taxonomy). For the purposes of the analysis, key performance indicators were used: turnover, capital expenditure (CapEx) and operating expenditure (OpEx). When calculating the share of eligible and ineligible activities, the relevant accounting standards and definitions were applied, in accordance with Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021.

The reported economic activities presented in this declaration are related to the objectives of climate change mitigation (capital and operating expenditure) and transition to a circular economy (turnover and part of operating expenditure). Part of the expenditure concerns activities that could be associated with both climate objectives – climate change mitigation and climate change adaptation. Double counting is avoided as the relevant costs are attributed only to the first objective – climate change mitigation.

Share of economic activities eligible for the Taxonomy in 2024

The key eligibility indicators are a formula that calculates the share of economic activities within the scope of the Taxonomy in terms of their turnover, capital and operating costs.

Turnover Indicator

The denominator includes net turnover at consolidated level. Turnover includes revenue recognized in accordance with paragraph 82(a) of International Accounting Standard IAS 1. The numerator includes the part of net turnover that arises from the production of products related to economic activities eligible for the Taxonomy. The same is determined in accordance with IFRS 15 “Revenue from Contracts with Customers”. Herti AD, specialized in the production of caps and pourers, reports net revenues of BGN 1,482 thousand in 2024 related to economic activities within the scope of the EU Taxonomy. These are revenues generated from the production of plastic caps (*code 1.1 - Production of plastic packaging*) and represent 1.9% of total turnover.

Capital Expenditure Indicator

Taxonomy eligible capital expenditure (CapEx) refers to the group's investments in tangible and intangible fixed assets, covering acquisition, improvements and depreciation of these assets. The denominator includes expenses reported on the basis of IAS 16 - Property, Plant and Equipment, IAS 38 - Intangible Assets.

In 2024, the company invested BGN 4,271 thousand in capital expenditure eligible under the EU Taxonomy, which represents 71.9% of total capital expenditure. The company's main investment project is aimed at the construction of new production premises, with an investment of 54.4% of total capital expenditure, which is related to the acquisition of new buildings (*code 7.7 - Acquisition and holding of buildings*). In order to reduce the environmental footprint and increase production efficiency, the company has invested 15.5% of the total capital expenditure in the modernization of the production process. This modernization includes the replacement of the existing firing ovens with new low-emission technologies based on UV LED solutions and other machines in the production of caps, which through optimization also lead to a significant reduction in the use of electricity in the production process (*code 3.6 - Production of other low-carbon technological products*). Another part of the eligible capital expenditure (2.1%) is related to the purchase of a water treatment system (*code 5.1 - Construction, expansion and operation of water collection, treatment and supply systems*).

Operating Expenses Indicator

Operating expenses (OpEx) include the current costs of maintaining the operational activities of the group, covering costs for maintenance, repairs, rents and other operational activities. The denominator includes non-capitalized costs for repair (renovation) of buildings, short-term leases (rents), maintenance and repairs and other direct costs for current servicing of assets from the property, plant and equipment category (by the enterprise or an external contractor).

The numerator includes operating expenses defined in subparagraph "a" of section 1.1.3.2 of Annex I of Regulation 2021/2178, namely: OPs that are related to assets or processes corresponding to an economic activity eligible for the Taxonomy. For the Herti AD group, these costs amount to BGN 1,532 thousand, which represents 37.2% of the company's costs defined in the denominator.

Share of environmentally sustainable activities (Taxonomy compliant)

For all activities that were assessed as eligible, we performed a review for compliance with the technical criteria. As a result of the review, we can conclude that they should not be considered compliant with the Taxonomy. Accordingly, for the financial year 2024, Herti AD reports a 0% share of Taxonomy compliant activities in the company's total turnover, capital and operating expenses. However, the company is committed to the principles of sustainable development and will continue to explore the possibilities of bringing its activities in line with the requirements of the EU Taxonomy, as well as the time horizon for their implementation.

In accordance with the requirements of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, we present the calculations for the Turnover, Capital Expenditure and Operating Expenditure indicators in the following annexes:

Annex No. 1 - Share of turnover from products or services related to economic activities eligible for the Taxonomy - 2024.
Annex No. 2 - Share of capital expenditure (CE) from products or services related to economic activities eligible for the Taxonomy - 2024.
Annex No. 3 - Share of operating expenditure (OE) from products or services related to economic activities eligible for the Taxonomy - 2024.

Annex No. 1: Share of turnover from products or services related to economic activities eligible for the Taxonomy - 2024

		2024		Substantial contribution criteria						DNSH Criteria (Do No Significant Harm)							2023		
Economic activities (1)	**Code(s) (2)**	**Absolute turnover (3)**	**Turnover share (4)**	**Climate change mitigation (5)**	**Adaptation to climate change (6)**	**Water and marine resources (7)**	**Circular economics (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Adaptation to climate change (12)**	**Water and marine resources (13)**	**Circular economics (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum guarantees (17)**	**Turnover share (18)**	**Category (supporting activity) (19)**	**Category (transitional activity) (20)**
		Thous. BGN	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	C	H
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy compliant)																			
Turnover from environmentally sustainable activities (Taxonomy compliant) (A.1)		0	0.0%	0%	0%	0%	0%	0%	0%								0.0%		
A.2. Taxonomy eligible but not environmentally sustainable activities (Taxonomy non-compliant activities)																			
Turnover from Taxonomy eligible but not environmentally sustainable activities (Taxonomy non-compliant activities) (A.2)		**1,482**	**1.9%**														**2.0%**		
Production of plastic packaging	1.1	1,482	1.9%														2.0%		
Total (A.1 + A.2)		**1,482**	**1.9%**														**2.0%**		

B. TAXONOMY INELIGIBLE ACTIVITIES				
Turnover from Taxonomy ineligible activities (B)		74,774	98.1%	98.0%
Total (A +B)		76,256	100.0%	100.0%

Annex No. 2 - Share of capital expenditure (CE) from products or services related to economic activities eligible for the Taxonomy - 2024

		2024		**Substantial contribution criteria**						**DNSH Criteria (Do No Significant Harm)**							***2023***		
Economic activities (1)	**Code(s) (2)**	**Absolute CE (3)** Thous. BGN	**CE share (4)** %	**Climate change mitigation (5)** %	**Adaptation to climate change (6)** %	**Water and marine resources (7)** %	**Circular economics (8)** %	**Pollution (9)** %	**Biodiversity and ecosystems (10)** %	**Climate change mitigation (11)** Yes/No	**Adaptation to climate change (12)** Yes/No	**Water and marine resources (13)** Yes/No	**Circular economics (14)** Yes/No	**Pollution (15)** Yes/No	**Biodiversity and ecosystems (16)** Yes/No	**Minimum guarantees (17)** Yes/No	**CE share (18)** %	**Category (supporting activity) (19)** C	**Category (transitional activity) (20)** H
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy compliant)																			
CE from environmentally sustainable activities (Taxonomy compliant) (A.1)		0.00	0.0%	0%	0%	0%	0%	0%	0%								0.0%		
A.2. Taxonomy eligible but not environmentally sustainable activities (Taxonomy non-compliant activities)																			

CE from Taxonomy eligible but not environmentally sustainable activities (Taxonomy non-compliant activities) (A.2)		**4,271**	**71.9%**														**27.6%**		
Construction, expansion and operation of water collection, purification and supply systems	5.1	122	2.1%														0.5%		
Acquisition and ownership of buildings	7.7	3,228	54.4%														0.3%		
Production of other low-carbon technological products	3.6	921	15.5%														26.7%		
Total (A.1 + A.2)		**4,271**	**71.9%**														**27.6%**		
B. TAXONOMY INELIGIBLE ACTIVITIES																			
CE from Taxonomy ineligible activities (B)		1,666	28.1%														72.4%		
Total (A +B)		5,937	100.0%														100.0%		

Annex No. 3 - Share of operating expenditure (OE) from products or services related to economic activities eligible for the Taxonomy - 2024

		2024		**Substantial contribution criteria**						**DNSH Criteria (Do No Significant Harm)**							**2023**		
Economic activities (1)	**Code(s) (2)**	**Absolute OE (3)**	**OE share (4)**	**Climate change mitigation (5)**	**Adaptation to climate change (6)**	**Water and marine resources (7)**	**Circular economics (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11)**	**Adaptation to climate change (12)**	**Water and marine resources (13)**	**Circular economics (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum guarantees (17)**	**OE share (18)**	**Category (supporting activity) (19)**	**Category (transitional activity) (20)**
		хил. BGN	%	%	%	%	%	%	%	Да/Не	Да/Не	Да/Не	Да/Не	Да/Не	Да/Не	Да/Не	%	C	H
A. TAXONOMY ELIGIBLE ACTIVITIES																			

A.1. Environmentally sustainable activities (Taxonomy compliant)																			
OE from environmentally sustainable activities (Taxonomy compliant) (A.1)		0.00	0.0%	0%	0%	0%	0%	0%	0%								0.0%		
A.2. Taxonomy eligible but not environmentally sustainable activities (Taxonomy non-compliant activities)																			
OE from Taxonomy eligible but not environmentally sustainable activities (Taxonomy non-compliant activities) (A.2)		**1,532**	**37.2%**														**36.1%**		
Production of plastic packaging	1.1	152	3.7%														4.6%		
Construction, expansion and operation of water collection, purification and supply systems	5.1	1	0.0%														0.0%		
Acquisition and ownership of buildings	7.7	383	9.3%														9.5%		
Repair (renovation) of existing buildings	7.2	104	2.5%														3.5%		
Production of other low-carbon technological products	3.6	892	21.6%														18.5%		
Total (A.1 + A.2)		**1,532**	**37.2%**														**36.1%**		
B. TAXONOMY INELIGIBLE ACTIVITIES																			
OE from Taxonomy ineligible activities (B)		2,591	62.8%														63.9%		
Total (A +B)		4,123	100.0%														100.0%		

2. Social responsibility

Personnel and occupational conditions

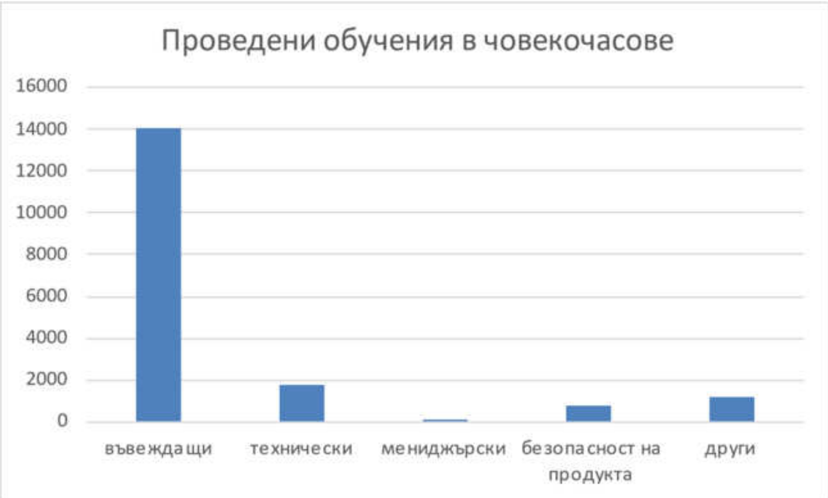
Herti complies with and implements the developed Human Resources Policy, Internal Labor Rules and Internal Health and Safety Rules.

According to the Risk Management Rules of Herti JSC and the risks identified and assessed therein, staff turnover is one of the important risks, which requires its monitoring, control and rapid response. Turnover is monitored and controlled for a period not exceeding three months. Every quarter an analysis of personnel movement is prepared, from which the turnover is also reported, as well as its type: which categories of personnel are leaving and why. For 2024 the turnover rate is 11%, of which 7% left voluntarily and 4% were dismissed by the employer.

A risk assessment and analysis of the health status of the personnel is periodically carried out by a specialized company and a risk minimization program is implemented. Regular inspection and marking are carried out and the reliability of all facilities is ensured. We provide appropriate work clothing and protective equipment and monitor its use during work. Annual tests and training are conducted to ensure the fire protection system is functioning properly. A register of occupational accidents is kept - for 2024, 2 occupational accidents with temporary loss of working capacity were registered for 148 calendar days, of which 100 were working days.

All workers are given initial and periodic safety briefings. Visual materials have been created with markings of all dangerous zones. Safety instructions are provided to all external visitors. All external companies performing activities on the territory of the plant are informed and instructed to comply with the procedures for safe working conditions.

Annual training plan



Conducted trainings in man-hours - legend

introductory trainings

technical trainings

managerial trainings

product safety

others

The responsible attitude of the management of Herti JSC, to the problems concerning the qualification and health of the personnel has created good traditions in this direction. Herti JSC conducts various training courses annually, according to specific needs. The goal is to have sufficiently qualified personnel at each workplace, which in turn leads to an increase in the quality of the products produced and an increase in the satisfaction level of our customers and partners. Following the principle of "lifelong learning", an analysis of training needs is prepared annually.

For 2024 training was conducted for almost 18 thousand man-hours, totaling 22,722 BGN. The training and development activities in the Group have several objectives aimed at improving work performance and the characteristics of organizational life:

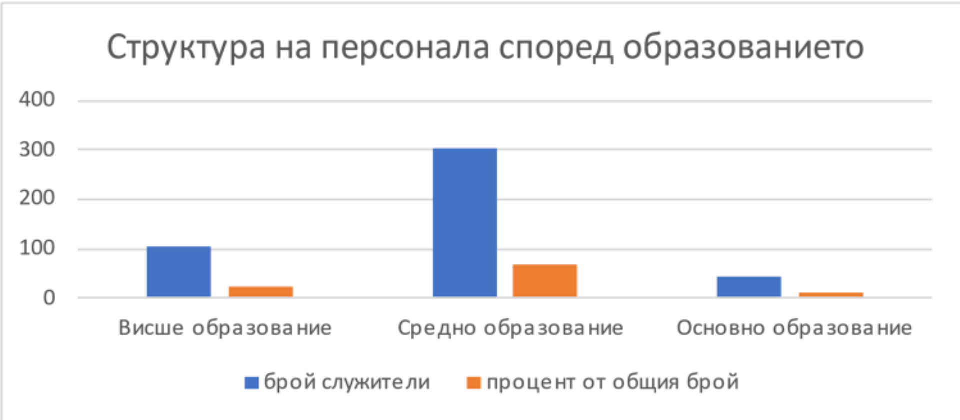
- Acquisition of new and development of existing knowledge and skills, development of the potential of workers and employees in accordance with the requirements of the work and the priorities of the Group.

- Preparing personnel to better cope with changes and unforeseen circumstances. (often training activities also play the role of a catalyst for change).
- Providing an opportunity for competitive advantage.

The management constantly takes care of creating and improving the working conditions in the enterprise and the development of the staff to provide an atmosphere of mutual respect and belonging to the Group.

The average number of employees in Herti - JSC. for 2024 is 445 people, of which 40% are women and 60% are men. The gender ratio in the Group's management is almost the same: 41% women and 59% men, and in the senior management this percentage is 50:50. The graphs below provide more detailed information about the Group's personnel by age and education.

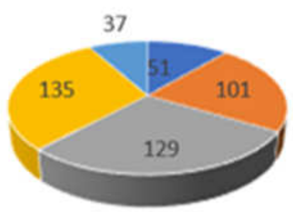
Personnel structure according to education



Legend: Higher education *Secondary education* *Primary education*
number of Employees *percent of the total number*

Employee age structure

Employees younger than 30 years old
Employees 31-40 years old
Employees 41-50 years old
Employees 51-60 years old
Employees above 60 years old



In the Group are operating a Working Conditions Committee and Group, which discuss issues related to health and safety at work. The representatives of the workers and employees in the Committee and the Working Conditions Group are also representatives of the workers and employees under Articles 7 and 7a of the Labor Code for participation in the management of the Group. They are representatives for informing and consulting workers and participate in discussing issues related to working conditions in general, wages, structural changes, and others, and have the right to any financial information.

Herti - JSC. complies with the current labor legislation in its entirety, regarding wages, leaves, overtime, etc. Ensuring and maintaining a healthy and safe working environment is of particular importance for the quality of life and well-being of both our employees and the communities near our sites. We make significant efforts to improve the knowledge and culture of our employees and subcontractors in the field of health and safety at work. Frequent training and monitoring of compliance with rules and procedures are the basis of the high level of prevention we maintain, both in terms of health and safety at work.

At the end of 2024, Herti conducted an employee satisfaction survey, in which over 90% of all employees in the company participated. Through this survey, management aims to explore the opinions and attitudes of Herti employees on important issues in several areas, as well as identify measures for improvement. This form of communication with staff is very useful and shows management's commitment to key staff topics. It is planned to conduct such surveys periodically.

For its continuous efforts and initiatives related to working conditions and a safe working environment, Herti received a Certificate for a Socially Responsible Employer from the National Association of Socially Responsible Employers.

At the beginning of November 2023, Herti successfully passed ISO 45001:2018 certification, which helps Herti achieve the desired results in its OH&S management system.

3. Ethical management of the Supply chain

The main goal of Herti's leadership is to develop highly professional morale, in which are set norms and values that contribute to the achievement of significant public interests, coordinating the interests of all interested parties. We promote the implementation of ethical business practices and the building of honest and trustworthy business relationships and adhere to the basic principles of market conduct. Herti is a fair business partner, employer and public figure. Herti - JSC declares compliance with human rights. The Group has adopted and abides by a Code of Ethics, which enshrines equal rights for all employees, partners and contractors. The Group adheres to the principle of diversity at all levels in the structure. The following policies have been adopted and implemented:

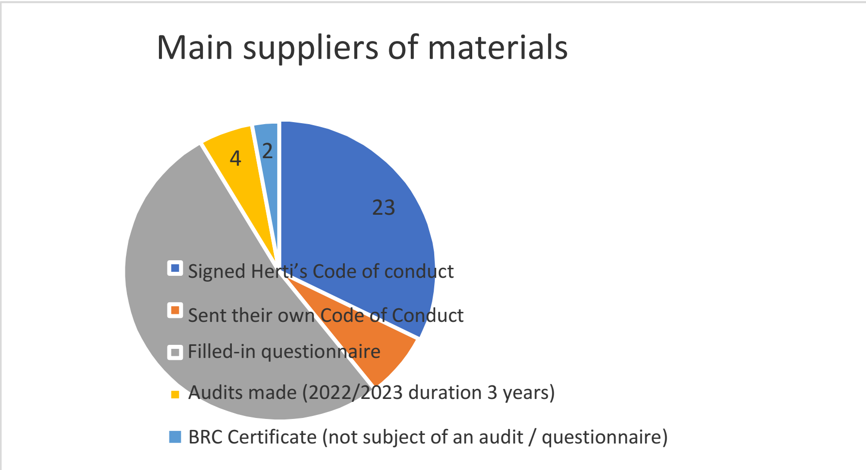
- Policy against forced labor.
- Policy against the use of child labor.
- Policy against discrimination on the work place.

Herti - AD is a member of the international non-governmental organizations SEDEX and EcoVadis, which provide information on ethical relations in the supply chain and assess the performance of companies in the field of compliance with labor legislation, health and safety at work, environmental protection and business ethics. SEDEX and EcoVadis conduct social audits of member companies and facilitate the exchange of information between them with the aim of constantly improving and perfecting working conditions and workers' rights. In 2021 Herti underwent two social audits - one, requested by a client and the other one, initiated by the Group. The audit conducted by QUIMA gave a very good rating for Herti. The Social Audit report has been uploaded to the SEDEX system and shared with all clients. Such an audit is planned and conducted in mid-February 2025.

The customer satisfaction indicator is monitored annually by completing surveys - this is one of the important criteria for management. In 2024, the importance of price was observed to remain the same compared to 2023, as it overtook product quality, which was levelled with the other indicators. The decline in the importance of quality can be partially explained by the increase in the quality of our products in general and the less frequent problems of customers in this area. An increase in the general satisfaction in clients is registered up to 96.67 % compared to 89.80 % last year.

Customer satisfaction

Herti observes good business practices throughout the supply chain, applies the standards of the Ethical Trading Initiative (ETI) and encourages its suppliers to adhere to ethical rules of conduct. The most important suppliers of the main raw materials and materials with which Herti works are 43 in number, of which 20 are domestic and 23 are foreign.

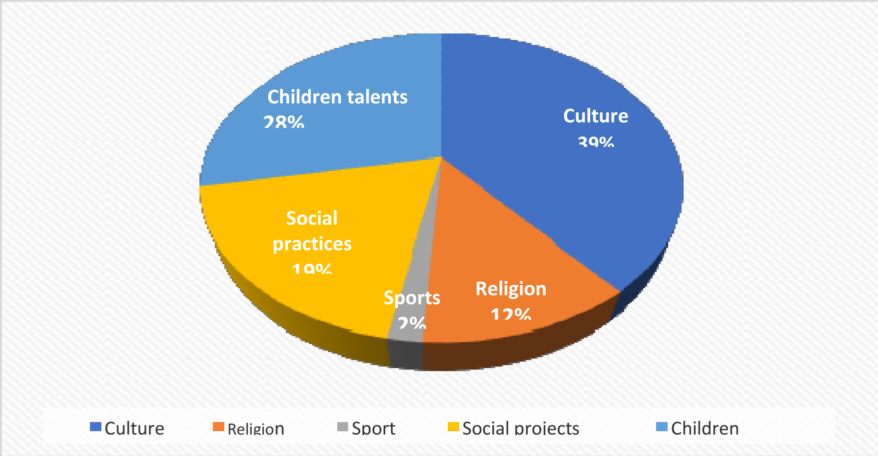


High standards, our responsibility towards sustainable development of society and the principles of integrity in work are enshrined in the adopted Herti Code of Ethics.

Herti has adopted and adheres to a Diversity Policy, the main criterion for selecting management personnel is competence, education, and experience in various spheres of economic and social life, and not age, gender, social status, or religion. Personal initiative is stimulated, individuality is developed and efforts are made to increase the motivation of the staff. 50% of the senior management positions in the Group are held by women.

Herti - JSC is a socially responsible commercial company, with care for the people working for it and the social environment. The company is a key employer in the Shumen region and the small municipalities of Kaspichan and Novi Pazar, creating conditions for permanent employment in the region. Every year, the Group participates as a donor in all significant events and initiatives, both on the territory of our plant and in the cities from which it recruits personnel. The main efforts and activities are aimed at creating a favorable environment in the municipality and the settlement where the Group operates. We do not remain indifferent to the needs of education, culture, healthcare, and the environment.

In 2024, Herti made donations in the amount of nearly 22 thousand leva, distributed in the following areas:



Long-term good relationships with partners, customers and competition increase public trust in the Group.

4. Responsible management

Sustainable development is a priority for the Group's management, which monitors and builds on good management practices and applies the latest requirements.

Herti complies, as appropriate, with the Corporate Governance Code, approved by the Deputy Chairman of the FSC, and annually includes important information on the implementation of the Code in the Annual Activity Report.

The Group has adopted and complies with a Code of Ethics, Supplier Code of Conduct, Human Resources Policy, Policy against discrimination in the workplace, Policy against the use of forced and child labor, and Anti-corruption Policy. All policies are reviewed and approved by the Board of Directors.

Herti JSC builds relationships, based on moral values, striving to create a reputation as an honest, competent and professional partner. Competition is protected and encouraged, feelings of trust are built in shareholders, business partners and society. Promotes the fight against all forms of corruption and personal gain. A basic principle in the business of Herti JSC is not to enter into and participate in any way in "mutual agreements" and any illegal actions to obtain advantages. Periodic trainings are conducted among the staff who have a direct connection in working with external partners.

The management of Herti JSC. does not tolerate any form of bribery or corruption and agrees to refrain from any actions and behavior that could be perceived as active or passive bribery. The Group does not tolerate corrupt and similar behavior by their personnel, suppliers, business partners, and state or municipal authorities, and in general on the part of anyone with whom it has business relationships. Herti JSC. employees undertake to promote this policy and inform third parties that corruption and related phenomena are unacceptable to the Group, by setting an adequate example with their behavior.

Herti has developed a personal data protection policy in relation to the requirements and implementation of GDPR, as well as Rules for reporting and protection of persons reporting or publicly disclosing information about violations (Whistleblower).

The policies and rules are publicly available on the Group web site: **www.herti.bg**

21. Contact data of the Investors Relations Director, including telephone and correspondence address.

The Investor Relations Director is Ms. Elena Zaharieva, correspondence address: 9700, Shumen, 38 Antim I Str., tel.: +359 54 823 012; mobile: +359 887 808 642.

Reference to the website page of the public company where the internal information as per Art. 7 of Regulation (EU) 596/2014 of the European Parliament and the Council of 16 April 2014 on the Market Abuse (Regulation on Market Abuse) and for the revocation of Directive 2003/6/EC of the European Parliament and the Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC of the Commission (OB, L 173/1 of 12 June 2014) (Regulation (EU) № 596/2014) on the circumstances that had occurred through out the last year or an electronic reference to the information agency or another media, publishing the Group public internal information:

https://www.x3analytics.com/bg/profile?code=HERT

https://herti.bg/vrazki-s-investitori

Chief Executive Director: Zahari Zahariev

11th April 2025,
Shumen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Herti – AD
Shumen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Herti - AD and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Accounting Standards as adopted by the European Union (IASs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) (including International Independence Standards) together with the ethical requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act (IFAASRA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAASRA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. During our audit of the consolidated financial statements of the Group, we have identified no significant key issues that should be included in our audit report.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises a consolidated management report, a corporate governance statement and a non-financial statement. These three documents are prepared by management in accordance with Chapter Seven of the Accountancy Act, but do not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IASs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Independent Financial Audit and Assurance of Sustainability Reporting Act and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ✓ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ✓ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ✓ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ✓ Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ✓ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. Reporting on compliance of the electronic format of the consolidated financial statements included in the annual consolidated financial report under Art. 100n, para. 5 of the Public Offering of Securities Act (POSA) with the requirements of the European Single Electronic Format (ESEF) Regulation

We have performed an engagement to obtain reasonable of assurance regarding the compliance of the electronic format of the consolidated financial statements of Herti AD for the year ending 31 December 2024, attached in the electronic file „8945006H9L8C62G7SH45-20241231-BG-CON“, with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council through regulatory technical standards to define the single electronic reporting format ("ESEF Regulation"). Our opinion is only regarding the electronic format of the consolidated financial statements, and does not comprise other information included in the annual consolidated financial report under Art. 100n, para. 5 of the POSA.

Subject Description and Applicable Criteria

The management has prepared an electronic format of the consolidated financial statements of the Group for the year ended 31 December 2024 under the ESEF Regulation in order to comply with the requirements of the POSA. The rules for the preparation of consolidated financial statements in this electronic format are set out in the ESEF Regulation and in our opinion they have the characteristics of appropriate criteria to obtain reasonable assurance.

Responsibilities of Management and Those Charged with Governance

The management of the Group is responsible for the application of the requirements of the ESEF Regulation when preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and application of appropriate iXBRL tagging using the taxonomy of the ESEF Regulation, as well as the introduction and implementation of such internal control system as management considers necessary to prepare the electronic format of the Group's annual consolidated financial statements, which does not contain significant inconsistencies with the requirements of the ESEF Regulation. Those charged with governance are responsible for supervising the process of preparing the Group's annual consolidated financial statements, including the implementation of the ESEF Regulation.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the electronic format of the consolidated financial statements is in conformity with the requirements of the ESEF Regulation. For this purpose, we have complied with the "*Professional Organization's Guidelines on the Audit Opinion in relation to the Application of the European Single Electronic Format (ESEF) for the Financial Statements of Companies whose Securities are Admitted to Trading on a Regulated Market in the European Union (EU)"* of the of the professional organization of the registered auditors in Bulgaria – the Institute of Certified Public Accountants (ICPA) and we have performed an engagement to obtain reasonable assurance in accordance with ISAE 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)). This standard requires to comply with ethical requirements, design and perform appropriate procedures to obtain reasonable assurance whether the electronic format of the consolidated financial statements of the Group has been prepared in all material respects in accordance with the applicable criteria set out above. The nature, timing and extent of the procedures depend on our professional judgment, including the assessment of the risk of significant non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error. Reasonable level of assurance is high level of assurance, but there is no guarantee that an engagement performed in accordance with ISAE 3000 (Revised) will always identify a significant non-compliance, if such exists.

Quality control requirements

We apply the requirements of the International Standard on Quality Control (ISQC) 1 and, accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and the applicable legal and regulatory requirements for registered auditors in Bulgaria. We meet the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), adopted by ICPA through the Independent Financial Audit and Assurance of Sustainability Reporting Act.

Summary of work performed

The purpose of the procedures designed and performed was to obtain reasonable assurance about whether the electronic format of the consolidated financial statements has been prepared, in all material respects in accordance with the requirements of the ESEF Regulation. As part of the assessment of the compliance with the requirements of the ESEF Regulation regarding the electronic (XHTML) format for reporting of the Group's consolidated financial statements, we maintained professional skepticism and used professional judgment. We also:

- ✓ Obtained an understanding of the internal control and the processes related to the implementation of the ESEF Regulation regarding the consolidated financial statements of the Group and including the preparation of the consolidated financial statements of the Group in XHTML format and its tagging in machine-readable language (iXBRL).
- ✓ Verified whether the attached XHTML format is valid.
- ✓ Verified that the human-readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements.
- ✓ Assessed the completeness of the tagging in the consolidated financial statements of the Group using machine-readable language (iXBRL) in accordance with the requirements of the ESEF Regulation.
- ✓ Assessed the appropriateness of the iXBRL tagging selected from the basic taxonomy, as well as the creation of an extended taxonomy element in accordance with the ESEF Regulation where there is no appropriate element in the basic taxonomy.
- ✓ Assessed the appropriateness of the correlation of the elements of the extended taxonomy in accordance with the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

In our opinion, based on our procedures, the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2024, on which consolidated financial statements above, we have expressed an unmodified audit opinion contained in the attached electronic file „8945006H9L8C62G7SH45-20241231-BG-CON“, has been prepared in all significant aspects in accordance with the requirements of the ESEF Regulation.

2. Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the Information Other than the Consolidated Financial Statements and Auditor’s Report Thereon section, in relation to the consolidated management report and the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organization of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants, approved by its Management Board. These procedures concern verifying the existence and verifying the form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

2.1. Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:
a) The information included in the consolidated management report for the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.
b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
c) The corporate governance statement for the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.

2.2. Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained of entity's activities and its environment, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the content of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, is not materially misstated.

3. Additional Reporting on the Audit of the Consolidated Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

a) Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related-party transactions is disclosed in Note 26 to the consolidated financial statements. Based on the audit procedures performed by us on related-party transactions as part of our audit of the consolidated financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related-party transactions have not been disclosed in the accompanying consolidated financial statements for the year ending on 31 December 2024, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures on related-party transactions were addressed by us in the context of forming our opinion on the consolidated financial statements as a whole and not with the purpose of expressing a separate opinion on related-party transactions.

b) Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the consolidated financial statements as a whole, described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report include an evaluation as to whether the consolidated financial statements represent the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the consolidated financial statements for the year ending on 31 December 2024, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations or misdisclosures in accordance with the relevant requirements of IASs as adopted by the European Union. The results of our audit procedures on Group's transactions and events significant for the consolidated financial statements were addressed by us in the context of forming our opinion on the consolidated financial statements as a whole and not with the purpose of expressing a separate opinion on those significant transactions.

4. Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit and Assurance of Sustainability Reporting Act

In accordance with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- ✓ Svrakov & Milev – OOD was appointed as a statutory auditor of the separate and consolidated financial statements for the year ending on December 31, 2024 of Herti – AD by the general meeting of shareholders held on June 27, 2024 for a period of one year.
- ✓ The audit of these financial statements for the year ending on December 31, 2024 of the Company and its economic Group represents the second uninterrupted statutory audit engagement for that entity and its group carried out by us after a gap of one year.
- ✓ We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Group's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- ✓ We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- ✓ We hereby confirm that in conducting the audit we have remained independent of the Group.

Nikolay Kolev (signed)
Registered Auditor

Anton Svrakov (signed)
Managing Partner

Svrakov & Milev OOD
Audit Firm, reg. N 087
7 Sava Radulov Str., fl. 2
Varna

April 11, 2025
Varna

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Unofficial translation of the original in Bulgarian.
In case of any divergences the Bulgarian version is prevailing.