

HERTI - AD

***SEPARATE FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT***

December 31, 2024

SHUMEN

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	24 840	23 714
Intangible assets	5	30	69
Investments in subsidiaries and others	6	486	486
Total non-current assets		25 356	24 269
Current assets			
Inventories	7	11 444	12 069
Trade and other receivables	8	10 146	8 358
Cash and bank balances	9	4 282	9 928
Total current assets		25 872	30 355
Total assets		51 228	54 624
Equity			
Share capital	10	12 014	12 014
Retained earnings		21 407	16 218
Total equity		33 421	28 232
Non-current liabilities			
Bank borrowings	11	3 708	5 580
Government grants	12	1 389	1 876
Deferred tax liabilities	13	410	565
Retirement benefit obligation	14	657	527
Total non-current liabilities		6 164	8 548
Current liabilities	15	11 643	17 844
Total liabilities		17 807	26 392
Total equity and liabilities		51 228	54 624

Chief Executive Officer: (signed)
Zahari Zahariev

Registered Auditor: (signed)

Nikolay Kolev

Chief Accountant: (signed)
Violeta Yankova

Anton Svrakov

February 27, 2025

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

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

	<i>Notes</i>	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Revenue	16	69 447	71 699
Other income	17	1 475	1 319
Total revenue and other income		70 922	73 018
Raw materials and consumables used	18	35 503	38 189
Hired services	19	5 442	5 063
Employee benefits expense	20	18 519	16 278
Depreciation and amortisation expenses		4 829	4 887
Other expenses	21	404	1 204
Total operating expenses		64 697	65 621
Cost of goods sold		12	17
Changes of inventories of finished goods and work in progress		-739	800
Total adjustments		(727)	817
Interest income/(expenses)	22	-270	-577
Dividend income	23	587	-
Exchange rate gain/(loss)		228	-1
Other finance costs		-120	-87
Total finance income/(costs)		425	(665)
Profit before tax		7 377	5 915
Tax benefit/(expense)	24	(621)	(543)
Profit for the year		6 756	5 372
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses), net of income tax		-102	-3
Other comprehensive income for the year		(102)	(3)
Total comprehensive income for the year		6 654	5 369
Earnings per share in BGN	25	0,562	0,447

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STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2024

	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	761	382	5 365	5 213	23 764
Transfer to retained earnings	-	-	521	-	4 692	-5 213	-
Distribution of dividends	-	-	-	-	-901	-	-901
Total comprehensive income for the year	-	-	-	-	-3	5 372	5 369
Balance at December 31, 2023	12 014	29	1 282	382	9 153	5 372	28 232
Transfer to retained earnings	-	-	-	-	5 372	-5 372	-
Distribution of dividends	-	-	-	-	-1 465	-	-1 465
Total comprehensive income for the year	-	-	-	-	-102	6 756	6 654
Balance at December 31, 2024	12 014	29	1 282	382	12 958	6 756	33 421

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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	9 928	4 105
Cash from operating activities		
Receipts from customers and other debtors	73 218	79 911
Payments to suppliers and other creditors	(43 429)	(52 411)
Payments for salaries, social security and other	(17 938)	(16 759)
Refunded/(paid) taxes, net	642	(46)
Net cash from operating activities	12 493	10 695
Investing activities		
Purchases of property, plant and equipment	(6 408)	(1 744)
Proceeds on disposal of property, plant and equipment	4	18
Proceeds from government grants	162	1 174
Dividends received	587	-
Net cash used in investing activities	(5 655)	(552)
Financing activities		
Proceeds from borrowings	9 635	910
Repayment of borrowings	(20 450)	(3 780)
Interest and bank commissions paid	(387)	(638)
Dividends paid	(1 417)	(870)
Net cash from/(used in) financing activities	(12 619)	(4 378)
Net increase/(decrease) in cash and cash equivalents	-5 781	5 765
Effects of foreign exchange rate changes	135	58
Cash and cash equivalents at the end of the year	4 282	9 928

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Anton Svrakov

February 27, 2025

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as of December 31, 2024**

1. General information

Herti (the Company) is registered as a joint-stock company under company case № 567/2007 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 Company 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 Company 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 Company has a one-tier management system. At the date of preparation of these separate financial statements, the Company 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 Company. These separate annual financial statements have been approved by the Board of Directors for issue on February, 27 2025.

2. Basis of preparation of the 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 Company'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 Company 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 Company is a public entity and its shares are traded on a regulated market in a European Union Member State. Therefore, the present separate 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, 2024 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 Company's activity due to the specific and considerably more complex issues discussed. The Company 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 separate financial statements.

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

2.2. New IAS Standards and interpretations that have not yet been applied by the Company

Changes in IAS that have been in effect since January 1, 2024 did not have and are not expected to have a significant effect on the accounting policies applied to the separate annual financial statements prepared by the Company. Moreover, the management of the Company does not consider necessary to disclose in the separate 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 Company's activities, could lead to misunderstanding or mislead of the users of the information from the present separate financial statements.

2.3. Applicable measurement base

These separate 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. 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 Company 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 Company 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 Company 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 Company believes that under the existing circumstances the fair value of the financial instruments reported in the statement of financial position are most adequate and reliable for the purposes of financial reporting.

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

2.5. Consolidation

As of December 31, 2024 the Company has investments in subsidiaries registered in the country and abroad. In the present financial statements, the investments in subsidiaries are presented at cost and these financial statements are not consolidated financial statements under IFRS 10 Consolidated Financial Statements. The Company prepares also consolidated financial statements which in accordance with the rules of the regulatory authorities for public companies in Bulgaria and the established traditions are presented after the approval of the separate financial statements.

2.6. 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 separate financial statements as of the same date together with comparative figures for the prior year. If the Company has retrospectively amended its accounting policy or has restated or reclassified certain items, it presents comparative figures for two prior periods in the 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 separate financial statements and the corresponding notes, the comparative figures are presented only as of the end of the prior reporting period.

2.7. Use of accounting estimates

The preparation of the separate 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 separate 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 separate financial statements. The actual results may differ from the results presented in the accompanying separate financial statements.

2.8. Functional currency and presentation currency

Functional currency is the currency of the primary economic environment in which an entity operates and in which an entity primarily generates and expends cash. The functional currency of the Company 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. Transactions denominated in foreign currency are initially recorded at the official exchange rate of BNB as of the date of the transaction. Cash, receivables and liabilities, denominated in foreign currency are stated at the exchange rate of BGN to the respective functional currency as at the transaction date. As of December 31, the assets and liabilities are stated at the closing exchange rate of BGN to the respective functional currency as of the end of the reporting period. 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.

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

2.8. Functional currency and presentation currency (continued)

The closing exchange rate of the Bulgarian Lev to the main currencies with which the Company 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 2.35875	GBP 1 = BGN 2.25054

The separate financial statements presentation currency of the Company is also the BGN.

2.9. Financial risks management

The Company'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 Company 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 Company is exposed. The Company's risk management policy is developed to identify and analyze 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 Company aims to develop constructive control environment in which all employees understand their roles and obligations.

2.9.1 Foreign currency risk

The Company's activities are carried out entirely in Bulgaria but payments from customers and to suppliers are made in different currencies. Major part of the transactions of the Company is denominated in EURO. Since the exchange rate of the Bulgarian Lev is pegged to the EURO, the Company is not exposed to a foreign currency risk. The Company 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 Company is using also other options, including foreign currency transactions with pre-fixed rates in order to minimize the foreign currency risk.

2.9.2. Interest risk

The financial instruments that potentially expose the Company to an interest rate risk are primarily bank borrowings. The Company uses bank borrowings, whose interest rates are variable according to the general economic and financial conditions. As the negotiated interest rate of the most borrowings is determined by a fixed margin over EURIBOR/Average Deposit Index, the Company is potentially exposed to a cash flow risk. The management performs periodic analyzes of the macroeconomic environment and assesses the future interest rate risks for the Company. In the event of deterioration in the overall interest rates, the Company has the ability to use hedging instruments. The management of the Company 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 as at 31 December 2024.

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

2.9. Financial risks management (continued)

2.9.3. Price risk

The Company is exposed to price risk as it uses in its production process inventories whose prices are influenced by those on international markets. The Company 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.

2.9.4. Credit risk

Credit risk is the risk that the Company's clients will not be able to pay the amounts of trade receivables due in full and in time. The financial assets of the Company are concentrated in two groups: cash and receivables. The Company'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 Company operates. The Company's credit policy provides for each new customer to be considered for creditworthiness before offering standard delivery and payment terms. The Company'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 Company does not require collateral in respect of trade and other receivables.

Guarantees

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

2.9.5. Liquidity risk

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

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

2.9. Financial risks management (continued)

2.9.6. 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 Company 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. In 2024, the return is 20.10 % (2023 – 19.03 %). 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 Company's capital. In accordance with the provisions of Art. 252, para. 1, item 5 of the Commercial Act, the Company should maintain the amount of its net assets above the amount of the registered capital. As at 31 December 2024, the Company fulfills these requirements because its net assets amount to BGN 33,421 thousand and the amount of the registered capital is BGN 12,014 thousand.

2.10. Definition and valuation of the statement of financial position elements

2.10.1. 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 Company 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 statement of comprehensive income.

2.10.2. 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 statement of comprehensive income.

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

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

2.10.3. Right-of-use assets

A lessee shall present in the 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 statement of financial position of the Company. 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 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 statement of comprehensive income according to the repayment schedule.

2.10.4. Investments in subsidiaries

Subsidiaries are those controlled by the parent. Control exists when the parent has rights to variable returns from its insolvent with the investee and has the ability to use its power to affect its returns. In the separate financial statements, these investments are measured at cost less impairment losses, if any.

2.10.5. Investments in associates

An associate is an entity over which the Company has significant influence but not control over their activities. In the separate financial statements investments in associates are carried at cost less impairment losses, if any.

2.10.6. 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.

2.10.7. 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 Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Company 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 Company 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 - ie when the obligation specified in the contract is discharged or cancelled or expires.

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

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

2.10.7. Financial instruments (continued)

For the purpose of subsequent measurement, the Company 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 Company are expected to be realised at maturity and cannot be traded. Therefore, the business model underlying the classification of the financial instruments of the Company 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 Company 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. The loss allowance is presented in the statement of financial position as reduction in the value of receivables and allowances are presented in the 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 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 separate 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

as of December 31, 2024

(continued)

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

2.10.8. Non-current assets held for sale

The Company 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 Company measures a non-current asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell and are not depreciated.

2.10.9. 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.

2.10.10. Reserves

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

2.10.11. 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 Company for transferring of funds pursuant to the defined contributions plans are recognized in the statement of comprehensive income upon their occurrence.

(b) Annual paid leave

The Company 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 Company is less than 10 years, or six gross monthly salaries, when the overall length of service is more than consecutive 10 years. The Company 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.

2.11. Depreciation and amortization

The Company 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:

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as of December 31, 2024
(continued)****2.11. Depreciation and amortization (continued)**

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 Company 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 Company performs a review of the expected useful lives and carrying amounts of the assets for indications for impairment and/or change of depreciation rates.

2.12. Provisions

Provisions are accrued in the statement of comprehensive income and recognized in the statement of financial position when an entity 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. 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.

2.13. 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;
- (b) the right to direct the use of the identified asset.

All leases in which the Company is the lessee are recognised and presented under a single lessee accounting model. When the Company 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.

2.14. Revenue and expenses recognition

Revenue is measured based on the consideration to which the Company 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.

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

2.14. Revenue and expenses recognition (continued)

2.14.1. 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 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 Company, 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 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.

2.14.2. 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.

2.14.3. Income from government grants

Government grants related to depreciable assets are recognized in 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 profit or loss over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

2.14.4. 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 statement of comprehensive income as incurred. Interest expenses on bank borrowings are calculated and recognised in the statement of comprehensive income using the effective interest method. Finance income and costs are presented net in the statement of comprehensive income.

2.15. Earnings per share

The Company 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 Company outstanding during the period.

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

2.16. Operating segments

An operating segment is a component of the Company 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 Company 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.

2.17. Taxation

According to the Bulgarian tax legislation, for 2024 the Company is subject to a corporate tax, which is 10 % of the taxable profit (2023 – 10 %). For 2025 the rate of corporate tax is 10 %. Additional minimum corporate income tax and qualified domestic minimum top-up tax are foreseen for multinational enterprise groups and large-scale domestic groups.

The Company 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 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 be 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. 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.

2.18. 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.

2.19. Related parties

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

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

3. Operating segments

The Company 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 (excluding Bulgaria)		Bulgaria		Other		Entity 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	41,357	44,549	6,116	6,721	21,974	20,429	69,447	71,699
Cost of sales	<u>(31,724)</u>	<u>(34,088)</u>	<u>(4,415)</u>	<u>(5,106)</u>	<u>(14,552)</u>	<u>(14,544)</u>	<u>(50,691)</u>	<u>(53,738)</u>
Gross profit	<u>9,633</u>	<u>10,461</u>	<u>1,701</u>	<u>1,615</u>	<u>7,422</u>	<u>5,885</u>	<u>18,756</u>	<u>17,961</u>
Unallocated revenue							1,475	1,319
Unallocated expenses							(13,279)	(12,700)
Profit before tax							<u>6,952</u>	<u>6,580</u>
Finance income/(costs)							<u>425</u>	<u>(665)</u>
Tax expenses							<u>(621)</u>	<u>(543)</u>
Profit for the year							<u>6,756</u>	<u>5,372</u>
Segment assets	3,388	2,992	595	974	5,673	4,265	9,656	8,231
Unallocated assets							<u>41,572</u>	<u>46,393</u>
Total assets							<u>51,228</u>	<u>54,624</u>
Unallocated liabilities							<u>17,807</u>	<u>26,392</u>
Total liabilities							<u>17,807</u>	<u>26,392</u>
Capital costs							5,925	1,952
Depreciation and amortisation expenses							4,829	4,887

NOTES TO THE SEPARATE 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	11,996	44,584	1,616	1,210	59,406
Additions	-	397	53	1,502	1,952
Transferred	-	1,390	-	(1,390)	-
Disposals	-	(898)	-	(95)	(993)
Balance at December 31, 2023	11,996	45,473	1,669	1,227	60,365
Additions	-	477	93	5,355	5,925
Transferred	336	1,698	-	(2,034)	-
Disposals	-	(195)	(27)	(16)	(238)
Balance at December 31, 2024	12,332	47,453	1,735	4,532	66,052
Accumulated depreciation:					
Balance at January 1, 2023	4,787	27,234	697	-	32,718
Charge for the year	399	4,219	213	-	4,831
Eliminated on disposals	-	(898)	-	-	(898)
Balance at December 31, 2023	5,186	30,555	910	-	36,651
Charge for the year	406	4,162	210	-	4,778
Eliminated on disposals	-	(190)	(27)	-	(217)
Balance at December 31, 2024	5,592	34,527	1,093	-	41,212
Carrying amount at December 31, 2024	6,740	12,926	642	4,532	24,840
Carrying amount at December 31, 2023	6,810	14,918	759	1,227	23,714

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 Company.

As of December 31, 2024 property, plant and equipment with carrying amount of BGN 12,278 thousand are mortgaged as collateral on bank borrowings granted to the Company.

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

5. Intangible assets

	Software BGN'000	Patents and trade marks BGN'000	Total BGN'000
Cost:			
Balance at January 1, 2023	832	337	1,169
Additions	-	-	-
Balance at December 31, 2023	832	337	1,169
Additions	12	-	12
Balance at December 31, 2024	844	337	1,181
Accumulated amortisation:			
Balance at January 1, 2023	737	307	1,044
Charge for the year	50	6	56
Balance at December 31, 2023	787	313	1,110
Charge for the year	45	6	51
Balance at December 31, 2024	832	319	1,151
Carrying amount at December 31, 2024	12	18	30
Carrying amount at December 31, 2023	45	24	69

6. Investments in subsidiaries and others

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Investments in subsidiaries	483	483
Other investments	3	3
Total	486	486

6.1. Investments in subsidiaries

Name of subsidiary	Proportion of ownership interest	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Tihert – EAD	100	177	177
Herti Group International Romania	100	98	98
Herti France	100	82	82
Herti Germany	100	57	57
Herti US	100	53	53
Herty UK	100	16	16
Total		483	483

6.2. Other investments

The Company has an investment in Ecopack AD amounting to BGN 3,000. Proportion of ownership interest is 5.6 %.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as of December 31, 2024
(continued)**7. Inventories**

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Raw materials	7,678	8,875
Finished goods	2,305	1,910
Work in progress	1,461	1,284
Total	11,444	12,069

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

8. Trade and other receivables

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Trade receivables	10,102	8,721
Loss allowance	<u>(446)</u>	<u>(490)</u>
Trade receivables, net	9,656	8,231
Tax receivables	308	25
Receivables on advances given	161	101
Other receivables	21	1
Total	10,146	8,358

9. Cash and bank balances

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Cash in foreign currency	4,035	9,636
Cash in BGN	247	292
Total	4,282	9,928

10. Share capital

As of December 31, 2024 the share capital of the Company 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 Company are as follows:

**NOTES TO THE SEPARATE 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 December 31, 2024, the Company has three long-term investment borrowings totaling 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 – 2029. The annual interest is determined by the reference interest rate, the one-month and six-month EURIBOR for the period plus a certain mark - up. The borrowings are secured by movable property owned by the Company and a special pledge on receivables.

11.2. As at December 31, 2024 the Company 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 Company.

11.3. As at December 31, 2024, the Company 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 Company and a special pledge on receivables. As at December 31, 2024 the Company has not utilized this bank overdraft.

12. Government grants

12.1. In prior reporting period the Company 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 Company. In 2024 the income from government grants amounts to BGN 80 thousand and the project liability as of December 31, 2024 is BGN 256 thousand, with a short-term portion of BGN 80 thousand and a long-term portion of BGN 185 thousand.

12.2. In December 2013 Herti AD 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 Company in June 2015. In 2024 the 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 SEPARATE FINANCIAL STATEMENTS**as of December 31, 2024****(continued)****12. Government grants (continued)**

12.3. In prior reporting period the Company 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 a long-term portion of BGN 17 thousand.

12.4. In the prior reporting period, the Company 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 Company has received financing 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 project financing 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 Company has signed a new contract for financing with Innovation Norway for acquisition of some equipment. The total amount of this financing is EUR 200 thousand (equivalent to BGN 391 thousand). The acquisition price is EUR 401 thousand (equivalent to BGN 784 thousand). In 2023 the Company has received EUR 117 thousand (equivalent to BGN 229 thousand) and in March 2024 the rest of EUR 83 thousand (equivalent to BGN 162 thousand). In 2024 the recognized income from this financing is BGN 65 thousand. As of December 31, 2024 the liability is BGN 326 thousand, of which BGN 78 thousand are reported as a short term and BGN 248 thousand as a long-term liability.

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	(66)	(53)
Effect of unused paid leave	(44)	(37)
Effect of loss allowance	(44)	(49)
Total deferred tax assets	(154)	(139)
Difference between the carrying amount and tax base of depreciable assets	564	704
Total deferred tax liabilities	564	704
Deferred tax liabilities, net	410	565

The movements in deferred tax liabilities/ (assets) in 2024 are as follows:

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

13. Deferred tax liabilities (continued)

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Balance at the beginning of the year	565	698
Charge to profit or loss	44	64
Charge to other comprehensive income	(11)	(1)
Credit to profit or loss	(188)	(196)
Balance at the end of the year	410	565

14. Retirement benefit obligation

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Opening retirement benefit obligation	527	618
Current service cost and interest cost	82	76
Benefits paid	(65)	(171)
Actuarial (gains)/losses	113	4
Closing retirement benefit obligation	657	527

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	6,974	5,047
Employees	1,322	1,086
Current portion of non-current bank borrowings	1,102	2,613
Current portion of government grants	584	531
Social security	583	398
Advances from customers	582	378
Taxes	484	347
Bank borrowings	-	7,432
Other payables	12	12
Total	11,643	17,844

As of December 31, 2024, the Company 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 Company and a special pledge on receivables. As of December 31, 2024 the Company has no utilized this bank overdraft.

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

15. Current liabilities (continued)

The Company accrues expenses for unused paid leave for employees and the related social securities in the statement of comprehensive income. The outstanding balance is presented in the statement of financial position in payables to employees and social security. The movements of the unused paid leave are as follows:

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Balance at the beginning of the year	372	467
Accrued for the period	1,416	1,858
Used-up and written-off	(1,346)	(1,953)
Balance at the end of the year	442	372

16. Revenue

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Revenue from sale of aluminium closures	50,596	55,010
Revenue from sale of composite closures	17,189	15,095
Revenue from sale of plastic closures	1,005	1,236
Revenue from sales of pourers	279	120
Other	378	238
Total	69,447	71,699

17. Other income

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Income from government grants	807	603
Quantity discounts	224	220
Gain on sale of materials	10	15
Gain on sale of property, plant and equipment	9	-
Other income	425	481
Total	1,475	1,319

Income from government grants in the amount of BGN 807 thousand (2023: BGN 603 thousand) represents government grants under the programme for compensation of industrial electricity consumers in the amount of BGN 211 thousand (2023: BGN 71 thousand), financing from Norway Found of BGN 392 thousand (2023: 328) and financing related to investments in the amount of BGN 204 thousand (2023: BGN 204 thousand).

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

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	1,771	1,798
Gas	747	1,077
Other	3,210	3,017
Total	35,503	38,189

19. Hired services

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Transport services	3,360	3,066
Commissions	335	354
Repairs	203	234
Advertising and consulting services	176	115
Rents	141	140
Insurance	115	89
Toll treatment	79	-
Communications	72	84
Other hired services	961	981
Total	5,442	5,063

The remuneration of the auditors for the audit services provided in performing an independent financial audit of separate financial statements of the Company for 2024 amounts to BGN 14 thousand (2023: BGN 14 thousand). With the permission of the Audit Committee of the Company the auditors have performed another service amounting to BGN 2 thousand.

20. Employee benefits expense

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Salaries	15,096	13,261
Social security	2,467	2,273
Food vouchers	890	931
Unused paid leave, net	70	(95)
Retirement benefits, net	(4)	(92)
Total	18,519	16,278

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

21. Other expenses

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Waste of assets	133	126
Business trips	69	68
Local taxes and fees	45	45
Entertainment expenses	39	114
Medicines and antidotes	36	51
Donations	17	89
Claims	1	64
Written-off receivables	1	19
Impairment of trade receivables	-	490
Other expenses	63	138
Total	404	1,204

22. Interest income/ (expenses)

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
Interest expenses on borrowings	(239)	(550)
Other interest expenses	(31)	(27)
Total	(270)	(577)

23. Dividend income

In financial 2024 the Company has received a dividend from your subsidiary Herti France amounting to BGN 587 thousand.

24. 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	7,377	5,915
Tax at the applicable tax rate	(738)	(591)
Tax effect of permanent differences	117	48
Tax benefit/ (expense)	(621)	(543)

NOTES TO THE SEPARATE 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	(765)	(676)
Origination and reversal of temporary differences	144	133
Tax benefit/ (expense)	(621)	(543)

The tax effect of tax temporary tax differences is recorded as follows:

	Year ended December 31, 2024 BGN'000	Year ended December 31, 2023 BGN'000
In profit or loss	144	132
In other comprehensive income	11	1
Total	155	133

25. 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.

	December 31, 2024	December 31, 2023
Profit for the year (BGN'000)	6,756	5,372
Weighted average number of shares (thousands of units)	12,014	12,014
Earnings per share in BGN	0.562	0.447

26. 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	4,282	9,928
Trade and other receivables	9,656	8,231
Other investments	3	3
Total	13,941	18,162

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

26. Financial instruments (continued)

The maximum credit exposure of the Company as of the date of the 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)	3,388	2,992
Domestic	595	974
Other	5,673	4,265
Total	9,656	8,231

Loss allowance on receivables

The aging of trade receivables of the Company 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	31.12.2023 Loss allowance BGN'000
Not past due	8,512	-	6,804	-
Past due up to 30 days	309	-	456	-
Past due 31-360 days	612	-	746	265
Past due over 1 year	223	446	225	225
Total	9,656	446	8,231	490

As a result of the credit risk analysis, the Company 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	-	103	24	9	23	47	-
Trade payables	6,974	6,974	6,974	-	-	-	-
Total	11,784	12,223	7,805	475	1,728	2,315	-

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

26. Financial instruments (continued)

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	
Secured short-term bank borrowing	8	9	9	-	-	-	
Bank overdraft	9,388	9,922	1,452	6,415	2,055	-	
Trade payables	5,047	5,047	5,407	-	-	-	
Total	20,672	21,798	8,029	7,814	4,333	1,462	

Foreign currency risk

The exposure of the Company to foreign currency risk is insignificant as 11 % of sales for 2024 are realized on the domestic market in Bulgarian leva (in 2023 – 13 %) and 66 % 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 borrowings denominated in foreign currency are granted in Euro and in BGN.

Interest rate risk

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

	December 31, 2024 BGN'000	December 31, 2023 BGN'000
Fixed interest rate instruments		
Financial assets	4,278	9,924
Total	4,278	9,924
Variable interest rate instruments		
Financial liabilities	(4,810)	(15,625)
Total	(4,810)	(15,625)

27. Related party transactions

During the year, the Company has entered into transactions with its majority shareholders, its subsidiaries and other companies under common control, as follows:

27.1. 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	Outstanding payables	Turnover	Outstanding payables
		2024 BGN'000	2024 BGN'000	2023 BGN'000	2023 BGN'000
IGM Holding	Purchases	62	-	6	-
Total			-		-

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

27. Related party transactions (continued)

27.2. Transactions with subsidiaries

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

Related party	Type of transaction	Turnover	Outstanding receivables	Turnover	Outstanding receivables
		2024	2024	2023	2023
		BGN'000	BGN'000	BGN'000	BGN'000
Herti UK	Sales	14,448	2,885	11,648	2,331
Herti France	Sales	10,057	1,017	10,886	555
Herti US	Sales	1,402	1,448	1,094	1,154
Herti Group International	Sales	2,875	447	2,690	445
Herti Germany	Sales	7,634	392	7,878	501
Tihert - EAD	Sales	104	11	110	10
Total			6,200		4,996

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

Related party	Type of transaction	Turnover	Outstanding payables	Turnover	Outstanding payables
		2024	2024	2023	2023
		BGN'000	BGN'000	BGN'000	BGN'000
Tihert - EAD	Purchases	4	-	7	-
Total			-		-

27.3. 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	Outstanding receivables	Turnover	Outstanding receivables
		2024	2024	2023	2023
		BGN'000	BGN'000	BGN'000	BGN'000
Raifen - OOD	Sales	2	-	2	-
Timshel - OOD	Sales	2	-	2	-
Total			-		-

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

27. Related party transactions (continued)

27.3. Transactions with other related parties (continued)

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

Related party	Type of transaction	Turnover	Outstanding payables	Turnover	Outstanding payables
		2024	2024	2023	2023
		BGN'000	BGN'000	BGN'000	BGN'000
Timshel - OOD	Purchases	104	39	104	39
Raifen - OOD	Purchases	954	63	1,074	97
Total			102		136

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.

27.4. Remuneration of key management personnel

The remuneration of the members of the Board of Directors of the Company for 2024 amounts to BGN 904 thousand (2023: BGN 720 thousand).

28. Commitments and contingent liabilities

As at December 31, 2024 a Bulgarian commercial bank issued a bank guarantee on behalf of the Company in favour of Varna Customs to the total amount of BGN 1,000 thousand. The collateral has terms of expiring till June 3, 2025.

Chief Executive Officer: (signed)

Zahari Zahariev

Chief Accountant: (signed)

Violeta Yankova

February 27, 2025

Shumen

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



ANNUAL ACTIVITY REPORT

FOR

YEAR 2024



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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 company on the world market. Achieving a degree of profitability, ensuring sustainable development and continuous growth of the company 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**
We can do better everything we do today.
- **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 company.

I. INTRODUCTION

This annual activity report is an integral part of the 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.) (the company, HERTI) is a joint-stock company, registered in Shumen District Court under company case No.567/2007, with an address of management in Shumen, 38 Antim Parvi Str. Herti AD has the status of a public company and its shares are traded on the unofficial market of the Bulgarian Stock Exchange. The subject of activity of the company is primarily related to the production of aluminium screw caps, plastic caps, plastic products, varnishing, and lithography on metal sheets.

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

	Number of shares	Percent
IGM Holding	3,997,316	33.27
Aleksandar Yuliyarov	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

Herti AD accepts good corporate governance as a loyal and balanced relationship between shareholders, company management, partners, contractors, staff, and other stakeholders.

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

- Mr. Aleksandar Blagoev Yuliyarov - Chairman of the Board of Directors
- Mr. Zahari Ganey 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

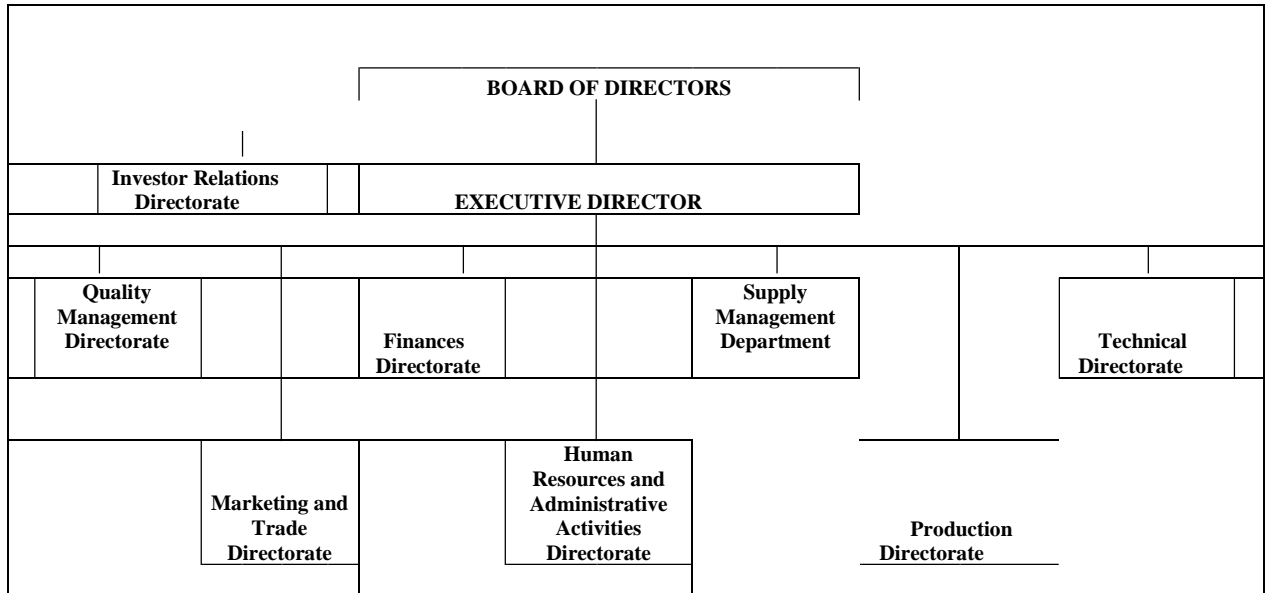
The Board of Directors has not authorized a procurator or other commercial agent. The Investor Relations Director is Ms. Elena Zaharieva.

The company is represented separately by Zahari Zahariev – Chief Executive Officer and Aleksandar Yuliyarov – 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 company jointly.

The successful and transparent management of the company and the constructive decisions are guaranteed by the implementation of the adopted Diversity Policy with regard to the administrative and management bodies. The main criterion in the selection of management staff is competence, education, and experience in various fields of economic and social life.

The Company 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	70.922	73.018	(2.9%)
Expenses for activity	64.763	65.621	(1.4%)
Profit before interests, taxes and depreciation (EBITDA)	12.476	11.379	9.6%
EBITDA / Incomes from activity	17.6%	15.6%	-
Profit before interests and taxes (EBIT)	7.647	6.495	17.7%
EBIT / Incomes from activity	10.8%	8.9%	-
Profit before taxes	7.377	5.915	24.7%
Corporate tax	(621)	(543)	14.4%
Net profit	6.756	5.372	25.8%
Assets (thous. BGN)	51.228	54.624	(6.2%)
Liabilities (thous. BGN)	17.807	26.392	(32.5%)
Equity (thous. BGN)	33.421	28.232	18.4%
Equity / Assets (%)	65%	52%	-
Liabilities / Equity (%)	35%	93%	-
Liabilities / Assets (%)	35%	48%	-
Equity return (%)	20.2%	19.0%	-
Assets return (%)	13.2%	9.8%	-

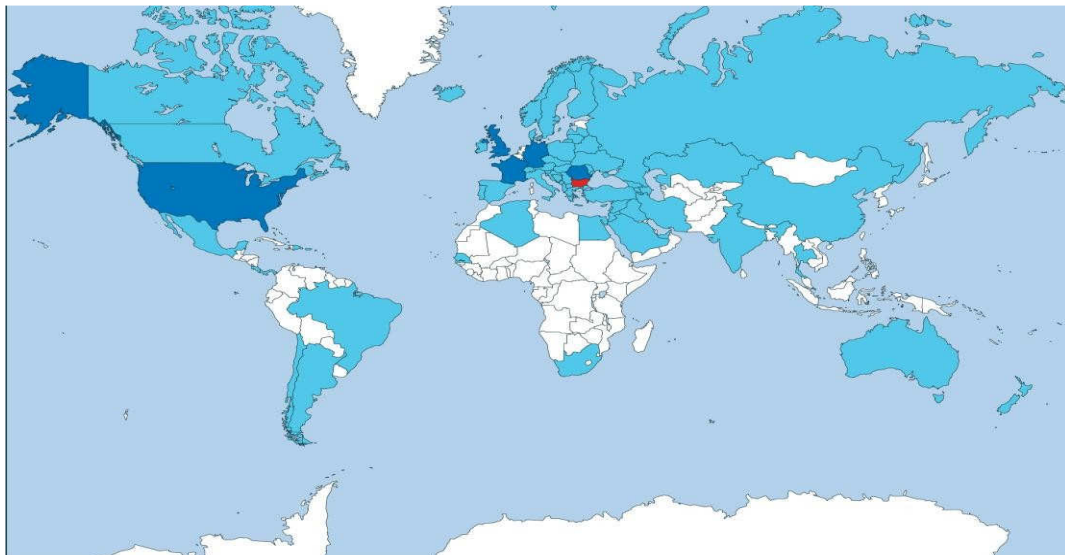
IV. OVERVIEW OF THE COMPANY'S ACTIVITY

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.

In 2024, the company's products are sold in over 60 countries worldwide. The largest market of Herti JSC's products is United Kingdom of Great Britain and Northern Ireland, 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 company sells its products, as well as the countries in which subsidiaries are established.

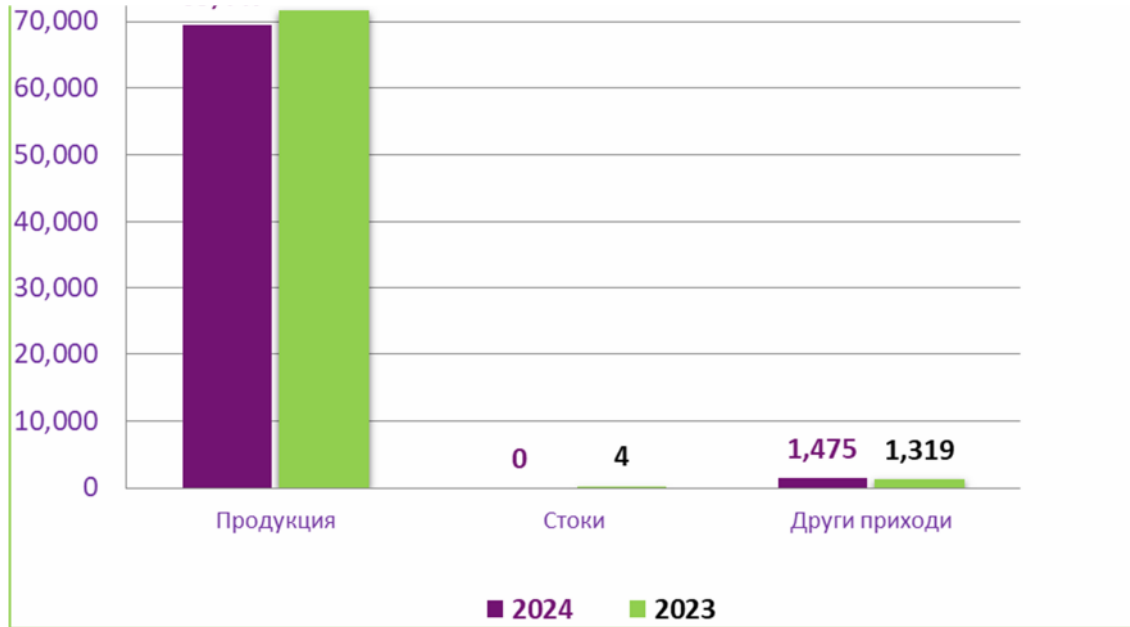


Despite the effect of the war in Ukraine on the global economy and markets, Herti was able to preserve its market share and the position amongst its clients, despite the slight drop of sales, as all the competitors in the field. The high quality of the products, timely deliveries, ensuring continuity in the supply chain, and after-sales service have maintained the trust of the partners and led to finding new customers and markets. The Company 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.

The Company shall continue investing in assets, promoting the production capacity and flexibility, achieving significant results in 2024. The Company management expects the Company to preserve and solidify the market shares in 2025.

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
- Revenues from sale of composite caps
- Revenues from sale of plastic caps
- Revenues from sale of non-refillable pourers
- Other sale incomes

2. Results from the activity and the financial situation

In 2024 Herti JSC realized profit before taxes to the size of 7,377 thous. BGN (5,915 thous. BGN in 2023). The profit before taxes, interests and depreciation (EBITDA) is 12,476 thous. BGN in 2024 in comparison to 11,379 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	2023	Amendment	Amendment
	thous. pcs.	thous. pcs.	in thous. pcs.	In %
Aluminium caps	1,069,667	1,098,852	(29.185)	(2.66%)
Composite caps	412.785	326.666	86.119	26.36%
Plastic caps	31.176	39.526	(8.350)	(78.87%)

Analysing the revenues and expenses for the year ending on December 31, 2024, it is evident that the company 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 company 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 company 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 company to its current liabilities during the reporting period, is 2.22 (compared to 1.7 at the end of 2023), which is an increase of 0.52 points.

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 company. It should also be noted that during the reporting period the company repaid a total of loans to the amount of BGN 14,974 thousand BGN.

3. Capital resources and investments

In 2024 the Company 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 Company, 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 company, which includes fixed capital, revaluation reserve, other reserves, and accumulated profits, is BGN 33,421 thousand BGN. The amount of assets has decreased by BGN 3,396 thousand to BGN 51,228 thous. BGN as of December 31, 2024. In 2024, the ratios of the return on equity (ROE) and return on assets (ROA) are 20.20 and 13.20 % respectively. The total liabilities of the company for 2024 (non-current and current liabilities) mark a decrease from 26,392 thousand BGN. 17,807 thousand 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 company's goals for sustainable development. The company'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.

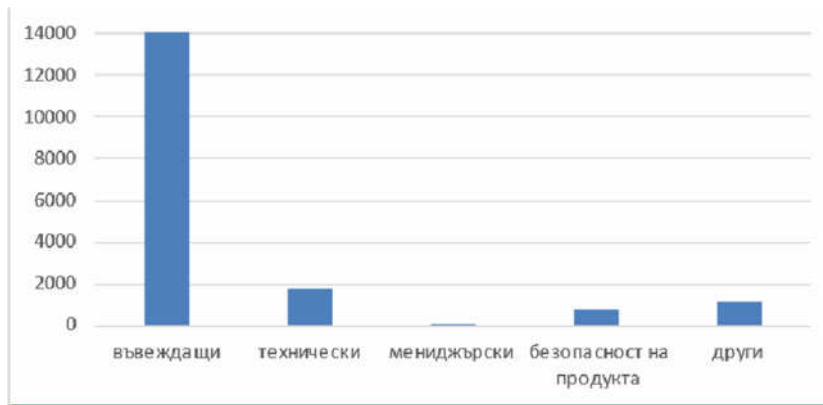
5. Human resources

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 445 people (in 2023 – 526 people).

Training is the most important element in the company'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. 17,968 human hours were spent on different training during the previous year.



Introduction Technical Management Product safety Others

6. Risk management

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

The company 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 50 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 company'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 company 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 company 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 company 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 Company 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 Company 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 Company 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 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 Company 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 Company 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 Company 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 company 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 company'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 company'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 company'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 Company 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 company has not fulfilled redemption of own shares within the meaning of Art.187 of the Commercial Code.

VIII. COMPANY BRANCHES

The Company 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 903,660 BGN.

2. Shares and bonds of the company 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 company acquired Company shares.

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

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

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

- 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 Jul888-Ltd., Sofia, UIC: 207727164;
- Manager of Jul888-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 Vipfarm- 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 company 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 company 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 company.

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 company’s Code of Ethics. Herti is socially responsible company engaged in social and cultural events in S municipality. During the reporting period the company 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 61.

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 company 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 company 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 company 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 2023
Aluminium caps	1,069,667	50.596	72.86%	(8,02%)	1,098,852	55.010	76.72%	(16.49%)
Composite caps	412.785	17.189	24.75%	13.88%	326.666	15.095	21.05%	(21.83%)
Plastic caps	31.176	1.005	1.45%	(18,68%)	39.526	1.236	1.72%	88.69%
Others	-	657	0.94%	83.52%	-	358	0.51%	(29.78%)
Total	1,529,573	69,447	100.00%	(3,14%)	1,471,432	71,699	100.00%	(17.11%)

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 Company as a whole	
2024	2023	2024	2023	2024	2023	2024	2023
thous. BGN	thous. BGN	thous. BGN	thous. BGN	thous. BGN	thous. BGN	thous. BGN	thous. BGN

Incomes from external clients:

Sales	41.357	44.549	6.116	6.721	21.974	20.429	69.447	71.699
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Main suppliers of the Company are suppliers of basic materials Hilden - Akzo Nobel, Konstelium Rold Products Zingen, Laminazione Sottile, Actega DS GmbH, GRANZHE IMPEKSMETAL, Hroteks and others

3. Information on significant deals concluded.

None.

4. Information on transactions, concluded between the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities and related parties, during the reporting period, proposals for concluding such transactions, as well as transactions that are outside its normal activities or significantly deviate from the market conditions, on which the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities or its subsidiary is a party indicating the value of the transactions, the nature of the relatedness and any information, necessary for the assessment of the impact on the financial condition of the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities.

- Identity of related parties

The Company is in the position of a related party with the following companies:

Related parties	Country	Ownership	
		2024	2023
Subsidiaries and associated companies			
Herti Group International	Romania	100 %	100 %
Herti France	France	100 %	100 %
Herti UK	UK	100 %	100 %
Herti Germany	Germany	100 %	100 %
Herti USA	USA	100 %	100 %
Tihert	Bulgaria	100 %	100 %
Shareholders / partners			
IGM Holding	Austria	33.59%	33.90 %
Company under common control			
Timshel-Ltd.	Bulgaria	-	-
Raifen-Ltd.	Bulgaria	-	-

The company 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.

- Deals with majority shareholders

The completed purchase transactions and outstanding settlements as of December 31, 2024 are as follows:

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

□ **Transactions with Subsidiaries**

Sales to related parties

The completed Sales transactions and outstanding settlements as of December 31, 2024 are as follows:

Name	Type	Turnover	Receivables	Turnover	Receivables
		2024	2024	2023	2023
		thous. BGN	thous. BGN	thous. BGN	thous. BGN
Herty UK	Sales	14.488	2.885	11.648	2.331
Herty France	Sales	10.057	1.017	10.886	555
Herty USA	Sales	1.402	1.448	1.094	1.154
Herty Group International	Sales	2.875	447	2.690	445
Herty Germany	Sales	7.634	392	7.878	501
Tihert - EAD	Sales	104	11	110	10
Total			6.200		4.996

Purchases from related parties

The completed Purchases transactions and outstanding settlements as of December 31, 2024 are as follows:

Name	Type	Turnover	Liability	Turnover	Liability
		2024	2024	2023	2023
		thous. BGN	thous. BGN	thous. BGN	thous. BGN
Tihert - EAD	Purchases	4	-	7	-
Total			-		-

• **Deals with other related parties**

Sales to other related parties

The completed Sales transactions and outstanding settlements as of December 31, 2024 are as follows:

Name	Type	Turnover	Receivables	Turnover	Receivables
		2024	2024	2023	2023
		thous. BGN	thous. BGN	thous. BGN	thous. BGN
Raifen-:Ltd.	Sales	2	-	2	-
Timshel-Ltd.	Sales	2	-	2	-
Total			-		-

Purchases from other related parties

The completed Purchases transactions and outstanding settlements as of December 31, 2024 are as follows:

Name	Type	Turnover	Liability	Turnover	Liability
		2024	2024	2023	2023
		thous. BGN	thous. BGN	thous. BGN	thous. BGN
Timshel-Ltd.	Purchases	104	39	104	39
Raifen-Ltd.	Purchases	954	63	1.074	97
Total			102		136

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 individual financial statements for 2024.

5. Information about events and indicators, unusual for the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities, having a significant impact on its activities and the revenues and expenses realized by him; assessment of their impact on the results during the current year.

None.

6. Information on off-balance sheet transactions - nature and business purpose, indication of the financial impact on the transactions on the activity, If the risk and benefits of these transactions are material to the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities and if disclosure of this information is essential for the assessment of the financial condition of the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities.

None.

7. Information on the share participation of the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities for his main investments in the country and abroad (in securities, financial instruments, intangible assets and real estates), as well as investments in equity securities outside its group of enterprises within the meaning of the Accounting Act and the sources/ methods of financing.

Subsidiaries and associated companies	Country	Ownership	
		2024	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 on loan contracts, concluded by the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities, by its subsidiary or parent company, in their capacity as borrowers with indication of the contractual terms and conditions, including payment deadlines, as well as information on guarantees provided and commitments taken.

The Company has signed the following contracts for loans and liabilities as of 31 December 2024 and 2023, as follows:

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	9.779	10.926	220	4.080	253	6.373	-
Liabilities to suppliers	6.974	6.974	6.974	-	-	-	-
Total	21.563	23.046	8.001	4.546	1.958	8.541	-

31st December 2023	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	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	5.047	5.047	5.047	-	-	-	-
Total	20.672	21.798	8.029	7.814	4.333	1.622	-

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

9. Information on loan contracts concluded by the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities, its subsidiary or a parent company, in their capacity as lenders, including the provision of guarantees from any kind, including related parties, listing the names and UIC of the party, the nature of the relation between the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities and the Party – borrower, the size of the unpaid principal, the interest rate, date of the contract, end repayment date, size of the liability, specific conditions, different from those listed in the provision, as well as the reason of the loan, if they are provided as targeted.

As of 31st of December, 2024 the company has no receivables from provided loans to a related party.

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 company has announced a financial result – profit before taxes 7,333 thous. BGN. In the final individual financial statements for the year ended on 31st of December 2024, the company publishes a financial result – profit before taxes to the amount of 7,377 thous. BGN, profit after taxes to the amount of 6,756 thous. BGN and total comprehensive income for the period to the amount of 6,654 thous. BGN. The differences are due to accrued taxes and temporary tax differences for the year.

12. Analysis and evaluation of the policy on financial resources management indicating the possibilities for servicing the liabilities, any possible threats and measures, which the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities, has taken or is about to take with a view to eliminate them.

The company has bank loans disclosed in the company's separate financial statements.

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

14. Information about changes during the reporting period in the basic principles of the management of the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities, and its group of enterprises within the meaning of the Accounting Act.

None.

15. Information on the main characteristics, applied by the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities in the process of preparing the financial statements, an internal control system and a risk management system.

15.1. Internal control system

The Company has an ERP informational system integrated for documentation and process reporting (SAP system). 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.

15.2. Risk management system

The management of the company 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 company, 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 company's integrity and ethical values policy includes communication of behavioral standards for staff by following the company's code of ethics.
- Commitment to competence. Competence represents knowledge and skills, necessary to perform the job description tasks.
- 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 company'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 Company for risk assessment.

For financial statements purposes, the company'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 sound financial reporting, include external and internal events, transactions and circumstances, which may arise and adversely affect the company'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, and
- New accounting standards and interpretations,.

The financial risk of the company 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 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 company, 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 company;
- 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 Company 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 company 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, the rewards and/or benefits of each of the members of the management and supervisory bodies for the reporting financial year, paid by the issuer, who is not a public company, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities and its subsidiaries, notwithstanding if they are included in the expenses of the issuer, who 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 result from the profit distribution, 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.

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 Yuliyarov	33.22%	3,991,420	3.991
Mr. Zahari Ganev Zahariev	25.23%	3,030,622	3.031
IGM Holding Austria	33.27%	3,997,316	3.997

19. Information about the arrangements known to the company (including after the end of the financial year), as a result 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 court, administrative or arbitration proceedings concerning liabilities or receivables of the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities, amounting to at least 10 percent of its equity; if the total value of the liabilities or receivables of the issuer, respectively the party as per Para 1e of the additional regulations of the Law on Public Offering of Securities, in all initiated proceedings it exceeds 10 percent of its own capital, information for each production is presented separately.

None.

Other additional information

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 company 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 company on the global market.**

Ensuring sustainable development and constant growth of the company.

The company's business model and the creation of added value can be presented in the following graphic way:

Operational production > packaging, warehouse and quality control > production logistics and expedition > separate waste collection and recovery > clients' feedback



The management of Herti - JSC. 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 company's resources and control of risk and their impact on the environment when using them.

Herti - JSC. carries out its economic activity in accordance with the environmental objectives set out in Regulation (EU) 2020/852, as (the company) constantly invests in new technologies and modernization of equipment for the purposes of energy efficiency increase. The management recognizes the importance of environment protection and pays special attention to the effective utilization of resources, pollution prevention and control and transit to circular economy.

The areas where Herti invests means, 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 Company risks and also the Company 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 – JSC. strives to carry out its economic activity in accordance with the environmental objectives set out in Regulation (EU) 2020/852 by constantly investing in new technologies that increase energy efficiency.

As a shareholder and partner of Ecopack - JSC., the company complies with all principles of environmental protection and restoration in its work. For us, sustainable development is a priority, as the company strives to be an active and interested corporate entity, aware of the responsibility we bear towards future generations.

Herti has developed and implements an Environmental Protection Policy and a Waste Management Program. Every 4 years, an energy audit is carried out by an external specialized organization, and the recommendations made are implemented in stages according to importance and specific need and are included in the company's investment plan. At the beginning of July, the periodic Energy Efficiency Survey of Herti's industrial system was carried out by an independent external organization.

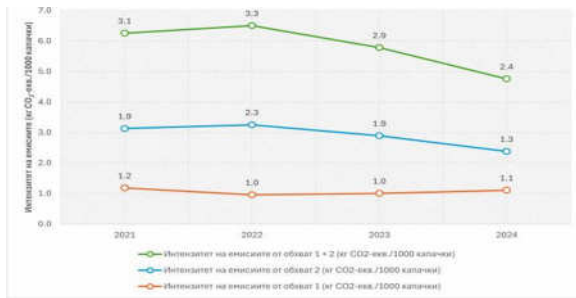
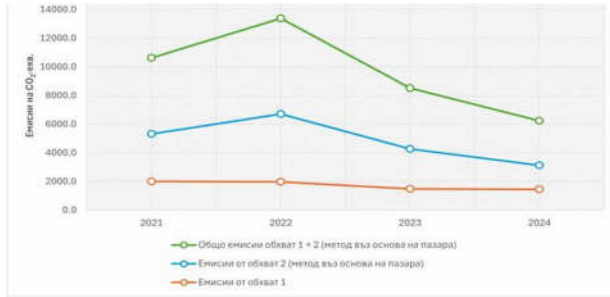
The results achieved from the implemented measures to increase energy efficiency for the period 2019 - 2023 were reported, and measures and goals for the next 4 years were identified.

As a result of the investments made in the last 4 years, a reduction is achieved of primary energy used, with the savings being 5160.937 MWh for 2023 compared to 2019. The emissions saved in 2023 compared to 2019 are 1017.62 tons of CO₂, and the energy consumption per unit of production has been reduced. Measures and investments have been identified for the next few years to the amount of 6 million BGN, the implementation of which is expected to achieve annual energy savings of 1048.65 MWh and saved emissions of 235.6 tons of CO₂ per year. The total amount of energy consumed for 2024 is 14 516 MWh, of which electricity - 7 030 MWh, including 3 127 MWh of green energy and methane gas - 7 486 MWh.

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.

The company regularly monitors pollution levels and emissions of waste gases in the atmospheric air, as well as quarterly indicators of domestic and 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 was made. The new equipment has led to a reduction in CO₂ emissions by 405 tons.

The carbon emissions intensity per 1,000 caps produced for 2024 is 2.4 kg, and for 2023 and 2022, respectively 2.9 and 3.3.



The Company 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 м³
 - Underground water from a well - 1477 м³
- **Quantity of the purified water discharged from the WWTP in water site - 2307 м³**

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**

<i>№</i>	<i>Indicators</i>	<i>Sample results (mg/dm³)</i>	<i>Individual emission restrictions (mg/dm³)</i>	<i>Comply YES/NO</i>
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.

Over 85% of the turnover and 68% of the capital expenditures are related to environmentally sustainable economic activities. In 2024, the Development Department of the Technical Directorate works in various areas of machinery and tools to achieve optimization of the production organization and reduction of technological waste, as well as energy saving.

Important aspect to achieve sustainable circular economy is the waste collection and recovery as well as subsequent use of recycled materials. The Company 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 -	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 hazardous substances	43.565		43.580	

08.01.11.*	paints and lacquer	8.520	9.048	1.851	
15.01.10.*	barrels contaminated with	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.

T. The standard defines the requirements for an environmental management system that Herti will use to improve its environmental performance. On October 28 and 20, an integrated control audit was conducted by SGS for compliance with the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards, which ended with a very good result.

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.

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.

The training and development activities in the company 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 company.

- 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 company.

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 company'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 company's personnel by age and education.



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

Legend:

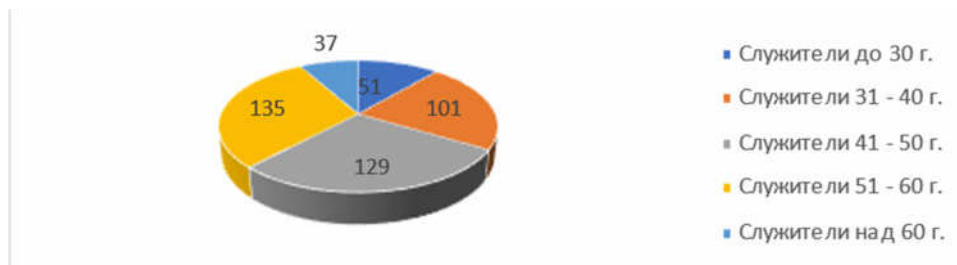
Blue code - Employees younger than 30 years old

Orange code - Employees 31-40 years old

Grey - Employees 41-50 years old

Yellow - Employees 51-60 years old

Light blue - Employees above 60 years old



The company operates 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 company. 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. 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 company has adopted and abides by a Code of Ethics, which enshrines equal rights for all employees, partners and contractors. The company 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.

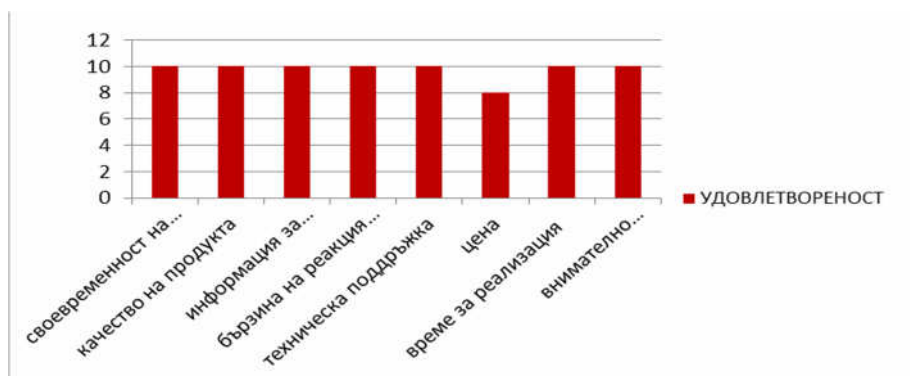
Herti - AD is a member of the international non-governmental organizations SEDEX and EcoVadis, which provide information on ethical relations in the supply chain and assess the performance of companies in the field of compliance with labor legislation, health and safety at work, environmental protection 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 Company. 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.

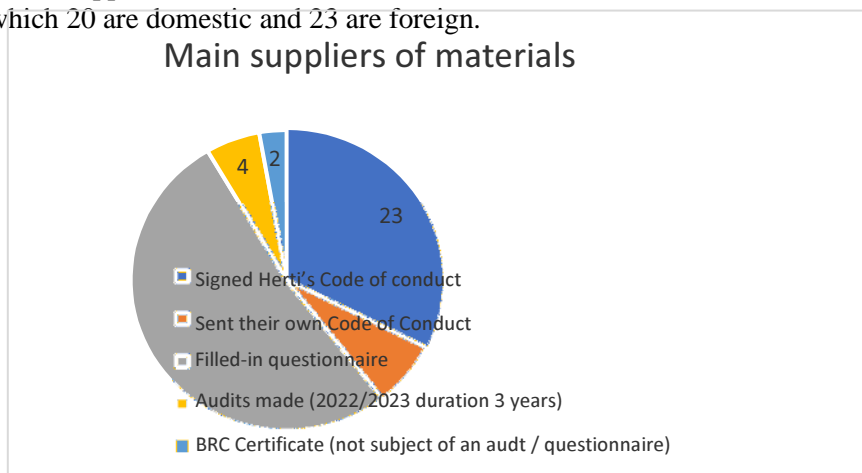
The customer satisfaction indicator is monitored annually by completing surveys - this is one of the important criteria for management. In 2024, the importance of price was observed to remain the same compared to 2023, as it overtook product quality, which was levelled with the other indicators.

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.



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.



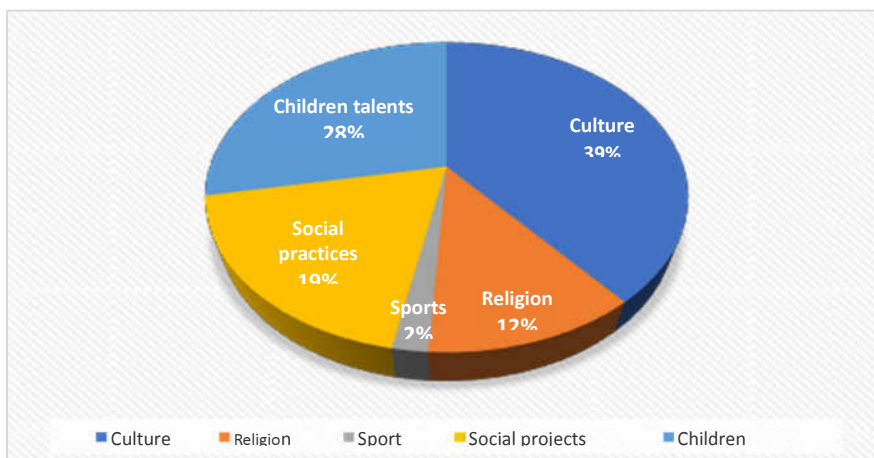
High standards, our responsibility towards sustainable development of society and the principles of integrity in work are enshrined in the adopted Herti Code of Ethics.

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 company are held by women.

Herti - JSC. is a socially responsible commercial company, with care for the people working for it and the social environment. Every year, the company 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 company 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 company.

4. Responsible management

Sustainable development is a priority for the company'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 company 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 company 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 company, 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 Company 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 Company public internal information:

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

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

**Information regarding the public company as
per Annex 3 to of Art. 10, i. 2 of Ordinance 2**

1. Information regarding securities, not allowed for trade on the regulated market in Republic of Bulgaria or other member-state

The capital of the company is 12,013,797 BGN distributed in 12,013,797 dematerialized registered voting shares with a nominal value of 1 BGN. At present, the company's shares are traded on the unofficial stock market of the Bulgarian Stock Exchange.

There are no securities, that are not admitted for trade on the regulated market of Republic of Bulgaria or any other EU member-state.

2. Information on the direct and indirect holding of 5 percent or more of the voting rights in the general meeting of the company, including data on shareholders, the amount of their shareholding and the manner in which they own the shares.

The following shareholders own directly more than 5 % of the Company shares: IGM

Holding Austria	- 3,997,316 shares - 33.27%
Aleksandar Blagoev Yuliyarov	- 3,991,420 shares - 33.22%
Zahari Ganev Zahariev	- 3,030,622 shares - 25.23%
Elena Petkova Zaharieva	- 960,000 shares - 7.99%

3. Data for shareholders with special control rights and description of those rights -
None.

4. Agreements between the shareholders, known to the Company and such that could lead to restrictions in transferring shares or voting right – none.

5. Significant contracts of the company that give rise to action, are changed or terminated due to a change in the control of the company when making a mandatory tender offer, and their consequences, except in cases where disclosure of this information may cause serious harm to the company; the exception under the preceding sentence shall not apply in cases where the company is obliged to disclose the information by law – t none.

Chief Executive Director: Zahari Zahariev

*27th February 2025,
Shumen*

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Herti – AD
Shumen**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Herti - AD (the Company), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies from page 2 to page 32.

In our opinion the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company 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 (IFAASR Act) 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 IFAASR Act and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.5 Consolidation to the present separate financial statements: *“As of December 31, 2024 the Company has investments in subsidiaries and associates registered in the country and abroad. In the present financial statements the investments in subsidiaries are presented at cost and these financial statements are not consolidated financial statements under IFRS 10 Consolidated Financial Statements. The Company prepares also consolidated financial statements, which in accordance with the rules of the regulatory authorities for public companies in Bulgaria and the established traditions are presented after the approval of the separate financial statements.”* Our opinion is not modified in respect of this matter.

Key Audit Matters

During our audit we have identified no key issues that should be included in our audit report.

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

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

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- ✓ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 separate financial statements included in the annual separate financial report under Art. 100n, para. 4 of the Public Offering of Securities Act (POSA) with the requirements of the European Single Electronic Format (ESEF) Regulation

In addition to our responsibilities and reporting under ISA, described above in the paragraph "Auditor's Responsibilities for the Audit of the Financial Statements", we have followed the procedures in accordance with the Guidelines on the expression of audit opinion in relation to the implementation 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 professional organization of registered auditors in Bulgaria - the Institute of Certified Public

Accountants. These procedures relate to the verification of the format and whether the human readable part of this electronic format is in accordance with the audited annual separate financial statements and the expression of opinion on the compliance with the electronic format of the separate financial statements of the Company for the year ending 31 December 2023, attached in the electronic file „8945006H9L8C62G7SH45-20231231-BG-SEP.xhtml“, as required by 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"). Based on these requirements, the electronic format of the separate financial statements included in the annual separate financial report under Art. 100n, para. 4 of POSA, must be submitted in XHTML format.

The management of the Company is responsible for the application of the requirements of the ESEF Regulation when preparing the electronic format of the separate financial statements.

Our opinion is only regarding the electronic format of the separate financial statements, attached to the electronic file „8945006H9L8C62G7SH45-20231231-BG-SEP.xhtml“, and does not comprise other information included in the annual separate financial report under Art. 100n, para. 4 of the POSA.

Based on the performed procedures, our opinion is that the electronic format of the separate financial statements of the Company for the year ending December 31, 2023, contained in the attached electronic file „8945006H9L8C62G7SH45-20231231-BG-SEP.xhtml“, has been prepared in all material respects 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 Financial Statements and Auditor's Report Thereon section, in relation to the 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.

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 management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.
- b)** The 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 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.
- d)** The report on the implementation of the remuneration policy for the financial year, for which the financial statements have been prepared, has been submitted and meets the requirements set out in the Ordinance under Art. 116c, para. 1 of the Public Offering of Securities Act.

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 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.

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

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 27 to the separate financial statements. Based on the audit procedures performed by us on related-party transactions as part of our audit of the 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 separate 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 separate financial statements as a whole and not with the purpose of expressing a separate opinion on related-party transactions.

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 separate financial statements as a whole, described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report include an evaluation as to whether the 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 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 Company's transactions and events significant for the financial statements were addressed by us in the context of forming our opinion on the financial statements as a whole and not with the purpose of expressing a separate opinion on those significant transactions.

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 – OOD was appointed as a statutory auditor of the financial statements for the year ending on December 31, 2024 of Herti – AD (the Company) by the general meeting of shareholders held on June 27, 2024 for a period of one year.
- ✓ The audit of the financial statements for the year ending on December 31, 2024 of the Company represents the second statutory audit engagement for that entity carried out by us.

- ✓ We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company'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 Company.

Nikolay Kolev (signed)
Registered Auditor

Anton Svrakov (signed)
Managing Partner

Svrakov and Milev – OOD
Audit firm, Reg. No 087
Varna, 7 Sava Radulov Str., floor 2

March 6, 2025

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