

Company name:

THRACE-IPOMA AD

Board of Directors:

**Konstantinos Chaliotis
Dimitrios Malamos
Dimitar Dichev
Desislava Neicheva**

CEO:

Dimitar Dichev

CFO:

Yordan Mihaylov

Chief Accountant:

Gergana Vodenicharova

Registered Office:

**Sofia 1528
Gara Iskar
7, Nedelcho Bonchev Street**

Servicing Banks:

**UBB - Iskar Branch
DSK Bank**

Auditors:

Earnst & Young Audit

Independent auditor's report

To the shareholders

Thrace - Ipoma AD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Thrace - Ipoma AD (the Company), which comprise the statement of financial position as at 31 December 2025, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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 for the Financial Statements

Management is responsible for the preparation and presentation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 true and fair presentation.

We communicate management 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.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

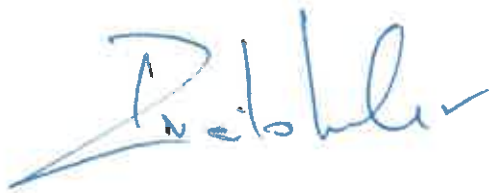
In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Financial Statements and Auditor's Report Thereon* section, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, 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.

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 referring to 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.

Audit Firm Ernst & Young Audit OOD with registration number 108:



Ivaylo Kolev

Proxy of the General Manager Nikolay Garnev and
Registered Auditor in charge of the audit

Sofia, Bulgaria

29 May 2026

THRACE-IPOMA AD
STATEMENT OF COMPREHENSIVE INCOME
for the year ending on 31 December 2025

	Notes	2025 BGN '000	2024 BGN '000
Revenue			
Revenues from Contracts with Customers	3	55,795	55,532
Cost of Sales	4	(41,358)	(41,223)
Impairment of Inventories	5	(16)	(11)
Gross Profit		14,421	14,298
Other Operating Income / (losses)	6	163	9
Distribution and Selling Expenses	7	(3,646)	(3,414)
Administrative Expenses	8	(2,684)	(2,236)
Other Operating Expenses	10	(90)	(189)
Operating Profit		8,164	8,468
Financial Expenses	11	(83)	(31)
Profit before Taxes		8,081	8,437
Income Tax Expense	12	(826)	(867)
Profit for the Year		7,255	7,570
Other Comprehensive Income			
<i>Other comprehensive income not subject to reclassification in profit and loss in subsequent periods</i>			
Actuarial profit/(loss) on defined benefit plans	23	(146)	36
Other comprehensive income not subject to reclassification in profit and loss in subsequent periods, net of tax		(146)	36
Total comprehensive income for the year, net of tax		7,109	7,606

The appendices on pages from 5 to 60 are an integral part of these financial statements.

The financial statements on pages from 1 to 60 was approved for publication by the Board of Directors and signed on its behalf on 24 March 2026 by:

CEO:

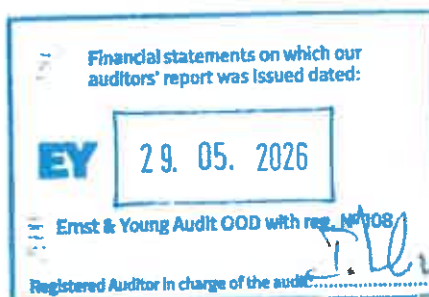
(Dimitar Dichev)

CFO:

(Yordan Mihaylov)

Chief Accountant (preparer):

(Gergana Vodenicharova)



STATEMENT OF FINANCIAL POSITION

as at 31 December 2025

	Notes	31.12.2025 BGN '000	31.12.2024 BGN '000
ASSETS			
Non-current Assets			
Property, Plant, and Equipment	13	35,905	26,420
Right-of-use assets	15	1,294	1,476
Intangible Assets	14	132	141
		37,331	28,037
Current Assets			
Inventories	16	10,776	12,151
Trade Receivables	17	6,901	6,218
Receivables from Related Parties	29	3,072	2,251
Other Receivables and Prepaid Expenses	18	48	59
Cash and Short-Term Deposits	19	5,036	6,478
		25,833	27,157
TOTAL ASSETS		63,164	55,194
EQUITY AND LIABILITIES			
EQUITY			
Share Capital		3,226	3,226
Retained Earnings		45,206	40,999
Statutory Reserve		586	586
	20	49,018	44,811
LIABILITIES			
Non-current Liabilities			
Long-term bank loans	22	3,778	-
Deferred Tax Liabilities	21	1,186	1,273
Pension Liabilities	23	534	330
Liabilities from Leases	15	509	781
		6,007	2,384
Current Liabilities			
Trade Payables	24	3,974	5,802
Current portion of long-term bank loans	22	2,151	-
Short-term portion of liabilities from leases	15	348	337
Liabilities to Related Parties	29	59	77
Liabilities to Employees and Social Security	26	1,133	1,030
Liabilities from Contracts with Customers	3	23	416
Tax Liabilities	27	354	268
Other Current Liabilities	25/28	97	69
		8,139	7,999
TOTAL LIABILITIES		14,146	10,383
TOTAL EQUITY AND LIABILITIES		63,164	55,194

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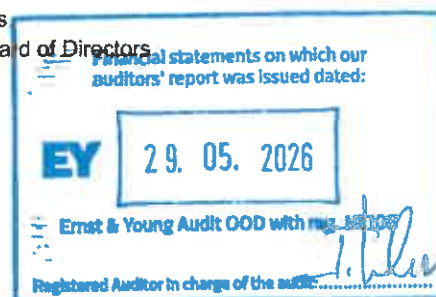
(Dimitar Dichev)

CFO:

(Yordan Mihaylov)

Chief Accountant (preparer):

(Gergana Vodenicharova)



THRACE-IPOMA AD
STATEMENT OF CASH FLOWS
for the year ending on 31 December 2025

	Notes	2025 BGN '000	2024 BGN '000
Cash Flows from Operating Activities			
Receipts from Customers		58,765	59,648
Payments to Suppliers		(37,669)	(41,809)
Payments to Employees and for Social Security		(8,152)	(7,170)
Taxes Paid (excluding Income Tax)		(2,897)	(1,275)
Income Tax Paid		(926)	(929)
Bank Charges and Interest Paid on Working Capital Loans		(18)	(10)
Other (Payment)/Proceeds, net		(159)	(96)
Net Cash Flows from Operating Activities		8,944	8,359
Cash Flows from Investing Activities			
Purchase of Property, Plant, and Equipment		(12,987)	(7,543)
Purchase of Intangible Assets		-	(6)
Sale of Property, Plant, and Equipment		-	178
Net Cash Flows Used in Investing Activities		(12,987)	(7,371)
Cash Flows from Financing Activities			
Repayment of Long-Term Bank Loans		(180)	-
(Payments)/Proceeds from Long-Term Bank Loans		6,113	
Proceeds from Short-Term Bank Loans		45	10
Repayment of Short-Term Bank Loans		(46)	(11)
Dividends Paid		(2,901)	(3,525)
Interest and Charges Paid on Investment-Purpose Loans		(53)	-
Payments of Leases		(377)	(324)
Net Cash Flows Used in Financing Activities		2,601	(3,850)
Net (decrease)/increase in cash and cash equivalents		(1,442)	(2,862)
Cash and Cash Equivalents as at 1 January		6,478	9,340
Cash and Cash Equivalents as at 31 December	19	5,036	6,478

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CEO:

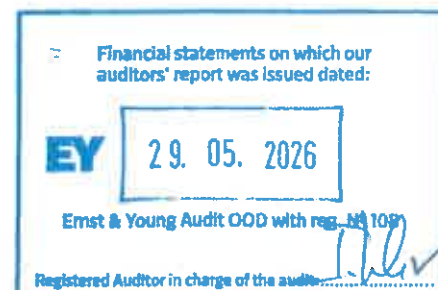
(Dimitar Dichev)

CFO:

(Yordan Mihaylov)

Chief Accountant (preparer):

(Gergana Vodenicharova)



THRACE-IPOMA AD
STATEMENT OF CHANGES IN EQUITY
for the year ending on 31 December 2025

	Notes	Share Capital BGN'000	Statutory Reserve BGN'000	Retained Earnings BGN'000	Total Equity BGN'000
Balance as at 1 January 2024		3,226	586	36,136	39,948
Changes in equity for the year 2024					
Distribution of dividends		-	-	(2,743)	(2,743)
Total comprehensive income for the period, including		-	-	7,606	7,606
- Net profit for the year		-	-	7,570	7,570
- Other components of the comprehensive income, net of taxes	23	-	-	36	36
Balance as at 31 December 2024	20	3,226	586	40,999	44,811
Changes in equity for the year 2025					
Distribution of dividends		-	-	(2,902)	(2,902)
Total comprehensive income for the year, including		-	-	7,109	7,109
- Net profit for the year		-	-	7,255	7,255
- Other components of the comprehensive income, net of taxes	23	-	-	(146)	(146)
Balance as at 31 December 2025	20	3,226	586	45,206	49,018

The appendices on pages from 5 to 60 are an integral part of these financial statements.
The financial statements on pages from 1 to 60 was approved for publication by the Board of Directors and signed on its behalf on 24 March 2026 by:

CEO:

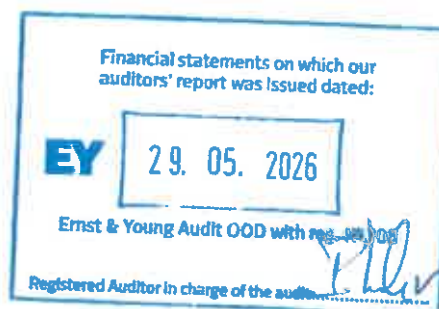
(Dimitar Dichev)

CFO:

(Yordan Mihaylov)

Chief Accountant (preparer):

(Gergana Vodenicharova)



**THRACE -IPOMA AD
ANNUAL FINANCIAL STATEMENTS FOR 2025
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1. INFORMATION ABOUT THE COMPANY

Thrace - Ipoma AD is a joint-stock company established in February 1997 pursuant to a Privatisation Agreement entered into between the Ministry of Industry and Trierina Trading Limited, Cyprus. The Company's registered office and registered address is in Sofia, 7, Nedelcho Bonchev Street. The Company was registered in 1989, Decision No. 394/1989 of Sofia City Court. By a court decision of 13 June 2006, the Company's name was changed from Ipoma AD to Thrace- Ipoma AD. The latest changes to the Company were entered in the Commercial Register on 13 June 2023 and relate to the manner in which the term of office of the Board of Directors is determined- by a decision of the General Meeting of Shareholders on 07.06.2023, the term of office of all members of the Board of Directors is set at five years.

These financial statements were approved for publication by the Board of Directors and signed on its behalf on 24.03.2026.

Ownership and governance

Thrace - Ipoma AD is a non-public joint-stock company.

As at 31 December 2025 and 31 December 2024, the registered share capital is distributed as follows:

- | | |
|------------------------------------|---------|
| • Trierina Trading Limited, Cyprus | 99,888% |
| • Natural persons | 0,112% |

The Company is part of the Thrace Plastics Co S.A. Group, Greece, owner of Trierina Trading Limited, Cyprus.

As at 31.12.2025, the management of the Company, represented by the Board of Directors (BD), consists of:

- Konstantinos Chalioris – Chairperson;
- Dimitrios Malamos;
- Dimitar Dichev;
- Desislava Neicheva.

The Board of Directors also performs the functions of persons responsible for the overall management of the company.

The company is represented and managed by the Executive Director Dimitar Dichev.

As at 31 December 2025, the total number of personnel in the Company is 156 employees and workers (31.12.2024: 147 employees and workers).

Scope of activity

The Company's scope of activity in 2025 includes the following types of operations and transactions:

- manufacture of crates for soft drinks, beer, bread and agricultural products;
- manufacture and trade in plastic packaging for multiple and single use;
- coordination and cooperation in the field of production, distribution, sale and marketing of plastic products.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED**2.1. Base for the preparation of the financial statements**

The financial statements are prepared using the historical cost basis. The financial statements are presented in thousands of Bulgarian leva and all figures are rounded to the nearest thousand leva (BGN thousand), unless otherwise stated.

Statement of compliance

The financial statements of the Company have been prepared in accordance with the IFRS accounting standards adopted by the European Union ("IFRS accounting standards adopted by the EU"). The "IFRS accounting standards adopted by the EU" accounting framework is essentially the defined national accounting basis International Accounting Standards (IAS) adopted by the EU, regulated by the Accountancy Act, and defined in item 8 of its Additional Provisions.

Going concern

The Company's financial statements have been prepared by the management in accordance with the going concern principle. The main aspects of its short-term and long-term development are closely linked to the overall strategy of the Thrace Group. The Company will continue to sell its products on the local market and will pursue its efforts to increase overseas sales through an improved operating system, better pricing and optimization of production and cost of sales. Taking into account the development of the Bulgarian economy and Bulgaria's fully-fledged membership of the European Union, the management expects positive results from the implementation of the objectives and plans, as well as a positive impact of these results on future financial results.

Based on the above circumstances, the Company's management has assessed the Company's ability to continue as a going concern in the foreseeable future and has concluded that the going concern principle is appropriate for the preparation of these financial statements.

2.2. Comparative data

The Company provides comparative information in these financial statements for one year prior to the current year. Where necessary, comparative data is reclassified to achieve comparability with changes in presentation in the current year.

2.3. Functional currency and recognition of exchange rate differences

The functional and reporting currency of the Company's financial statements is the Bulgarian lev. Since 01.07.1997, the lev has been fixed in accordance with the Bulgarian National Bank Act to the Deutsche mark at a ratio of BGN 1:DEM 1, and with the introduction of the euro as the official currency of the European Union - to the euro at a ratio of BGN 1.95583:EUR 1.00000.

Upon initial recognition, a transaction in a foreign currency is recorded in the functional currency, applying the exchange rate at the date of the transaction or operation to the amount in the foreign currency. Cash, receivables and payables as monetary reporting items denominated in foreign currency are reported in the functional currency applying the exchange rate published by the Bulgarian National Bank for the last working day of the relevant month. As at 31 December, they shall be valued in Bulgarian leva applying the closing exchange rate of the BNB.

Non-monetary reporting items in the statement of financial position, initially denominated in foreign currency, are reported in the functional currency applying the historical exchange rate at the date of the transaction and are not subsequently revalued at the closing rate.

The effects of exchange rate differences related to the settling of transactions in foreign currency or the reporting of transactions in foreign currency at rates different from those at which they were initially recognized are included in the statement of comprehensive income (in profit or loss for the year) when they arise, and are treated as "other operating income/(loss)", except for those on loans and finance leases denominated in foreign currencies, which are presented under "financial expenses".

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.4. Revenues****2.4.1. Recognition of revenue from contracts with customers**

The Company's operating revenue arises from the selling of products and goods- plastic products (Note No. 3).

Revenue in the Company is recognized when control over the product/goods promised in the contract entered into with the customer is transferred to the customer. Control is transferred to the customer upon fulfilment of the obligations under the contract through the transfer of the promised products.

Assessment of a contract with a customer

A contract with a customer exists only when, upon its entry into force:

- a). it has commercial substance and motive;
- b). the parties have approved the contract (orally, in writing, or in accordance with the "established and generally accepted business practices") and are committed to perform their obligations;
- c). the rights of each party;
- d). the terms of payment can be identified; and
- e). it is probable that the Company will collect the consideration to which it is entitled upon performance of its obligations. In assessing collectability, all relevant facts and circumstances surrounding the transaction are taken into account, including past experience and customary business practices, collateral and collection possibilities.

A contract for which any of the above criteria are not yet fulfilled is subject to further assessment in each reporting period. The consideration received under such a contract is recognized as a liability (contractual liability) in the statement of financial position until:

- a). all criteria for recognition of a contract with a customer are fulfilled;
- b). the Company has fulfilled its performance obligations and has received all or substantially all of the consideration (which is not subject to refund); and/or
- c). when the contract is terminated and the consideration received is not subject to refund.

When initially assessing its contracts with customers, the Company performs an additional analysis and assessment of whether two or more contracts should be considered in combination and reported as one, and whether the promised output in each individual and/or combined contract should be reported as one and/or more performance obligations.

Any promise to transfer goods and/or services that are distinguishable (in themselves and in the context of the contract) and/or a series of distinguishable goods and/or services that are essentially the same and have the same pattern of transfer to the customer are recognized as a single performance obligation.

The Company recognises revenue for each separate performance obligation at the level of the individual contract with the customer by analysing the type, timing and conditions of each specific contract. For contracts with similar characteristics, revenue is recognized on a portfolio basis only if grouping them in a portfolio would not have a material impact on the financial statements.

2.4.2. Measurement of revenue from contracts with customers

Revenue is measured on the basis of the transaction price set for each contract.

The transaction price is the amount of consideration to which the company expects to be entitled, excluding amounts collected on behalf of third parties. In determining the transaction price, the Company takes into account the terms of the contract and its customary business practices, including the impact of variable consideration, the existence of a significant financial component, non-monetary consideration and consideration payable to the customer (if any). In contracts with more than one performance obligation, the transaction price is allocated to each performance obligation on the basis of the stand-alone selling prices of each good and/or service determined using one of the methods permitted under IFRS 15, with priority given to the "observable sales prices" method.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.4. Revenues (continued)****2.4.2. Measurement of revenue from contracts with customers (continued)**

A change in the scope or price (or both) of a contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change relates to the addition of goods and/or services that are distinguishable and the price determined for them. Accordingly:

a). the modification is recognized as a separate contract if the scope of the contract is expanded due to the addition of products that are distinguishable and the change in the contract price reflects the stand-alone selling prices of the added products;

b). the modification is accounted for as a termination of the existing contract and the conclusion of a new contract (future application) if the remaining products are distinguishable from those transferred before the modification, but the change in the contract price does not reflect the stand-alone selling prices of the added products;

c). the modification is recognized as part of the existing contract (cumulative adjustment) if the remaining products are not distinguishable from those transferred before the modification and therefore form part of a single performance obligation that has been partially settled.

2.4.3. Performance obligations under contracts with customers

The revenues generated by the company are mainly from sales of plastic products and articles. In general, the Company has concluded that it acts as a principal in its agreements with customers, unless otherwise expressly stated for specific transactions, as the Company usually controls the products before transferring them to the customer.

Revenues from sales of products and goods

The Company manufactures and sells plastic products. Upon sale of the products/goods, control over them is transferred to the customer at a specific point in time, which is usually upon delivery of the products to the agreed location, and the customer can dispose of the products by controlling their use and receiving substantially all of the remaining benefits.

Principal versus agent

On behalf of its customers, the Company provides transport services related to the sale of products and goods, even when these are not part of its obligation to perform the sale of products and goods. In such cases, it coordinates the selection of suitable transport providers and negotiates a price for the service in agreement with the customer. The Company has determined that it does not control this service because:

- it does not bear primary (main) responsibility for the performance of the obligation (service);
- it does not have freedom of action in negotiating prices. These are determined by the supplier and are subject to prior agreement with the customer. Its consideration is determined as the difference between the maximum purchase price specified by the customer and the final price agreed by the Company with the service provider.

Due to the above, the Company has determined that in performing these contracts, it acts as an agent.

Revenues from sales for these contracts are recognized in the amount of the net consideration that the Company retains after paying the other party the consideration received in exchange for the services to be provided by that other party (Note No. 6 "Other operating income/(loss)").

Transaction price and payment terms

The transaction price usually includes a fixed sales price, in accordance with a general or customer price list, and various forms of variable consideration.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.4. Revenues (continued)****2.4.3. Performance obligations under contracts with customers (continued)**

Variable consideration is included in the transaction price only to the extent that it is highly probable that no significant adjustment to the cumulative revenue recognized will occur. The forms of variable consideration applicable to the Company include:

Price discounts – a form of additional incentive discounts granted to several major customers at the end of the year for achieving annual turnover in BGN and for reaching a certain quantity of purchases of a specific product, depending on the contract. Price discounts are recognized as a reduction in revenue at the end of the year, depending on the extent to which the targets set in the contract have been met, the revenue for the customers to whom the discounts are due. The discounts granted are offset against the amounts due from the customer.

Penalties for non-performance of obligations by either party, including for quality performance by the Company. Variable consideration in the form of penalties is included in the reduction of the transaction price only if their payment is highly probable. The Company's experience shows that it has historically complied with the requirements of its contracts with customers and has not recognized any penalties or the penalties recognized are immaterial. The receipt of variable consideration in the form of penalties payable by the customer depends on the actions of the customer. Therefore, they are included as part of the transaction price only when the uncertainty about their receipt has been resolved.

All subsequent changes in the amount of variable consideration are recognized as an adjustment to revenue (as an increase or decrease) at the date of the change and/or resolution of the uncertainty.

Significant financing component.

The normal credit period for customers is between 30 and 90 days.

In certain cases, the Company collects short-term advance payments from customers that do not have a significant financing component. Advance payments collected from customers are presented in the statement of financial position as liabilities under contracts with customers (Note No. 3 "Revenues from contracts with customers").

2.4.4. Expenses under contracts with customers

The Company recognises as expenses under contracts with customers the following:

- additional and directly related expenses incurred by it upon entering into a contract with a customer and which it expects to be recovered over a period longer than twelve months (contract acquisition costs) and
- the expenses it incurs in fulfilling a contract with a customer that are directly related to the specific contract, contribute to the generation of resources to be used in the fulfilment of the contract itself and are expected to be recovered over a period longer than twelve months (contract performance costs).

In its activities, the Company does not normally incur direct and specific costs for obtaining contracts with customers and costs for performing such contracts that would not have been incurred if the relevant contracts had not been concluded and are not subject to capitalisation. During the current period, the Company reports as expenses for concluding contracts with customers commercial commissions determined as a percentage of the value of sales realised. It has assessed that these expenses would not have been incurred if the contracts had not been concluded and expects them to be recovered within a period of 6 months to 1 year and they are treated as short-term.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.4. Revenues (continued)****2.4.5. Balances under contracts with clients****Trade receivables and assets under contracts**

Trade receivables represent the unconditional right of a Company to receive consideration under contracts with customers and other counterparties (i.e., it is only subject to the expiry of time before the consideration is paid).

The initial measurement, subsequent measurement and impairment of trade receivables are disclosed in Note No. 2.19 Financial instruments.

The contract asset is the Company's right to receive consideration in exchange for the goods or services it has transferred to the customer, but which is not unconditional (accrual for receivables). If, by transferring the goods and/or rendering the services, the Company fulfils its obligation before the customer pays the corresponding consideration and/or before the payment becomes due, a contract asset is recognized for the consideration earned (which is conditional). Recognized contract assets are reclassified as trade receivables when the right to receive consideration becomes unconditional. The right to receive consideration is considered unconditional if the only condition for the consideration to become due is the expiry of a specified period of time.

Liabilities under contracts

The Company presents as a liability under a contract the payments received from the customer and/or the unconditional right to receive payment before it has fulfilled its obligations under the contract. Liabilities under contracts are recognized as income when the performance obligations are satisfied.

Assets and liabilities under contract shall be presented on a separate line under current and non-current assets and liabilities in the statement of financial position and disclosed separately. They are included in the current assets group when their maturity is within 12 months or within the normal operating cycle of the Company, and the rest are included as non-current. Assets and liabilities arising from a single contract shall be presented as a net amount in the statement of financial position, even if they result from different contractual performance obligations under the contract.

After initial recognition, trade receivables and contract assets are reviewed for impairment in accordance with the rules of IFRS 9 Financial Instruments. Impairment losses resulting from contracts with customers are presented separately from other impairment losses in a separate item in the statement of comprehensive income under "Distribution and selling expenses" (Note No. 2.19 Financial instruments).

2.5. Expenses

Expenses are recognized in the Company at the time they are incurred and on an accrual and matching basis (to the extent that this would not result in the recognition of items in the statement of financial position that do not meet the definitions of assets and liabilities).

Expenses for future periods are deferred and recognized as current expenses in the period in which the contracts to which they relate are performed.

Financial expenses are included in the statement of comprehensive income (in profit or loss for the year), separately identified and consisting of interest expense on loans, including bank charges and other direct expenses on loans and bank guarantees.

Bank charges and commissions related to the servicing of the Company's payment accounts are presented as administrative expenses.

2.6. Property, plant, and equipment

Property, plant, and equipment (tangible fixed assets) are presented in the financial statements at their historical acquisition cost, less accumulated depreciation and impairment losses. Land and buildings were valued by licensed appraisers as at 1 January 2004, and this value was accepted as a substitute (analogue) for the acquisition cost in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards".

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.6. Property, plant, and equipment (continued)****Initial acquisition**

Upon initial acquisition, property, plant, and equipment are measured at cost, which includes the purchase price, customs duties and all other direct costs necessary to bring the asset to the condition in which it is available for use. Direct costs mainly include site preparation costs, initial delivery and handling costs, installation costs, fees paid to persons involved in the project and non-recoverable value added tax.

The Company has set a value threshold of BGN 500, below which acquired assets, even if they have the characteristics of a non-current asset, are treated as a current expense at the time of acquisition.

For some of the tangible fixed assets included in the production of plastic bags (sewing machines with directly related inventory and equipment), the Company applies a specific accounting policy. Each machine with its necessary inventory and equipment forms a workstation, which is treated and presented as a separate asset.

When property, plant, and equipment are acquired under deferred payment terms, the purchase price is equivalent to the present value of the liability, discounted at the interest rate of the Company's credit facilities with similar maturity and purpose.

Subsequent measurement

The approach chosen by the Company for the subsequent measurement of property, plant, and equipment is the cost model in accordance with IAS 16 – cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenses

Repair and maintenance costs are recognized as current expenses in the period in which they are incurred. Subsequent expenses incurred in relation to property, plant, and equipment that are of a nature to replace certain key parts and assemblies, or to rebuild or reconstruct, are capitalised at the carrying amount of the relevant asset and its remaining useful life is reviewed at the date of capitalisation. At the same time, the non-depreciated portion of the replaced components is derecognized from the carrying amount of the assets and recognized in current expenses for the period of the conversion.

Depreciation methods

The Company uses the straight-line method of depreciation for property, plant, and equipment. Land is not depreciated. Depreciation of assets begins when they are available for use. The useful life of individual assets is determined by the Company's management in accordance with the Group's depreciation policy.

The average useful life by groups of assets is as follows:

- buildings – 40 years;
- cooling systems, labelling machines and fire-fighting equipment – 10 years;
- moulds – 6.7 years;
- other machinery and equipment – 14 years;
- lifting and transport equipment (forklifts, electric trucks, cranes) – 5 - 7 years;
- office furniture, photocopying equipment – 5 years;
- transport vehicles – 5 years;
- computers – 3 years.

The estimated useful lives of property, plant, and equipment are reviewed at the end of each reporting period and, if significant deviations from the future expectations for the useful life of the assets are identified, the useful life is adjusted prospectively.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.6. Property, plant, and equipment (continued)****Review for impairment**

The carrying amounts of property, plant, and equipment are subject to review for impairment whenever events or changes in circumstances indicate that they may be permanently different from their recoverable amount. If there are such indicators that the estimated recoverable amount is lower than their carrying amount, the latter is written down to the recoverable amount of the assets. The recoverable amount of non-current tangible assets is the higher of the following two amounts: fair value less costs to sell or value in use. To determine the value in use of assets, future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income (in profit or loss for the year).

Gains and loss from sales

Tangible fixed assets are derecognized from the statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected from them, or when they are sold. Gains and loss from the sale of individual assets from "Property, plant, and equipment" group are determined by comparing the consideration to which the Company expects to be entitled (the proceeds from the sale) and the carrying amount of the asset at the date on which the recipient obtains control over it. They are reported as net amounts under "Other operating income/(loss)" on the face of the statement of comprehensive income (in profit or loss for the year).

2.7. Government funding

Government grants and non-repayable assistance from public institutions (municipal, state and international, including under European funds and programmes) are recognized initially when there is reasonable assurance that the funding will be received by the Company and that the latter has complied and continues to comply with the conditions and requirements of the grant (the relevant programme under which the funds were granted).

Government grants and non-repayable assistance representing compensation for expenses incurred by the company in previous periods are recognized as income (under "Other operating income/(loss)") in the period in which they become receivable (confirmation of receipt). Government grants and non-repayable assistance representing compensation for expenses incurred by the Company relating to the current period are recognized as income (under "Other operating income/(loss)") on a systematic basis for the period to which the expenses relate (Note No. 6 "Other operating income/(loss)").

2.8. Intangible assets

Intangible assets are presented in the financial statements at acquisition cost less accumulated amortization and impairment losses. They include licences for the use of software products.

The company applies a straight-line method of amortization of intangible assets with a specified useful life of 5 years.

The carrying amount of intangible assets is subject to review for impairment when events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. The impairment is then recognized as an expense in the statement of comprehensive income (in profit or loss for the year).

Intangible assets are derecognized from the statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected from them or when they are sold. Gains and loss from the sale of individual assets from "intangible assets" group are determined by comparing the consideration to which the Company expects to be entitled (the proceeds from the sale) and the carrying amount of the asset at the date when the recipient obtains control over it. They are reported as net amounts under "Other operating income/(loss)" on the face of the statement of comprehensive income (in profit or loss for the year).

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.8. Intangible assets (continued)**

The amortization period and amortization method for intangible assets with finite useful lives are reviewed at least at the end of each financial year. Changes in the expected useful life or pattern of consumption of future economic benefits from the intangible asset are recognized by changing the amortization period or method and are treated as a change in accounting estimates.

2.9. Inventories

Inventories are measured in the financial statements at the lesser of cost and net realizable value.

Expenses incurred to bring a product to its present location and condition are included in the cost as follows:

- raw materials and finished goods – all delivery costs, including import duties and taxes, transport costs, non-refundable taxes and other costs that contribute to bringing the materials to a state ready for use;
- finished products and work in progress – direct costs of materials and labour and the proportionate share of indirect production costs at normal capacity utilisation, excluding administrative and financial costs.

The inclusion of fixed production overheads in the cost of manufactured products is based on normal capacity. The basis chosen by the Company for their allocation to products is the kilograms of finished products manufactured.

The weighted average price (cost) method is used for the use/(sale) of inventories.

The net realizable value represents the estimated selling price of an asset in the normal course of business, less the estimated costs of bringing the asset to a saleable condition and the estimated costs of implementation. It is determined on the basis of selling prices in the next reporting period, less the approximate costs of sale. The prices quoted on specialized markets (stock exchanges) are used to measure the main raw materials - polyethylene and polypropylene.

2.10. Trade and other receivables

Trade receivables represent the unconditional right of the Company to receive remuneration under contracts with customers and other counterparties (i.e. it is only subject to the expiry of time before the consideration is paid).

Initial measurement

Trade receivables are initially recognized and measured at fair value based on the transaction price, which is usually equal to their invoice value, unless they contain a significant financing component that is not recognized separately. In this case, they are recognized at their present value, determined at a discount rate equal to the interest rate deemed to be inherent in the debtor customer.

Subsequent measurement

The Company holds trade receivables solely for the purpose of collecting contractual cash flows and subsequently measures them at their amortized cost, less any accumulated impairment for credit losses (Note No. 2.19 Financial Instruments).

Impairment

The Company applies the expected credit loss model for the entire term of all trade receivables, using the simplified approach permitted by IFRS 9 and based on a matrix model for the loss rate (Note No. 17).

The impairment of receivables is recognized and reported through a corresponding adjusting account for each type of receivable under “distribution and selling expenses” on the face of the statement of comprehensive income (in profit or loss for the year).

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.11. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, current accounts, and short-term deposits with banks with an original maturity of up to 3 months.

Subsequent measurement

Cash and cash equivalents in banks are subsequently presented at amortized cost, less accumulated impairment for expected credit losses.

For the purposes of preparing the cash flow statement:

Cash proceeds from customers and cash payments to suppliers are presented at gross amounts, including VAT (20%).

VAT paid on the supply of non-current assets from the country is shown under "payments to suppliers" in cash flows from operating activities, to the extent that it is included and recovered together with the Company's operating cash flows for the relevant period (month).

Proceeds and payments from and on overdrafts are shown at net amount by the Company.

Payments of interest and bank charges related to loans serving current operations are included in operating activities, while payments of interest and bank charges on loans for investment purposes are included in financial activities.

2.12. Interest-bearing loans and other borrowed financial resources

In the statement of financial position, all loans and other borrowed financial resources are initially recognized at acquisition cost, which is taken as the fair value of the consideration received in the transaction, net of direct costs related to these loans and borrowed resources. After initial recognition, interest-bearing loans and other borrowed resources are subsequently measured and presented in the statement of financial position at amortized cost, determined using the effective interest method. The amortized cost is calculated taking into account all types of charges, commissions and other expenses, including any discount or premium associated with these loans. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) as financial income or expenses (interest) over the amortization period or when the liabilities are derecognized or reduced (Note No. 2.19 Financial Instruments).

Interest expenses are recognized over the term of the financial instrument using the effective interest method.

Interest-bearing loans and other borrowed financial resources are classified as current, except for the portion for which the Company has an unconditional right to settle its obligation within 12 months of the end of the reporting period.

2.13. Lease

At the commencement date of the lease, which is the earlier of the two dates – the date of the lease agreement or the date on which the parties are committed to the main terms of the lease agreement, the Company analyzes and assesses whether an agreement constitutes or contains elements of a lease. An agreement constitutes or contains a lease if, under its terms, the right to control the use of an asset for a period of time is transferred for consideration.

Lessee

The Company applies a single model for the recognition and measurement of all lease agreements, except for short-term lease agreements (lease agreements with a term of 12 months or less from the commencement date of the lease and which do not contain a purchase option) and lease agreements for low-value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Company has not taken advantage of the practical expedient in IFRS 16, which allows the lessee for each class of identified assets not to separate the nonlease components from the lease components, but instead to account for each lease component and the related nonlease components as a separate lease component. For agreements that contain leases of one or more lease and nonlease components, the Company applies a policy of allocating the consideration under contracts that contain lease and nonlease components based on the relative standalone prices of the lease components and the aggregate standalone price of the nonlease components.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.13. Lease (continued)****a). Right-of-use assets;**

The Company recognizes a right-of-use asset in the statement of financial position on the date the lease agreements commence, i.e. the date on which the underlying asset is available for use by the Company acting as the lessee.

Right-of-use assets are presented in the statement of financial position at acquisition cost less accumulated depreciation, impairment losses and adjustments resulting from remeasurements and adjustments to the liabilities from leases. The acquisition cost includes:

- the amount of the initial measurement of the liabilities from leases;
- lease payments made on or before the commencement date, less any incentives received under the lease agreements;
- initial direct costs incurred by the Company in its capacity as lessee;
- restoration costs that the Company will incur to remove and relocate the underlying asset, restore the site on which the asset is located, or restore the underlying asset to the condition required by the agreement;

The Company depreciates the right-of-use asset over the shorter of its useful life and the term of the lease agreement. If ownership of the asset is transferred under the lease agreement by the end of the term of the agreement, it is depreciated over its useful life. Depreciation begins to be calculated from the date of commencement of the lease.

The depreciation periods for the types of assets covered by the lease agreements are as follows:

- Buildings - 3 years;
- Transport vehicles - 3 years;
- Other assets - from 3 to 5 years.

The Company has chosen to apply the acquisition cost model to all its right-of-use assets.

Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets, applying a policy for determining and reporting impairment similar to that for property, plant, and equipment (long-term tangible assets). The recoverable amount of right-of-use assets is the higher amount of fair value less costs to sell and value in use. To determine the value in use of assets, future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and estimates of the time value of money and the risks specific to the asset. Impairment losses are determined as the difference between the recoverable amount and the carrying amount (when the recoverable amount is lower than the carrying amount) and are presented in the statement of comprehensive income as "other expenses".

Right-of-use assets are presented on a separate line in the statement of financial position, and their depreciation is presented under "Depreciation expense" in the statement of comprehensive income.

b). Liabilities from leases;

The Company recognizes liabilities from leases at the commencement date of the lease, measured at the present value of the lease payments not paid at that date. These include:

fixed payments (including payments that are fixed in substance), reduced by any lease incentives receivable;
variable lease payments that depend on indices or rates initially measured using the indices or rates at the commencement date of the lease;

penalty payments for termination of the lease agreements, if the exercise of an option to terminate the agreement by the lessee is reflected in the lease term; Variable lease payments that do not depend on indices or rates but are related to the performance or use of the underlying asset are not included in the measurement of the liabilities from leases and in the right-of-use asset. They are recognized as a current expense in the period in which the event or circumstance giving rise to these payments occurs and are included in "Expenses for external services" in the profit and loss for the year.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.13. Lease (continued)**

Lease payments are discounted at the interest rate specified in the agreement, if it can be directly determined, or at the Company's differential interest rate that it would pay if it borrowed the funds necessary to obtain an asset with a similar value to the right-of-use asset, for a similar period of time, with similar collateral and in a similar economic environment.

Lease payments (instalments) contain in a specified proportion the finance expense (interest) and the corresponding portion of the liabilities from leases (principal). Interest expenses on leases are presented in the statement of comprehensive income (in profit or loss for the year) of the Company during the lease term on a periodic basis, so as to achieve a constant interest rate on the remaining unpaid portion of the principal of the liabilities from leases, and are presented as "financial expenses".

Liabilities from leases are presented on a separate line in the statement of financial position.

The Company subsequently measures the liabilities from leases by:

- increasing the carrying amount to reflect the interest on the lease obligations;
- decreasing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount of the liabilities from leases to reflect the remeasurements or changes in the lease agreement.

The Company remeasures its liabilities from leases (and makes corresponding entries to the relevant right-of-use assets) when:

- there is a change in the lease term or an event or circumstance has occurred that has led to a change in the assessment of the purchase option, in which case the adjusted liabilities from leases are recalculated using an adjusted discount rate;

there is a change in the lease payments resulting from a change in an index or rate, or there is a change in the amounts expected to be payable under guarantees for residual value, in which case the adjusted liabilities from leases are recalculated using the unchanged (original) discount rate (except when the change in lease payments results from a change in floating interest rates, in which case an adjusted discount rate is used, which reflects the changes in the interest rate);

- the lease agreement has been amended and this amendment has not been accounted for as a separate lease, in which case the liabilities from leases are remeasured based on the term of the amended lease agreement, discounting the amended lease payments using the adjusted discount rate at the date the amendment becomes effective.

c). Short-term lease agreements and lease agreements where the underlying asset is of low value.

The Company applies the exemption under IFRS 16 from the requirement to recognise a right-of-use asset and a liability from leases for its short-term lease agreements for motor vehicles.

Payments under short-term lease agreements and lease agreements where the underlying asset is of low value are recognized directly as a current expense in the statement of comprehensive income (in profit or loss for the year) on a straight-line basis over the lease term.

2.14. Trade and other payables

Trade and other current payables in the statement of financial position are presented at the value of the original invoices (acquisition cost), which is considered to be the fair value of the transaction and will be paid in the future against the goods and services received. In cases of deferred payments beyond the normal credit period, where no additional interest is payable or the interest rate differs significantly from the common market interest rate, the payables are initially measured at their fair value based on their present value at a discount rate inherent to the Company, and subsequently at amortized cost (Note No. 2.19 Financial Instruments).

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.15. Pension and other payables to personnel under social and labour legislation**

Short-term employee benefits include salaries, wages, interim and annual bonuses, social security contributions and annual leave entitlements of employees that are expected to be settled within 12 months after the end of the reporting period. When the Company receives the service, they are recognized as Employee benefits expenses in profit or loss or capitalized in the value of the asset. Short-term employee benefits are measured at the undiscounted amount of the expected settlement costs. Additional information is presented in Note 23.

The Company has a defined benefit pension plan arising from its obligation under Bulgarian labour legislation to pay its employees two or six months' gross salary upon retirement, depending on their length of service. If an employee has worked for the Company for 10 years, they receive six gross monthly salaries upon retirement, and if they have worked for less than 10 years, they receive two. The pension benefit plan is not funded. The Company determines its obligations for payment of pension benefits to employees using the Projected Unit Credit Method. Remeasurements of the defined benefit pension plan, including actuarial gains and losses, are recognized immediately in the statement of financial position as a debit or credit to retained earnings through other comprehensive income in the period in which they arise. Remeasurements are not subject to reclassification to profit or loss in subsequent periods. Past service costs are recognized in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date of recognition of restructuring costs associated with the plan amendments.

Interest costs are recognized by applying a discount factor to the employee pension benefit obligation. Changes in the latter are recognized in profit or loss for the period and presented as follows:

- Service costs, including current service costs, past service costs and gains and losses arising from reductions or non-routine settlements under the plan, are included in "Employee benefits expenses";
- Interest costs are presented as "Financial expenses".

2.16. Share capital and reserves

The Company is a joint-stock company and is required to register a certain amount of share capital in the Commercial Register to serve as security for the claims of the Company's creditors. The shareholders are liable for the obligations of the Company to the extent of their share in the capital and may claim the return of this share only in the event of liquidation or insolvency. The Company reports its share capital at the nominal value of the shares registered with the court.

In accordance with the requirements of the Commerce Act and the Articles of Association, the Company is required to form a reserve fund, which may be funded from:

- at least one tenth of the profit allocated until the amount in the fund reaches one tenth of the share capital;
- amounts received in excess of the nominal value of the shares upon their issue (premium reserve);
- other sources provided for by a decision of the General Meeting.

The amounts in the fund may only be used to cover the annual loss and losses from previous years. When the amounts in the fund reach the minimum amount specified in the Articles of Association, the amounts in excess of this amount may be used to increase the share capital.

2.16.1. Cash dividends and non-cash distributions to owners

A liability for cash or non-cash distributions to owners is recognized when the distribution has been approved by them and is not dependent on the Company. The corresponding amount is debited directly to equity.

The liability for non-cash distributions is measured at the fair value of the assets to be distributed, with subsequent revaluations recognized directly in equity.

Upon the actual distribution of non-cash assets, the difference between the carrying amount of the recognized liability and that of the distributed assets is recognized in profit or loss for the period.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.17. Impairment of non-financial assets**

At each reporting date, the Company assesses whether there are any indications that an asset is impaired. If such indications exist or when an annual impairment test is required for a particular asset, the Company determines the recoverable amount of that asset. The recoverable amount of an asset is the higher of its fair value less the costs of selling the asset or the cash-generating unit (CGU) and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of the cash flows generated by other assets or groups of assets. When the carrying amount of an asset or CGU is higher than its recoverable amount, it is considered impaired and its carrying amount is reduced to its recoverable amount.

In determining the value in use of an asset, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. The fair value less costs to sell is determined on the basis of recent market transactions, if any. If such transactions cannot be identified, an appropriate valuation model is applied. The calculations are confirmed by using other valuation models or other available sources of information about the fair value of an asset or cash-generating unit.

Impairment calculations are based on detailed budgets and forecast calculations prepared separately for each CGU to which individual assets are allocated. These budgets and forecast calculations normally cover a period of five years. For longer periods, a long-term growth index is calculated and applied after the fifth year to future cash flows.

Impairment losses are recognized as expenses in the statement of comprehensive income and classified according to their function in accordance with the use (purpose) of the impaired asset.

At each reporting date, the Company assesses whether there are any indications that the impairment loss on an asset recognized in previous periods may no longer exist or may have decreased. If such indications exist, the Company determines the recoverable amount of the asset or cash-generating unit.

The impairment loss is reversed only when there is a change in the estimates used to determine the recoverable amount of the asset after the last impairment loss was recognized. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount (after deduction of depreciation) which would have been determined if no impairment loss had been recognized for the asset in prior years. The reversal of an impairment loss is recognized in the statement of comprehensive income.

2.18. Income taxes**2.18.1 Current income taxes**

Current tax assets and liabilities for the current and prior periods are recognized at the amount expected to be recovered from or paid to the tax authorities. Current taxes are calculated using the tax rates and tax laws that are in force or substantially enacted at the reporting date. Management analyses the individual items in the tax return for which the applicable tax provisions are subject to interpretation and recognises provisions where appropriate.

Current taxes are recognized directly in equity or in other comprehensive income (rather than in profit or loss) when the tax relates to items that have been recognized directly in equity or in other comprehensive income.

The nominal tax rate for 2025 is 10% (year 2024: 10%).

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.18. Income taxes (continued)****2.18.2 Deferred income taxes**

Deferred taxes are recognized using the balance sheet approach for all temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all taxable temporary differences:

- except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor the taxable profit or loss at the date of the transaction; and

- for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carried forward unused tax credits and the unused tax losses can be utilised:

- unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor the taxable profit or loss at the date of the transaction; and

- for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, a deferred tax asset is recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilised.

The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become probable that future taxable profit will be available against which the deferred tax asset can be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred taxes relating to items recognized outside profit or loss are recognized outside profit or loss. Deferred taxes are recognized depending on the transaction to which they relate, either in other comprehensive income or directly in equity.

The Company offsets deferred tax assets and liabilities only when it has a legally enforceable right to deduct current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes imposed by the same taxation authority on the same taxable entity.

As at 31 December 2025, the Company's deferred income taxes are measured at a rate of 10% (31 December 2024: 10%).

2.18.3 Value Added Tax (VAT)

Revenue, expenses, and assets are recognized net of VAT, except in cases where:

- VAT incurred on the purchase of assets or services is not recoverable from the tax authorities, in which case VAT is recognized as part of the acquisition cost of the asset or as part of the relevant expense item, as appropriate; and

- the receivables and liabilities are reported inclusive of VAT.

The net amount of VAT recoverable from or payable to the tax authorities is included in the value of the receivables or liabilities in the statement of financial position.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.19. Financial Instruments**

A financial instrument is any contract that creates both a financial asset for one entity and a financial liability or equity instrument for another.

Financial assets**Initial recognition, classification, and measurement**

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied a practical expedient, the Company initially measures the financial asset at fair value, plus, in the case of financial assets that are not recognized at fair value through profit or loss, the transaction costs. Trade receivables that do not contain a significant financing component and for which the Company has applied a practical expedient are measured at transaction cost, determined in accordance with IFRS 15. Please refer to the accounting policy in Note 2.4. Revenue from contracts with customers.

To be classified and measured at the amortized cost or fair value in other comprehensive income, a debt financial asset must give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the outstanding principal amount. This assessment is referred to as the "SPPI test" and is performed at the level of the relevant instrument.

The business model of the Company's financial asset management is based on the way in which it manages its financial assets to generate cash flows. The business model determines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets, or both.

Purchases or sales of financial assets whose terms require delivery of the assets within a period of time established by regulation or by standing practice in the relevant market (regular purchases) are recognized on the trade date (the transaction date), i.e. the date on which the Company has committed to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with "recycling" of cumulative gains or losses (debt instruments);
- Financial assets determined as at fair value through other comprehensive income without "recycling" the cumulative gains and losses on their write-off (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most significant for the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold it to collect the contractual cash flows from it; and
- The terms of the financial asset contract give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method (EIM) and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivables and receivables from related parties.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.19. Financial Instruments (continued)****Financial assets (continued)****Financial assets at fair value through other comprehensive income (debt instruments)**

The Company measures its debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both collecting the contractual cash flows and selling it; and
- At the reporting dates, the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the outstanding principal amount.

For debt instruments at fair value through other comprehensive income, interest income, foreign currency translation and impairment losses or their reversal are recognized in profit or loss and calculated in the same way as for financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. On derecognition, the cumulative change in fair value recognized in other comprehensive income is transferred to profit or loss.

Financial assets determined as at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company may choose to classify as equity instruments at fair value through other comprehensive income those that meet the requirements for equity in accordance with IAS 32 Financial Instruments: Presentation and when they are not held for trading. The classification is determined on an individual instrument basis.

Gains and losses on these financial assets are never “recycled” to profit or loss. Dividends are recognized as other income in the statement of comprehensive income when the right to receive payment is established, except when the Company derives benefits from these receipts as a refund of part of the acquisition cost of the financial asset, in which case the gains are recognized in other comprehensive income. Equity instruments designated as at fair value through other comprehensive income are not subject to impairment testing.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or reacquiring them in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income as described above, debt instruments may be designated as at fair value through profit or loss upon initial recognition if this eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss are recognized in the statement of financial position at fair value, with net changes in fair value recognized in the statement of comprehensive income.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.19. Financial Instruments (continued)****Derecognition**

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the Company's statement of financial position) mainly when:

- the rights to receive cash flows from the asset have expired; or
- the rights to receive cash flows from the asset have been transferred or the Company has assumed an obligation to pay the cash flows received, in full and without material delay, to a third party under a transfer agreement; where either (a) the Company has transferred substantially all the risks and rewards of ownership of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has not retained control over it.

When the Company has transferred its rights to receive cash flows from the asset or has entered into a transfer agreement, it assesses whether and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, nor transferred control over it, it continues to recognise the transferred asset to the extent of its continuing involvement in it. In this case, the Company also recognises the related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the asset's original carrying amount and the maximum amount of consideration that the Company may be required to pay.

Impairment of financial assets

Additional disclosure related to impairment of financial assets is provided in the following notes:

- Disclosures of significant assumptions (Note 2.20);
- Trade receivables, including assets under contracts with customers (Note 2.4).

The Company recognises a provision for expected credit losses (ECL) for all debt instruments that are not measured at fair value through profit or loss. ECL is based on the difference between the contractual cash flows due under the terms of the contract and all cash flows that the Company expects to receive, discounted to approximate the original effective interest rate. Expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the terms of the contract.

ECLs are recognized in two stages. For credit exposures for which there is no significant increase in credit risk since initial recognition, ECLs are recognized for credit losses that arise from default events that are possible within the next 12 months (12-month ECLs). For credit exposures for which there is a significant increase in credit risk since initial recognition, a provision for losses is required for credit losses expected over the remaining life of the exposure, regardless of when the default occurs (ECLs for the entire life of the instrument).

For trade receivables and assets under contracts with customers, the Company applies a simplified approach to calculating the ECL. Therefore, it does not track changes in credit risk but instead recognises a loss provision based on the ECL for the entire life of the instrument at each reporting date. The Company has established a provisioning matrix based on historical credit loss experience adjusted for forecast factors specific to the debtors and the economic environment.

For debt instruments at fair value through other comprehensive income, the Company applies impairment based on low credit risk.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.19. Financial Instruments (continued)****Impairment of financial assets (continued)**

At each reporting date, it determines whether the debt instrument is assessed as having low credit risk, using all reasonable and supportable information available without undue cost or effort. As part of this assessment, the Company reviews the internal credit rating of the debt instrument. In addition, the Company assesses whether there is a significant increase in credit risk when payments under the contract are more than 30 days past due.

The Company considers a financial instrument to be in default when contractual payments are 90 days past due. However, in certain cases, it may consider a financial asset to be in default when internal or external information indicates that it is unlikely that the Company will receive the full amount of the amounts due under the contract before taking into account any credit enhancements held by it. Financial assets are derecognized when there is no reasonable expectation of collecting the cash flows under the contract.

Financial liabilities**Initial recognition and measurement**

Upon initial recognition, financial liabilities are classified as liabilities at fair value through profit or loss, or as loans and borrowings, liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings and liabilities, net of any transaction costs directly attributable to the transaction.

The Company's financial liabilities include trade and other payables and liabilities to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchase in the near future. Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities designated at fair value through profit or loss upon initial recognition are designated as such at the date of initial recognition only if the criteria in IFRS 9 are met. The Company has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings

This category is of most significance to the Company. After initial recognition, the Company measures interest-bearing loans and borrowings at amortized cost using the ECL method. Gains and losses are recognized in profit or loss when the liability is derecognized and through the ECL amortization process.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.19. Financial Instruments (continued)****Financial liabilities (continued)**

The amortized cost is calculated taking into account any discounts or premiums on acquisition, as well as fees or costs that are an integral part of the ECL. Amortization through ECL is included as a financial expense in the statement of comprehensive income.

Derecognition

A financial liability is derecognized when the obligation is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, there is a legally enforceable right to offset the recognized amounts and the Company intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.20. Key judgements in applying the Company's accounting policies. Key estimates and assumptions of significant uncertainty**2.20.1. Revenue from contracts with customers**

When recognizing revenue and preparing the annual financial statements, management makes various judgements, estimates, and assumptions that affect the reported revenue, expenses, assets and liabilities under contracts and the related disclosures. As a result of the uncertainty surrounding these assumptions and estimates, significant adjustments to the carrying amounts of the affected assets and liabilities, and consequently to the reported expenses and revenues, may arise in the future.

The key judgements and assumptions that have a significant impact on the amount and timing of revenue recognition from contracts with customers are disclosed in Note No. 2.4. 3 Performance obligations under contracts with customers.

2.20.2. Impairment of receivables**Calculation of expected credit losses for trade receivables and cash and cash equivalents**

The measurement of expected credit losses for financial assets carried at amortized cost (trade receivables from contracts with customers and cash and cash equivalents) is an area that requires the use of complex models and significant assumptions about future economic conditions and the credit behaviour of customers and debtors (e.g. the probability that counterparties will fail to meet their obligations and the resulting losses).

The assessment of the relationship between observed historical default rates, forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Company's historical credit losses and forecast economic conditions may differ from actual future recoverability. Information on expected credit losses on trade receivables is disclosed in Note 17 Trade receivables and Note 30 Financial risk management.

The recognized amount of losses and impairment on trade receivables for 2025 is BGN 106 thousand (2024: BGN 10 thousand).

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.20. Key judgements in applying the Company's accounting policies. Key estimates and assumptions of significant uncertainty (continued)****2.20.2. Impairment of receivables (continued)****Regarding cash and cash equivalents**

To calculate expected credit losses on cash and cash equivalents held with banks, the Company applies the general three-stage impairment approach set out in IFRS 9. For this purpose, a model based on the published ratings of banks determined by internationally recognized rating agencies such as Moody's, Fitch, S&P, BCRA and Bloomberg is applied. On this basis, on the one hand, PD (probability of default) indicators are determined using public PD data referring to the rating of the respective bank, and on the other hand, by changing the rating of the respective bank from period to period, the company assesses the existence of increased credit risk. The basic formula for calculating expected credit losses is: $ECL = PD \times LGD \times EAD$, where

- ECL is the expected credit loss indicator;
- PD is the probability of default indicator;
- LGD is the loss given default indicator; and
- EAD is the exposure at default indicator.

When determining LGD, the existence of guaranteed and/or secured amounts in the relevant bank accounts is taken into account.

In 2025 no impairment of cash and cash equivalents was reported (2024: none) (Note No. 19).

2.20.3. Long-term liabilities to employees

In determining the present value of long-term liabilities to employees upon retirement, actuarial calculations based on assumptions of mortality, staff turnover, future salary levels and a discount factor have been used (Note No. 23).

2.20.4. Impairment of inventories

At the date of each financial statement, a committee of specialists within the company reviews the inventories available, as follows:

- review of the carrying amount of inventories and comparison with the net realisable value to assess whether they need to be recognized as impairment in the financial statements;
- review of inventories in terms of obsolescence and possibilities for their use in production or sale. If obsolete inventories are identified that are not expected to be used in production, they are scrapped or impaired.

As a result of the review in 2025, an impairment of materials, goods and finished products in the amount of BGN 16 thousand (2024: BGN 11 thousand).

2.20.5. Expenses for production below normal capacity

Management has determined normal production capacity by type of production (plastic packaging, single-loop bags, four-loop bags and belts) on a monthly basis.

The Company recognizes as expenses for production below normal capacity in cases where a particular production has been completely discontinued or suspended for a certain period of time and the specified volumes have not been achieved within the month. The deductible portion of the semi-fixed general production costs in the relevant month is recognized directly in the statement of comprehensive income (in profit or loss for the year) as production costs below normal capacity, is not included in the cost of the products manufactured, but is recognized as a component of the cost of sales (Note No. 4).

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.20. Key judgements in applying the Company's accounting policies. Key estimates and assumptions of significant uncertainty (continued)****2.20.6. Lease****2.20.6.1. Determining whether an agreement contains a lease or lease elements**

When identifying and classifying a lease or a lease element in an agreement, the Company assesses whether the agreement contains an identifiable asset and whether it transfers the right to control the use of that asset for the relevant period of the agreement.

The Company is a party to a property lease agreement covering two properties – an office and a warehouse. For this purpose, it has made an assessment and concluded that, within the scope of its right of use as defined in the property lease agreement, the Company has the right to make the relevant decisions on how and for what purpose the asset is to be used, being able to determine the working hours and the persons who have access to it.

2.20.6.2. Determination of the term of lease agreements with renewal and termination options- as lessee

The Company determines the lease term as the irrevocable period of the lease, together with a) the periods for which there is an option to extend the lease agreement, if it is reasonably certain that the Company will exercise this option, and b) the periods for which there is an option to terminate the lease agreement, if it is reasonably certain that the Company will not exercise this option.

The Company has one agreement that includes an extension option and a termination option. The Company applies judgements in determining whether it has sufficient certainty that it will exercise the extension or termination option, taking into account all facts and circumstances that create economic incentives to exercise the extension option or not to exercise the termination option (such as significant improvements to the underlying asset and significant adaptation and customization of the underlying asset).

After the commencement date of the lease, the Company reassesses the term of the agreement upon the occurrence of a significant event or a significant change in circumstances within its control that affects the extent to which it is reasonably certain that the Company will exercise an option that was not reflected in the determination of the term or will not exercise an option that was previously reflected in the determination of the term of the agreement.

The Company does not include an extension option as part of the lease agreement for buildings with a non-cancellable period (three years) because there is no reasonable degree of certainty that it would exercise its renewal options for this agreement. In addition, termination options are included as part of the lease term when the Company has reasonable certainty that it will not exercise these options.

The term of this building agreement is up to 3 years.

2.20.6.3. Determination of the incremental interest rate for lease agreements in which the Company is the lessee

In cases where the Company is the lessee and cannot determine the interest rate directly from the agreements, necessary for discounting its liabilities from leases, it uses the differential interest rate it would pay if it borrowed the funds necessary to obtain an asset with a similar value to the right-of-use asset, for a similar period of time, with similar collateral and in a similar economic environment. For contracts for which the Company has no similar financing, it seeks observable data such as market credit levels and bank statistics that are publicly available and makes specific calculations and adjustments in order to reflect its own credit rating based on an internally developed risk weighting methodology (based on information from interest rate statistics and interest rates offered by servicing banks for similar loans) (Note No. 15 Lease).

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.20. Key judgements in applying the Company's accounting policies. Key estimates and assumptions of significant uncertainty (continued)****2.20.6.4. Review of indicators of impairment of right-of-use assets**

At each reporting date, Company management reviews the right-of-use assets for impairment. If there are indications that the estimated recoverable amount is lower than their carrying amount, the latter is written down to the recoverable amount of the assets.

The Company has reviewed and determined that there are no indicators of impairment as at 31 December 2025.

2.20.7. Useful lives of property, plant, and equipment, and intangible assets

The financial reporting of property, plant, and equipment and intangible assets includes the use of approximate estimates of their expected useful lives and residual values, which are based on the management's judgements. Information on the useful lives of property, plant, and equipment and intangible assets is presented in Notes 2.6 and 2.8.

2.21. Fair value measurement

Fair value is the price that would be received from the sale of an asset or paid for the transfer of a liability in an ordinary transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the sale of an asset or transfer of a liability is carried out:

- on the principal market for the asset or liability, or
- in the absence of a principal market, on the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is estimated by making assumptions that market participants would make in determining the price of the asset or liability, assuming that they are acting in their best economic interest.

The fair value of a non-financial asset is measured by reference to the ability of a market participant to generate economic benefits from the use of the asset in accordance with its most effective and best use or from the sale of the asset to another market participant who will use the asset in accordance with its most effective and best use.

The Company uses valuation techniques that are appropriate in the circumstances for which there is sufficient data to measure fair value, maximising the use of appropriate observable inputs and minimising the use of unobservable inputs.

All assets and liabilities that are measured at fair value or for which fair value disclosure is required in the financial statements are grouped into categories according to the fair value hierarchy, as described below, based on the lowest level of input used that has a significant effect on the fair value measurement as a whole:

- Level 1 - The quoted (unadjusted) prices of active markets for identical assets or liabilities are used;
- Level 2 - Measurement techniques are used where the lowest level of input data used that is significant to the fair value measurement is observed either directly or indirectly;
- Level 3 - Measurement techniques are used where the lowest level of input data used in the fair value measurement is unobservable.

At each reporting date, management analyses changes in the values of assets subject to revaluation in accordance with the Company's accounting policies. This includes a review of the key inputs used in the most recent valuation and a comparison with appropriate historical information such as contracts and other relevant documents. In addition, management, in conjunction with the valuation specialists, compares changes in the fair value of each asset or liability with appropriate external sources to assess whether the changes are reasonable.

For the purposes of fair value disclosure, the Company determines different classes of assets and liabilities based on their nature, characteristics and risk and the relevant level of the fair value hierarchy described above.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)

2.22. Changes in accounting policies and disclosures

Standards/amendments that have come into effect and have been adopted by the European Union

The accounting policies applied are consistent with those applied in the previous financial year, except for the following IFRS accounting standards and amendments to IFRS accounting standards adopted by the Company as at 1 January 2025:

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (amendments).** The amendments are effective for annual reporting periods beginning on or after 1 January 2025.

The adopted IFRS accounting standards and amendments to IFRS accounting standards have not had a significant impact on the Company's accounting policies.

2.23. Published standards that are not yet effective and have not been adopted early

2.23.1. Standards/amendments that are not yet effective but have been adopted by the European Union

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and measurement of financial instruments (amendments).** In May 2024, the IASB published amendments to the Classification and measurement of financial instruments, which amended IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures and are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. Management has concluded that these amendments will not have material impact.
- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures– Nature-dependent electricity contracts (amendments).** In December 2024, the IASB published targeted amendments to better reflect Contracts Referencing Nature-dependent Electricity, which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. Management has concluded that these amendments will not have material impact.
- **Annual improvements to IFRS accounting standards – Volume 11.** In July 2024, the IASB published Annual improvements to IFRS accounting standards – Volume 11. Entities must apply these amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. Management has concluded that these amendments will not have material impact.

2. SUMMARY OF THE ACCOUNTING POLICIES APPLIED (continued)**2.23. Published standards that are not yet effective and have not been adopted early (continued)****2.23.2. Standards/amendments that are not yet effective and have not been adopted by the European Union**

- **IFRS 18 Presentation and Disclosure in Financial Statements.** In April 2024 the IASB published IFRS 18 - Presentation and Disclosure in Financial Statements, which replaces IAS 1 - Presentation of Financial Statements and is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. Management has concluded that these amendments will not have material impact. In subsequent reporting periods, management will analyze the requirements of the newly published standard and assess its impact.
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures (including amendments).** In May 2024, the IASB published IFRS 19- Subsidiaries without Public Accountability: Disclosures, and in August 2025 IASB published amendments to IFRS 19. IFRS 1919 (including amendments) is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. Management has concluded that these amendments will not have material impact.
- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Restatement in a Hyperinflationary Presentation Currency (amendments).** In November 2025, IASB published amendments to the Restatement in a Hyperinflationary Presentation Currency, which amends IAS 21 The Effects of Changes in Foreign Exchange Rates and are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. Management has concluded that these amendments will not have material impact.
- **Amendment to IFRS 10 Consolidated Financial Statements and IFRS 28 Investments in Associates and Joint Ventures: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture.** In December 2015, the IASB postponed indefinitely the effective date of this amendment pending the outcome of its research project on the equity method of accounting.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

1. Types of finished products and goods	2025	2024
	BGN '000	BGN '000
Plastic packaging - injection moulding	40,679	37,958
Plastic packaging - thermoforming	11,847	11,622
Beer crates	1,060	4,108
Crates for soft drinks	1,549	1,306
Nets and fabrics for agriculture	245	282
Crates for baked goods and agricultural products	172	66
Medicine boxes	142	94
Meat crates	97	91
Stadium seating	4	5
	55,795	55,532
2. Geographical markets	2025	2024
	BGN '000	BGN '000
Export	26,015	26,642
Domestic market	29,780	28,890
Total:	55,795	55,532
3. Export sales over 10% of total value	2025	2024
	BGN '000	BGN '000
Greece	28.22%	30.97%
Serbia	17.70%	15.22%
Romania	13.17%	14.39%
North Macedonia	12.11%	10.82%

Export

<i>Sales of goods:</i>	2025	2024
	BGN '000	BGN '000
Plastic packaging - injection moulding	20,471	18,780
Plastic packaging - thermoforming	2,643	2,454
Beer crates	1,060	3,767
Medicine boxes	40	-
Meat crates	33	24
Crates for baked goods and agricultural products	14	1
Total:	24,261	25,026
<i>Sales of goods:</i>	2025	2024
	BGN '000	BGN '000
Plastic packaging - injection moulding	1,451	1,375
Plastic packaging - thermoforming	297	157
Nets and fabrics for agriculture	6	84
Total:	1,754	1,616
Total export:	26,015	26,642

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**Domestic market**

<i>Sales of products</i>	2025	2024
	BGN '000	BGN '000
Plastic packaging - injection moulding	17,873	16,525
Plastic packaging - thermoforming	7,821	7,761
Crates for soft drinks	1,549	1,306
Crates for baked goods and agricultural products	158	65
Medicine boxes	102	94
Meat crates	64	67
Stadium seating	4	5
Beer crates	-	341
Total:	27,571	26,164

<i>Sales of goods</i>	2025	2024
	BGN '000	BGN '000
Plastic packaging - thermoforming	1,086	1,250
Plastic packaging - injection moulding	884	1,278
Nets and fabrics for agriculture	239	198
Total:	2,209	2,726

Total domestic market:	29,780	28,890
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The moment of recognition of revenue from contracts with customers is precisely defined as the moment when the production and goods are transferred to the customer (*Note 2.4.1. Recognition of revenue from contracts with customers*).

All outstanding and/or partially fulfilled obligations under contracts with customers of the company as at 31 December 2025 have an expected performance period of one year or less.

The performance obligations are disclosed in *Note No. 2.4.3. Performance obligations under contracts with customers*.

Balances under contracts with customers

	2025	2024
	BGN '000	BGN '000
Receivables under contracts with customers – related parties, net of impairment (<i>Note No. 29</i>)	3,072	2,251
Receivables under contracts with customers – third parties, net of impairment (<i>Note No. 17</i>)	6,901	6,218
Liabilities under contracts with customers – third parties	(23)	(416)

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Liabilities under contracts with customers – third parties include advance payments received from customers.

The changes in liabilities under contracts with customers – third parties during the period are as follows:

	2025	2024
	BGN '000	BGN '000
Liabilities under contracts with customers – third parties		
<i>Opening balance</i>	416	426
Reported income recognized as a liability under a contract	(393)	(449)
Payments received from customers (excluding those recognized as income during the period)	-	439
Closing balance	23	416

Goods/Finished products

The performance obligation is satisfied upon delivery of the goods/finished products, and payment is usually made within 30 to 90 days after delivery.

4. COST OF SALES

	2025	2024
	BGN '000	BGN '000
Materials	27,977	28,666
Wages, social security contributions, and allowances	5,749	5,046
Depreciation	3,402	3,232
External Services	577	495
Other	25	16
Costs of production below normal capacity	337	231
<i>Cost of finished goods sold</i>	38,067	37,686
Purchase cost of goods sold	3,291	3,536
Total:	41,358	41,222

The cost of materials mainly includes the cost of basic materials – BGN 22,618 thousand (polyethylene, polypropylene, colourants, inks, etc.) (2024: BGN 23,945 thousand), for auxiliary materials – BGN 1,989 thousand (2024: BGN 1,800 thousand) and electricity cost – BGN 2,531 thousand (2024: BGN 2,183 thousand).

Expenses for external services mainly include insurance – BGN 52 thousand (2024: BGN 46 thousand), maintenance of machinery and equipment – BGN 221 thousand (2024: BGN 193 thousand), rent of buildings – BGN 56 thousand (2024: BGN 33 thousand).

The cost of goods sold also includes the portion of the fixed production overheads for the periods in which the company operated below its normal capacity.

Expenses for production below normal capacity include:

	2025	2024
	BGN '000	BGN '000
Depreciation	151	48
Wages and social security contributions	105	114
Services	52	20
Materials	29	49
Total:	337	231

5. IMPAIRMENT OF INVENTORIES

	2025	2024
	BGN '000	BGN '000
Goods	12	-
Finished products	4	11
Total:	16	11

6. OTHER OPERATING INCOME/(LOSS)

	2025	2024
	BGN '000	BGN '000
Profit from services – transport, printing plates, etc.	124	78
Profit from sale of waste	30	68
<i>Revenue for sale of inventory</i>	<i>269</i>	<i>156</i>
<i>Carrying amount of inventory sold</i>	<i>(261)</i>	<i>(126)</i>
Profit from sale of materials	8	30
Written-off liabilities	7	12
Penalties and fines received	-	5
Loss on sale of fixed assets	-	(181)
Foreign exchange differences, net	(2)	-
Surpluses /(deficiencies), net	(4)	(3)
Total:	163	9

7. DISTRIBUTION AND SELLING EXPENSES

	2025	2024
	BGN '000	BGN '000
Wages, social security contributions, and allowances	1,633	1,445
Transport	986	1,075
Warehouse rent	405	214
Depreciation	185	185
Commissions	161	150
Insurance	40	37
Materials, fuel, and water	40	54
Business travel expenses	36	45
Customs brokerage services	36	34
Exhibitions and fairs	32	32
Communication services	24	20
Software maintenance subscription	22	16
Repairs and maintenance	18	26
Material analysis	13	-
(Reversed)/accrued impairment for credit losses, net	(40)	12
Advertising	4	8
Other	51	61
Total:	3,646	3,414

8. ADMINISTRATIVE EXPENSES

	2025	2024
	BGN '000	BGN '000
Wages and social security contributions	1,204	1,069
Consulting services	887	655
Depreciation	149	119
Software maintenance subscription	112	67
Local taxes and charges	74	79
Corporate events	57	55
Materials, fuel, and water	46	43
Business travel expenses	33	10
Equipment maintenance subscription	22	20
Bank transfer charges	20	18
VAT on samples and rejected goods	18	35
Taxes on expenses and weekend tax	17	13
Security	13	15
Repairs and maintenance	8	13
Communication services	8	8
Insurance	6	6
Transport	2	2
Rent	1	1
Other	7	8
Total:	2,684	2,236

9. EMPLOYEE BENEFITS EXPENSES

	2025	2024
	BGN '000	BGN '000
Current salaries and wages	6,978	6,172
Social security contributions	1,152	1,008
Accrued amounts for unused leave	144	144
Accrued social security contributions on leave	28	27
Accruals for long-term employee obligations (<i>Note No. 23</i>)	58	52
Total wages and social security contributions	8,360	7,403
Social benefits	494	453
Other:	8,854	7,856

Expenses for social benefits and payments mainly include food vouchers, supplementary health insurance, clothing and training.

10. OTHER OPERATING EXPENSES

	2025	2024
	BGN '000	BGN '000
Rejection of inventories	82	172
Rejection of fixed assets	7	-
Other	1	10
Fines and penalties	-	7
Total:	90	189

11. FINANCIAL EXPENSES

	2025	2024
	BGN '000	BGN '000
Interest on loans	43	-
Interest on leased assets	20	20
Bank charges on loans and bank guarantees used	20	11
Total:	83	31

12. INCOME TAX EXPENSE

The main components of income tax expense for the years ended 31 December 2025 and 31 December 2024 are as follows:

	2025	2024
	BGN '000	BGN '000
<u>Statement of comprehensive income (profit for the year)</u>		
Profit for the year	8,081	8,437
Current income tax expense for the year	913	996
Deferred income taxes related to the origination and reversal of temporary differences (Note 21)	(87)	(129)
Income tax expense recognized in profit or loss for the period:	826	867

Reconciliation of tax expense determined based on the accounting result

Accounting profit for the year	8,082	8,437
Income tax - 10%	808	844
<i>From unrecognized amounts in tax return related to:</i>		
Increases - BGN 18 thousand (Increases in 2024: BGN 23 thousand)	18	23
Income tax expense recognized in profit and loss for the period:	826	867

12. INCOME TAX EXPENSE (continued)**Additional Corporate Tax (Pillar Two Corporate Tax)**

Amendments to the Corporate Income Tax Act related to a global minimum corporate tax rate of 15%

At the end of 2023, amendments to the Corporate Income Tax Act were adopted, effectively introducing a global minimum corporate tax of 15% on multinational and large national groups of companies, subject to the conditions set out in the Corporate Income Tax Act, with effect from 1 January 2024. These amendments are in the context of the so-called OECD Pillar Two Model Rules in accordance with the agreement at global and European level, which began with the OECD's BEPS (Base Erosion and Profit Shifting) initiative to address the tax challenges arising from the digitalisation of the economy.

Pillar Two Model Rules introduce the following new tax mechanisms, under which multinational and large national groups of companies will pay a minimum level of tax (global minimum corporate tax):

- Qualified Domestic Top-up Tax Rule;
- Primary tax (Income Inclusion Rule);
- Secondary tax (Underpayment Tax Rule).

The new tax mechanisms may impose a minimum tax on income arising in any jurisdiction in which multinational and large national groups of companies operate.

The Domestic Top-up Tax, the primary tax and the secondary tax achieve this by imposing an additional tax in a given jurisdiction whenever the effective tax rate (ETR) determined at the jurisdiction level under the rules of Pillar Two is below the minimum rate of 15%.

The amendments to the Corporate Income Tax Act related to the imposition of a global minimum tax of 15% effective from 01 January 2025 are not applicable to the Company, as the annual revenues in the consolidated financial statements of the ultimate parent entity of the group (including the revenues of the excluded entities) in at least two of the four tax periods preceding the current tax period do not exceed EUR 750 million.

13. PROPERTY, PLANT, AND EQUIPMENT

	Land and buildings		Machinery, plant, and equipment		Transport vehicles		Other		Costs of acquiring tangible fixed assets		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Carrying amount												
Balance as at 1 January	8,883	8,964	51,366	48,594	272	262	1,029	910	5,228	1,708	66,778	60,438
Acquired	-	-	-	-	-	-	-	-	13,189	8,036	13,189	8,036
Transfer between accounts	-	-	9,291	4,382	41	10	51	124	(9,383)	(4,516)	-	-
Written-off	-	(81)	(687)	(1,610)	(57)	-	(14)	(5)	-	-	(758)	(1,696)
Balance as at 31 December	8,883	8,883	59,970	51,366	256	272	1,066	1,029	9,034	5,228	79,209	66,778
Accumulated depreciation												
Balance as at 1 January	3,912	3,751	35,578	33,705	238	220	630	566	-	-	40,358	38,242
Accrued depreciation for the year	242	242	3,367	3,123	19	18	69	69	-	-	3,697	3,452
Written-off depreciation	-	(81)	(680)	(1,250)	(57)	-	(14)	(5)	-	-	(751)	(1,336)
Balance as at 31 December	4,154	3,912	38,265	35,578	200	238	685	630	-	-	43,304	40,358
Carrying amount as at 1 January	4,971	5,213	15,788	14,889	34	42	399	344	5,228	1,708	26,420	22,196
Carrying amount as at 31 December	4,729	4,971	21,705	15,788	56	34	381	399	9,034	5,228	35,905	26,420

13. PROPERTY, PLANT, AND EQUIPMENT (continued)

As at 31 December 2025, the Company's tangible fixed assets include: land worth BGN 480 thousand (31 December 2024: BGN 480 thousand) and buildings with a carrying amount of BGN 4,249 thousand (31 December 2024: BGN 4,491 thousand).

Impairment review

As at 31 December 2025, a committee of technical experts from the Company reviewed the tangible fixed assets to determine whether conditions for impairment within the meaning of the requirements and rules of IAS 36 Impairment of Assets had occurred. Based on this review, management has concluded that as at 31 December 2025, there are no indicators or conditions for impairment of assets (31 December 2024: none).

Other data

As at 31 December 2025 and 31 December 2024, the acquisition costs of fixed assets mainly include expenses incurred in connection with the acquisition of machinery and equipment for the production of plastics.

The carrying amount of fully depreciated tangible fixed assets as at 31 December 2025, which are used in the Company's operations, is BGN 21,643 thousand (31 December 2024: BGN 20,081 thousand) and by asset group is as follows:

- Machinery and equipment – BGN 21,084 thousand (31 December 2024: BGN 19,524 thousand);
- Buildings – BGN 102 thousand (31 December 2024: BGN 102 thousand);
- Transport vehicles – BGN 151 thousand (31 December 2024: BGN 205 thousand);
- Business equipment and other – BGN 270 thousand (31 December 2024: BGN 250 thousand).

As at 31 December 2025, the carrying amount of the machinery, plant, and equipment on which a special pledge has been established in favour of banks for bank loans used is BGN 11,200 thousand (31 December 2024: BGN 3,412 thousand).

As at 31 December 2025, the following commitments related to fixed assets have been made:

- Purchase of production machinery – BGN 9,034 thousand (31 December 2024: BGN 5,228 thousand);

14. INTANGIBLE ASSETS

	Software products		Costs of acquiring IA		Total	
	2025	2024	2025	2024	2025	2024
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount						
Balance as at 1 January	83	77	122	122	205	199
Acquired	-	6	-	-	-	6
Written-off	-	-	-	-	-	-
Balance as at 31 December	83	83	122	122	205	205
Accumulated depreciation						
Balance as at 1 January	64	54	-	-	64	54
Accrued depreciation for the year	9	10	-	-	9	10
Written-off depreciation	-	-	-	-	-	-
Balance as at 31 December	73	64	-	-	73	64
Carrying amount as at 1 January	19	23	122	122	141	145
Carrying amount as at 31 December	10	19	122	122	132	141

The costs of acquiring intangible assets as at 31 December 2025 represent amounts paid in connection with the implementation of an integrated SAP information management system (31 December 2024: BGN 122 thousand).

14. INTANGIBLE ASSETS (continued)

The carrying amount of fully depreciated intangible assets as at 31 December 2025, which are used in the Company's operations, is BGN 36 thousand (31 December 2024: BGN 36 thousand) and includes software products.

The Company has performed an impairment review of intangible assets as at 31 December 2025. No indicators have been identified that the carrying amount of the assets exceeds their recoverable amount and, as a result, no impairment loss has been recognized in the financial statements.

15. LEASE**15.1. Assets and liabilities recognized in the statement of financial position**

The company uses one property (warehouse), nineteen vehicles, one printer and one water machine under a lease agreement in its operations.

The right-of-use assets are included in the statement of financial position on a separate line and are as follows:

	Buildings		Transport vehicles		Other		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	BGN '000	BGN '000	BGN '000	BGN '000	BGN'000	BGN'000	BGN '000	BGN '000
<u>Carrying amount</u>								
1 January	1,029	1,029	879	503	32	32	1,940	1,564
Increases/acquired	-	-	111	745	9	-	120	745
Decreases/written-off	-	-	(31)	(369)	(8)	-	(39)	(369)
Balance as at 31 December	1,029	1,029	959	879	33	32	2,021	1,940
<u>Accumulated depreciation</u>								
1 January	297	229	155	351	12	3	464	583
Accrued depreciation for the year	68	68	199	161	9	9	276	238
Written-off depreciation	-	-	(5)	(357)	(8)	-	(13)	(357)
Balance as at 31 December	365	297	349	155	13	12	727	464
Carrying amount as at 1 January	732	800	724	152	20	29	1,476	981
Carrying amount as at 31 December	664	732	610	724	20	20	1,294	1,476

15.2 Liabilities from leases as at 31 December are as follows:

	2025	2024
	BGN'000	BGN'000
1 January	1,118	689
Increases	121	745
Accrued interest	20	20
Written-off liabilities under terminated agreements	(25)	(12)
Payments	(377)	(324)
31 December	857	1,118
<i>incl. Long-term portion</i>	509	781
<i>Short-term portion</i>	348	337

The maturity analysis of liabilities from leases is disclosed in Note No. 30.

5. LEASE (continued)
15.3. Amounts included in the statement of comprehensive income

Revenue and expenses under lease agreements for the reporting year are as follows:

	2025	2024
	BGN'000	BGN'000
Depreciation expenses on right-of-use assets	276	238
Interest expenses on liabilities from leases	20	20
Expenses related to short-term lease agreements	202	248

15.4. The total outgoing cash flow under lease agreements in 2025 amounts to BGN 663 thousand (2024: BGN 572 thousand). The increase in the right-of-use assets and liability from lease for 2025 is BGN 120 thousand (2024: BGN 745 thousand).

15.5 Lease activities of the Company and the method of their accounting

The Company leases buildings, vehicles and other assets. Lease agreements are usually concluded for the following terms, divided by class of identified asset, as follows:

- buildings - from 3 to 10 years;
- transport vehicles - from 4 to 5 years;
- other assets - from 3 to 5 years.

The average term of the Company's lease agreements is between 4-5 years. (2024: 3 years).

Lease agreements are negotiated on an individual basis and contain a significant number of terms and clauses (automatic renewal clause). The Company's policy regarding clauses in lease agreements mainly includes an assessment of the likelihood that the lease agreement will be extended for another period and an assessment of the likelihood that the lease agreement will be terminated early.

Underlying assets of leases cannot be used as collateral for other agreements.

The Company's activities in 2024 are similar.

Extension options and termination options

The Company has one warehouse lease agreement that includes extension options and termination options. These options were agreed by management to provide flexibility in managing the leased assets and the Company's business needs. Management applies significant judgements in determining whether there is a reasonable degree of certainty that these options will be exercised (Note No. 2.20.6.2).

Extension and termination options are included in the Company's building lease agreements. Extension and termination options can only be exercised by the Company.

These assumptions are reviewed if a significant event or circumstance affecting the assumptions occurs and if that event is within the control of the Company.

Short-term lease agreements and lease agreements for low-value assets

The Company avails itself of the exemption from the requirement for recognition under the standard for short-term lease agreements (agreements with a term of up to 12 months, including from the date of commencement of the lease, without the right to acquire them) for buildings, motor vehicles, machinery and equipment.

As at 31 December 2024, the Company has lease agreements with a commencement date after the end of the reporting period. Future lease payments under non-cancellable lease agreements amount to:

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Up to one year	348	337
From one to five years	509	781
	857	1,118

16. INVENTORIES

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Finished products	5,042	4,694
Materials	4,858	6,685
Goods	580	754
Work in progress	360	90
Accumulated impairment	(64)	(72)
Total:	10,776	12,151

As at 31 December 2025, inventories worth BGN 5,202 thousand are valued at their cost (31 December 2024: BGN 6,770 thousand)

Materials include:

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Main materials	2,305	4,230
Auxiliary and other materials	1,455	1,327
Spare parts	1,009	949
Materials for processing	89	179
Total:	4,858	6,685

The main materials include mainly polypropylene: BGN 1,717 thousand (31 December 2024: BGN 2,492 thousand) and polyethylene: BGN 21 thousand (31 December 2024: BGN 697 thousand).

Finished products include:

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Plastic packaging - injection moulding	4,121	4,062
Plastic packaging - thermoforming	868	571
Crates for baked goods and agricultural products	27	11
Meat crates	20	11
Stadium seating	2	3
Crates for beer/soft drinks	1	27
Medicine boxes	-	6
Other	3	3
Total:	5,042	4,694

The goods mainly include disposable plastic packaging: BGN 519 thousand (31 December 2024: BGN 660 thousand), aluminium caps: BGN 51 thousand (31 December 2024: BGN 85 thousand) and nets and fabrics for agriculture: BGN 10 thousand (31 December 2024: BGN 7 thousand).

As at 31 December 2025, the carrying amount of inventories subject to special pledge in favour of banks for short-term bank loans is BGN 1,467 thousand (31 December 2024: BGN 1,467 thousand).

The reversal of the impairment of inventories is presented as a decrease in other expenses in the income statement.

17. TRADE RECEIVABLES

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Receivables under contracts with customers	6,924	6,343
Expected credit losses on contracts with customers	(23)	(125)
Total:	6,901	6,218

The Company works with its major customers on terms of immediate and deferred payment, ranging from 30 to 90 days. This period is accepted as a normal credit period for the Thrace Plastics Group, to which the Company belongs, and the business sector in which it operates. The Company has no agreed payments beyond this period and, accordingly, does not recognise interest on deferred payments.

The age structure of non-overdue (regular) receivables from customers is as follows:

	31.12.2025	31.12.2024
	BGN'000	BGN'000
Up to 30 days	2,308	2,501
from 31 to 60 days	2,213	1,603
from 61 to 90 days	788	393
Total	5,309	4,497

The age structure of past due receivables from customers is as follows:

	31.12.2025	31.12.2024
	BGN'000	BGN'000
Up to 30 days	87	34
from 31 to 90 days	556	626
from 91 to 180 days	779	945
from 181 to 365 days	156	126
over 365 days	12	116
Impairment for credit losses	(23)	(125)
Total	1,567	1,721

Part of the overdue receivables in the amount of BGN 1,415 thousand shown in the table above were collected after the end of the reporting period until the date of approval of these statements. The remaining receivables are from customers whose business is seasonal in nature and the receivables from them will be collected when their active season begins.

The Company insures its receivables from Bulgarian and foreign customers against market and non-market short-term commercial risk with the Bulgarian Export Insurance Association and Euler Hermes SA - Romania.

The closing balances of the allowances for impairment of receivables from customers as at 1 January 2025 are equal to the opening balances of the allowances for trade receivables, as follows:

	31.12.2025	31.12.2024
	BGN'000	BGN'000
Balance as at 1 January	(125)	(123)
Increase in the allowance for losses recognized in profit or loss during the year	(4)	(12)
Decrease in the allowance for losses recognized in profit or loss during the year	44	-
Receivables written off as uncollectible during the year	62	10
Balance as at 31 December	(23)	(125)

17. TRADE RECEIVABLES (continued)

For 2025 and 2024, the Company applies the simplified approach of IFRS 9 for measuring expected credit losses on trade receivables, recognizing expected losses for the entire life of the instrument for all trade receivables (Note No. 2.10). On this basis, the loss allowance as at 31 December 2025 and 31 December 2024 is determined as follows:

31 December 2025		Current	Past due up to 30 days	Past due from 30 to 60 days	Past due from 60 to 90 days	Past due from 90 to 180 days	Past due from 180 days to 365 days	Past due over 1 year	Total
Expected credit loss rate		0%	0%	0%	0%	0%	35%	100%	0.33%
Receivables from customers (gross carrying amount)	BGN'000	5,334	975	228	239	105	31	12	6,924
Expected credit loss (Impairment allowance)	BGN'000	-	-	-	-	-	(11)	(12)	(23)
Customers									
31 December 2024		Current	Past due up to 30 days	Past due from 30 to 60 days	Past due from 60 to 90 days	Past due from 90 to 180 days	Past due from 180 days to 365 days	Past due over 1 year	Total
Expected credit loss rate		0%	0%	0%	0%	0%	83%	100%	1.97%
Receivables from customers (gross carrying amount)	BGN'000	4,497	1,083	306	156	174	12	115	6,343
Expected credit loss (Impairment allowance)	BGN'000	-	-	-	-	-	(10)	(115)	(125)
Customers									

As at 31 December 2025, the Company's receivables from customers classified by currency are as follows:

- in Bulgarian leva – BGN 4,551 thousand (31 December 2024: BGN 4,466 thousand);
- in euros – BGN 2,350 thousand (31 December 2024: BGN 1,752 thousand).

Current and future receivables – BGN 2,151 thousand (31 December 2024 – BGN 2,151 thousand) are presented as collateral for short-term loans.

18. OTHER RECEIVABLES AND PREPAID EXPENSES

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Prepaid expenses	33	46
Guarantees provided	13	9
Prepayments to accountable persons	1	3
Other	1	1
Total:	48	59

Prepaid expenses s at 31 December include:

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Software rent	26	25
Insurance	6	20
Other	1	1
Total:	33	46

19. CASH AND SHORT-TERM DEPOSITS

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Cash in current accounts	5,036	6,477
Cash on hand	-	1
Total:	5,036	6,478

The cash available as at 31 December 2025 is held in the Company's accounts with the following banks – UBB and DSK AD.

As at 31 December 2025, the Company's cash classified by currency is as follows:

- in Bulgarian leva - BGN 3,677 thousand (31 December 2024: BGN 2,454 thousand);
- in euros - BGN 1,359 thousand (31 December 2024: BGN 4,024 thousand).

As at 31 December 2025, there is a special pledge established on the cash in hand in favour of banks for bank loans used in the amount of BGN 2,151 thousand (31 December 2024: BGN 2,151 thousand).

As a result of the analyses performed and the methodology applied for calculating expected credit losses on cash and cash equivalents, management has determined that the impairment of cash and cash equivalents would be an amount close to zero. Therefore, the Company has not recognized any impairment for expected credit losses as at 31 December 2024 and as at 31 December 2025.

20. EQUITY**Share capital**

As at 31 December 2025, the registered share capital of Thrace - Ipoma AD amounted to BGN 3,226 thousand (31 December 2024: BGN 3,226 thousand), divided into 3 225 646 ordinary registered shares with voting rights and a nominal value of BGN 1 per share. The registered capital of the Company is fully paid up.

Reserves

As at 31 December 2025 and 31 December 2024, the Company's reserves were formed from the distribution of profit in accordance with the requirements of the Commerce Act and the Company's Articles of Association - creation of a "Reserve" fund in the amount of 10% of the registered share capital for the respective year (Note No. 2.16). In the event of a reduction in the share capital and if the "Reserve" Fund exceeds 10% of the share capital, it shall not be reduced.

20. EQUITY (continued)**Retained earnings**

Retained earnings include accumulated profits, the effects reported on the transition of the company to IFRS in 2005 and the effects of subsequent measurements of defined benefit pension plans.

The General Meeting of Shareholders of the company decided on 03 June 2025 to distribute dividends totalling BGN 2,903 thousand from the net profit for 2024, or BGN 0.90 per share, which were paid in July. In 2025, dividends of BGN 2,900 thousand were paid. As at 31 December 2025, the liability for unpaid dividends is BGN 12 thousand to individuals from the profit for the period 2015 - 2024.

21. DEFERRED TAX LIABILITIES

	Temporary difference	Tax	Temporary difference	Tax
	31.12.2025	31.12.2025	31.12.2024	31.12.2024
	BGN '000	BGN '000	BGN '000	BGN '000
Tangible fixed assets	12,778	(1,278)	13,659	(1,366)
Deferred tax liabilities	12,778	(1,278)	13,659	(1,366)
Impairment of receivables	(22)	2	(125)	13
Accruals for unused leave	(211)	21	(171)	17
Accruals for pension benefits	(391)	39	(334)	33
Accrued but unpaid wages	(300)	30	(300)	30
Right-of-use assets	1	-	-	-
Deferred tax assets	(923)	92	(926)	93
Net deferred tax assets /(liabilities)	11,855	(1,186)	12,729	(1,273)

The changes in deferred tax (liabilities)/assets are presented below:

Deferred tax (liabilities)/assets	Balance as at 1 January 2025	Recognized in profit or loss for the year	Balance as at 31 December 2025
	BGN '000	BGN '000	BGN '000
Fixed assets	(1,366)	88	(1,278)
Impairment of receivables	13	(11)	2
Accruals for pension benefits	33	6	39
Accruals for unused leave	17	4	21
Accrued but unpaid wages	30	-	30
Right-of-use assets	-	-	-
Total	(1,273)	87	(1,186)

21. DEFERRED TAX LIABILITIES (continued)

Deferred tax (liabilities)/assets	Balance as at 1 January 2024 BGN '000	Recognized in profit or loss for the year BGN '000	Balance as at 31 December 2024 BGN '000
Fixed assets	(1,487)	121	(1,366)
Impairment of receivables	12	1	13
Accruals for pension benefits	32	1	33
Accruals for unused leave	11	6	17
Accrued but unpaid wages	30	-	30
Right-of-use assets	-	-	-
Total	(1,402)	129	(1,273)

When recognising deferred tax assets, the probability that the individual differences will reverse in the future and the Company's ability to generate sufficient taxable profit have been taken into account.

No deferred tax assets have been recognized for the following temporary differences:

	Temporary difference 31.12.2025 BGN '000	Tax 31.12.2025 BGN '000	Temporary difference 31.12.2024 BGN '000	Tax 31.12.2024 BGN '000
Impairment of inventories	(64)	6	(72)	7
Deferred tax assets	(64)	6	(72)	7

22. LONG-TERM BANK LOANS

On 28 May 2025, an investment loan amounting to BGN 6,464 thousand was entered into with DSK Bank. The loan is denominated in BGN and will be repaid over a period of forty-two months.

Loan	Type of currency	Agreed amount in original currency	Maturity	Agreed interest	Long-term portion as at 31.12.2025	Short- term portion as at 31.12.2025	Total	Long-term portion as at 31.12.2024	Short- term portion as at 31.12.2024	Total
		BGN '000			BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
I	BGN	6,464	28.11.2028	3M Euribor +0.60%	3,778	2,151	5,929	-	-	-
		Total			3,778	2,151	5,929	-	-	-

The following collateral has been established in favour of the lending banks to secure the long-term loan:
Special pledges on:

- machinery, plant, and equipment - BGN 7,796 thousand (31 December 2024 – none) (Note No. 13);

23. PENSION LIABILITIES TO EMPLOYEES

Long-term liabilities to employees upon retirement include the present value of the Company's obligation to pay benefits to members of the employed staff at the date of the statement of financial position upon reaching retirement age. According to the Labour Code of Bulgaria, every employee is entitled to severance pay equal to two gross salaries upon retirement, and if the employee has worked for the company or the same group of companies for ten years during the last twenty years, the severance pay is equal to six months' gross salary. This is a defined benefit plan (Note No. 2.15).

To determine the long-term liabilities to employees, the Company has performed an actuarial valuation using the services of a certified actuary.

The change in the present value of the pension liabilities to employees is as follows:

	31.12.2025 BGN '000	31.12.2024 BGN '000
Present value of liabilities as at 1 January	330	353
Interest expense for the year	15	16
Current service expense for the year	34	40
Actuarial (gain)/loss recognized for the period	9	(4)
Payments made during the year	-	(39)
Effects of subsequent measurements for the year, including:	146	(36)
<i>Actuarial (gains)/losses from changes in demographic assumptions</i>	13	7
<i>Actuarial (gains)/losses from actual experience</i>	(13)	16
<i>Actuarial (gains)/losses from changes in financial assumptions</i>	146	(59)
Present value of liabilities as at 31 December	534	330

The amounts recognized in the statement of comprehensive income for long-term employee benefits upon retirement are:

	2025 BGN '000	2024 BGN '000
Current service expense	15	40
Interest expense	34	16
Actuarial (gain)/loss recognized for the period	9	(4)
Components of defined benefit plan expenses recognized in the profit or loss	58	52
Effects of subsequent measurements of the pension liabilities to employees:		
<i>Actuarial losses/(gains) from changes in financial assumptions</i>	146	(59)
<i>Actuarial losses from actual experience</i>	(13)	16
<i>Actuarial gains from changes in demographic assumptions</i>	13	7
Components of defined benefit plan expenses recognized in other components of comprehensive income	146	(36)
Total:	204	16

23. PENSION LIABILITIES TO EMPLOYEES (continued)

The following actuarial assumptions have been used to determine the present value of the obligations as at 31 December 2025:

- An annual interest rate of 3.5% (2024: 4.0%) was used to determine the discount factor. This assumption is based on data on the return of long-term government bonds with a 10-year maturity;
- the assumption for the future level of salaries is based on information provided by the Company's management and is 8 % annual growth compared to the previous reporting period (2024: 10 %);
- mortality rate – according to the mortality table of the National Statistical Institute for the total population of Bulgaria for the period 2022 - 2024 (2024: 2021 – 2023);
- staff turnover rate – between 3% and 16%, depending on four distinct age groups (2024: 3% – 16%).

This defined benefit plan exposes the Company to the following risks: investment risk, interest rate risk, longevity risk and wage growth risk. The Company's management defines these risks as follows:

- the investment risk – as this is an unfunded plan, the Company should monitor and balance the upcoming payments under it on an ongoing basis by ensuring sufficient cash resources. Historical experience and the structure of the liability indicate that the resources required by year are not significant in relation to the liquid funds normally maintained;
- the interest rate risk - any decrease in the yield on government bonds with similar maturities leads to an increase in the liability under the plan;
- the longevity risk - the present value of the pension liability to employees is calculated using the best estimate and current information on the mortality of plan participants. An increase in life expectancy would lead to a possible increase in the liability. In recent years, this indicator has been relatively stable;
- the risk associated with salary increases - the present value of the pension liability to employees is calculated using the best estimate of future salary increases for plan participants. Such an increase would lead to an increase in the plan's liability.

The sensitivity analysis of the main actuarial assumptions is based on reasonably possible changes in these assumptions at the end of the reporting period, assuming that the others remain unchanged:

The effect of a 0.5% change (increase or decrease) in wage growth, interest rate (discount rate) and employee turnover on the total amount of current service and interest costs is as follows:

	Year 2025		Year 2024	
	Increase	Decrease	Increase	Decrease
	BGN '000	BGN '000	BGN '000	BGN '000
Change in salary growth	5	(4)	2	(2)
Change in discount rate	(2)	2	(1)	1
Change in employee turnover	(5)	5	(3)	3

The effect of a 0.5% change (increase or decrease) in wage growth, interest rate (discount rate) and employee turnover on the present value of the obligation to pay defined pension benefits is as follows:

23. PENSION LIABILITIES TO EMPLOYEES (continued)

	Year 2025		Year 2024	
	Increase	Decrease	Increase	Decrease
	BGN '000	BGN '000	BGN '000	BGN '000
Change in salary growth	25	(23)	13	(13)
Change in discount rate	(24)	25	(12)	13
Change in employee turnover	(26)	28	(14)	15

The average duration of the long-term liability to employees under the defined benefit plan is 9.6 years (31 December 2024: 8,1 years).

The expected payments of pension benefits under the defined benefit plan for the next 5 years are BGN 192 thousand.

24. TRADE PAYABLES

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Domestic suppliers – in Bulgarian leva	1,337	4,057
Foreign suppliers – in euros	2,637	1,745
Total:	3,974	5,802

The Company works with its major suppliers on terms of immediate and deferred payment, ranging from 15 to 90 days. The customary period for agreeing deferred payments with suppliers is up to 90 days. This period is accepted as a normal credit period for the Thrace Plastics Group, to which the Company belongs, and the business sector in which it operates. The Company has no agreed payments beyond this period and, accordingly, does not recognise interest on deferred payments.

The Company does not allow long-term arrears and does not charge interest for late payments.

All trade and other liabilities are interest-free.

25. SHORT-TERM BANK LOANS

In 2025, the Company used the financial resources of short-term bank loans in the form of overdrafts and business credit cards, the terms of which are as follows:

Loan	Type of currency	Agreed amount in original currency	Maturity	Agreed interest	31/12/2025	31/12/2024
		BGN '000			BGN'000	BGN'000
1	EUR	3,000	02/12/2027	1M Euribor +1.2%	-	-
2	EUR	1,500	30/11/2025	3M Euribor +1.2%	-	-
3	BGN	10		15,75%	-	-
		Total			-	-

As at 31 December 2025, the Company has prepaid fees on loans for which it has not used the credit limit. The fees amount to BGN 4 thousand and are presented in other receivables and prepaid expenses.

The following collateral has been established in favour of the lending banks to secure the short-term loans:

Special pledges on:

- machinery, plant, and equipment – BGN 3,404 thousand (31 December 2024 – BGN 3,412 thousand) (Note No. 13);
- current and future receivables – BGN 2,151 thousand (31 December 2024 – BGN 2,151 thousand);
- pledge on inventories – BGN 1,467 thousand (31 December 2024 – BGN 1,467 thousand).

26. LIABILITIES TO EMPLOYEES AND SOCIAL SECURITY

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Liabilities to employees	928	851
Liabilities to social security	205	179
Total	1,133	1,030

Liabilities to employees include:

- unpaid wages – BGN 750 thousand (31 December 2024: BGN 707 thousand);
- accrued amounts of BGN 178 thousand, representing remuneration due for unused paid annual leave taken by employees (31 December 2024: BGN 144 thousand).

Liabilities to social security include:

- unpaid social security contributions - BGN 172 thousand (31 December 2024: BGN 152 thousand);
- accrued contributions on unused leave of employees in the amount of BGN 33 thousand (31 December 2024: BGN 27 thousand).

27. TAX LIABILITIES

	31.12.2025	31.12.2024
	BGN ,000	BGN ,000
Value added tax	183	106
Personal income tax	72	60
Profit tax	63	76
Withholding tax	19	13
Tax on expenses	17	13
Total	354	268

The Company's tax liabilities are current.

As at the date of preparation of these statements, the following audits and inspections have been carried out in the Company:

- VAT audit – up to and including 30 November 2006;
- Full-scope tax audit - up to and including 31 December 2003.

For companies in Bulgaria, tax audits are carried out within five years of the end of the year in which the tax return for the relevant liability was filed. The audit confirms the final tax liability of the relevant company-taxable person, except in cases expressly provided for by law. The tax authorities may at any time check the accounts and records for the five consecutive years of the reporting tax period and impose additional tax assessments or fines. The management of the Company is not aware of any circumstances that could give rise to significant liabilities in this area.

28. OTHER CURRENT LIABILITIES

Other current liabilities include:

- Customer deposits for foil deliveries- BGN 71 thousand (31 December 2024: BGN 59 thousand);
- Dividend liabilities – BGN 12 thousand (31 December 2024: BGN 10 thousand);

29. RELATED PARTIES

29.1. Information about related parties that directly control Thrace Ipoma AD as at 31 December is presented below:

Company	Relationship
Trierina Trading Ltd, Cyprus	Parent company of Thrace - Ipoma AD
Thrace Plastics Pack Co S.A., Greece	Intermediate parent company
Thrace Plastics Co S.A., Greece	Ultimate parent company

29.2. In 2024-2025, the Company carried out transactions with the following related parties:

Company	Relationship
Thrace Plastics Co S.A., Greece	Ultimate parent company
Thrace Nonwovens Geosynthetics, Greece	Under the control of Thrace Plastics Co S.A.
Thrace Plastics Pack Co S.A., Greece	Under the control of Thrace Plastics Co S.A.
Thrace Polyfilms Co S.A., Greece	Under the control of Thrace Plastics Co S.A.
Trierina Trading, Cyprus	Under the control of Thrace Plastics Pack Co S.A.
Thrace Greiner Packaging, Romania	Under the control of Thrace Plastics Pack Co S.A.
Trace Plastics Packaging DOO, Serbia	Under the control of Thrace Plastics Pack Co S.A.
Thrace Synthetic Packaging, Ireland	jointly controlled entity

29.3. The outstanding balances (settlements) with related parties as at 31 December are:

Receivables from related parties:

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Receivables from jointly controlled entities	939	1,672
Receivables from intermediate parent company	2,056	579
Receivables from ultimate parent company	77	-
Total	3,072	2,251

The receivables are mainly related to the sale of products and goods (*Note No. 29.4*).

Liabilities to related parties:

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Liabilities to jointly controlled entities	59	77
Liabilities to ultimate parent company	-	-
Total	59	77

The receivables arise mainly from sales of products.

Transactions and settlements with related parties are denominated entirely in euros.

As at 31 December, the open balances as at the balance sheet date for the companies in the Thrace Plastics Group were netted and the net amount was presented as receivables from or liabilities to related parties respectively, due to the group policy of offsetting trade receivables and payables between companies in the group, which leads to the establishment of a regular and recurring practice of net settlement (*Note No. 2.19*), as follows:

29. RELATED PARTIES (continued)

	31.12.2025	31.12.2024
	BGN '000	BGN '000
Receivables from related parties (gross amount)	3,345	3,157
<i>Offsetting of trade receivables with trade payables</i>	273	906
Offsetting	(273)	(906)
Receivables from related parties (net amount)	3,072	2,251
	31.12.2025	31.12.2024
	BGN '000	BGN '000
Payables to related parties (gross amount)	332	983
<i>Offsetting of trade payables with trade payables</i>	273	906
Offsetting	(273)	(906)
Payables to related parties (net amount)	59	77

The agreed period of deferred payment for trade receivables and payables within the Thrace Plastics Group is up to 90 days. When Thrace - Ipoma AD simultaneously makes deliveries and sales to a related company, it is customary to periodically offset receivables and payables. Payments to other companies are made within ninety days of the deferred payment date.

The age structure of non-past due (regular) receivables from related parties is as follows:

	31.12.2025	31.12.2024
	BGN'000	BGN'000
Up to 30 days	991	893
from 31 – 60 days	702	958
from 61 – 90 days	900	248
Total	2,593	2,099

The age structure of overdue receivables from related parties is as follows:

	31.12.2025	31.12.2024
	BGN'000	BGN'000
from 31 – 90 days	-	-
from 91 – 180 days	479	152
Total	479	152

The overdue receivables shown in the table above were collected or offset after the end of the reporting period until the date of approval of these statements.

29. RELATED PARTIES (continued)

29.4. During the year, the Company has carried out transactions with related parties, the details of which are presented below:

Supplies from related companies

	2025 BGN '000	2024 BGN '000
Supplies of inventories from:		
Jointly controlled entities	767	871
Intermediate parent company	1,641	1,975
	<u>2,408</u>	<u>2,846</u>
Services received from:		
Ultimate parent company	831	555
Intermediate parent company	-	-
	<u>831</u>	<u>555</u>
Other supplies:		
Ultimate parent company (expense for future periods)	22	20
	<u>22</u>	<u>20</u>
Total	<u>3,261</u>	<u>3,421</u>

Sales to related companies

	2025 BGN '000	2024 BGN '000
Sales of finished products to:		
Jointly controlled entities	7,426	6,493
Intermediate parent company	6,201	5,377
	<u>13,627</u>	<u>11,870</u>
Re-invoiced expenses to:		
Jointly controlled entities	210	276
Intermediate parent company	40	30
Ultimate parent company	79	-
	<u>329</u>	<u>306</u>
Sales of goods and materials to:		
Jointly controlled entities	326	372
Intermediate parent company	156	182
	<u>482</u>	<u>554</u>
Other sales to:		
Jointly controlled entities	6	6
Intermediate parent company	23	-
	<u>29</u>	<u>6</u>
Total	<u>14,467</u>	<u>12,736</u>

Transactions between related parties do not differ from normal commercial transactions and are based on agreed prices: purchase and sale of finished products, rental of moulds, provision of technical services.

29.5. In 2025, pursuant to a decision of the General Meeting of Shareholders, the Company distributed dividends in the amount of BGN 2,903 thousand.

29. RELATED PARTIES (continued)**29.6. Key management personnel**

Key management personnel includes the Board of Directors (whose composition is disclosed in Note 1) and persons in management positions who have powers and responsibilities for planning, managing and controlling the Company's activities.

The remuneration of key management personnel includes salaries, other short-term income and social security contributions, which in 2025 amounted to BGN 512 thousand (2024: 492 thousand).

30. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICY

The structure of financial assets and liabilities as at 31 December is as follows:

	31.12.2025 BGN '000	31.12.2024 BGN '000
Financial assets		
Receivables (Notes No. 17 and No. 29)	9,973	8,469
Cash and cash equivalents (Note No. 19)	5,036	6,478
Total financial assets	15,009	14,947
Financial liabilities		
Short-term and long-term bank loans (Note No. 22)	5,929	-
Trade and other payables (Notes No. 24 and No. 29)	4,033	5,879
Liabilities from leases (Note No. 15)	857	1,118
Total financial liabilities	10,819	6,997

Impairment losses related to financial assets recognized in the statement of comprehensive income are as follows:

	2025 BGN'000	2024 BGN'000
Reversed/written-off impairment loss of trade and other receivables	106	10
Accrued impairment loss on trade and other receivables	(4)	(12)
	102	(2)

Financial risk management

In the course of its normal business activities, the Company is exposed to various financial risks, the most important of which are market risk (including currency risk, risk of changes in fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows.

Overall risk management focuses on the difficulties of forecasting financial markets and minimising the potential negative effects that may affect the Company's financial results and position. Financial risks are identified, measured and monitored on an ongoing basis using various control mechanisms designed to determine adequate prices for the Company's products and services and for the loan capital it attracts, as well as to adequately assess the market conditions of its investments and the forms of maintaining free liquid funds, without allowing unjustified concentration of a given risk.

Risk management in the Company is carried out on an ongoing basis by the Finance and Accounting Department and the Sales Department.

30. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICY (continued)**Market risk****a). Currency risk**

The Company is not exposed to currency risk because its major operations and transactions are denominated in Bulgarian levs and/or euros, insofar as the latter has a fixed exchange rate against the lev by law.

b). Price risk

The Company is exposed to price risk for negative changes in the prices of materials and goods because the main materials – polyethylene, polypropylene and polystyrene – are traded on commodity exchanges at prices in euros and are linked to the movement of the Ki and ICIS LOR stock indices. In order to minimise price risk, the following two approaches have been adopted when negotiating sales prices for finished products:

Prices for customers of branded crates are recalculated in accordance with the Ki index;

Prices for packaging are reviewed monthly and revised in accordance with the ICIS LOR index and the purchase prices of materials.

Credit risk

Credit risk is the risk that the Company's customers will not be able to pay in full and within the usual time limits the amounts due to them on trade and other receivables. The Company's credit risk arises both from its core business, through trade receivables, and from its financial activities, including bank deposits. Credit risk management and control are centralized in a credit risk management team within the Sales and Finance & Accounting departments, which report regularly to the CEO. To this end, the Company has developed policies, procedures and rules for controlling and monitoring credit risk behaviour.

Trade receivables

Thrace – Ipoma AD sells with deferred payments with a credit period of up to 90 days only to customers who have a long history and commercial cooperation with the Company, good financial standing and no violations of credit terms. The Company also works with related parties with a credit period of up to 90 days, whose settlements are characterized by high concentration, but these are managed and controlled by the Group as a whole. For the rest of the customers, sales are made on immediate payment terms.

The collectability of receivables is monitored on an ongoing and strict basis by the CEO, CFO and Sales Director in accordance with the Company's established credit policy. To this end, a daily review of open customer positions and individual amounts due to them, as well as receipts, is carried out, and a reconciliation and analysis is performed. In addition, in times of financial crisis, besides the ongoing management of receivables, in case of delay, extra steps are taken to secure and collect them. Furthermore, in order to limit credit risk during the period, the Company has insured its receivables from customers in Macedonia and some of its customers in Bulgaria, who are significantly behind in their payments compared to other customers, against the risk of non-collection.

The Company uses a matrix to calculate the expected credit losses on trade receivables. The percentages applied in the matrix are based on the days past due for all customer receivables.

Initially, the percentages in this matrix are determined based on historical data observed by the Company over a four-year period. The method is based on an analysis of the history and assessment of the behaviour of each invoice in a given group issued over the last four years in terms of days past due, transition between different ranges of past due, payments and uncollected amounts, etc. On this basis, the percentage of loss is determined as the uncollectibility of the given group of invoices relative to the overdue invoices by days. Typically, the Company assumes that the date of economic loss from uncollectibility occurs 180 days after the first day of default. This period is examined and assessed historically, taking into account the Company's practice of insuring receivables from its customers.

30. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICY (continued)

Secondly, the company refined the impairment matrix by adjusting the determined percentages based on historical data on the payment behaviour of issued invoices and historical losses from uncollectibility, by including scenarios and forecast information for certain macro factors. Historical percentages are adjusted by management to reflect the effect of future behaviour of macroeconomic factors for which a statistical relationship has been established and which are considered to affect customers' ability to service and settle their obligations.

Expected credit losses are calculated at the date of each reporting period. They were calculated for the first time as at 31 December 2018.

Cash

The Company's cash and payment transactions are mainly concentrated in various first-class banks. A rating model is used to calculate expected credit losses on cash and cash equivalents, using bank ratings determined by internationally recognized rating agencies such as Moody's, Fitch, S&P, BCRA and Bloomberg and reference public data on PD (probability of default) corresponding to the rating of the respective bank. Management monitors changes in the rating of the respective bank on an ongoing basis in order to assess the existence of increased credit risk, the current management of incoming and outgoing cash flows and the distribution of cash in bank accounts and banks.

The Company's cash and cash equivalents as at 31 December 2025 are held in accounts with banks rated BBB- and A by Fitch (31 December 2024 - BBB и A).

Cash, including payment transactions, is limited to banks with high reputation and liquidity stability.

Liquidity risk

Liquidity risk is the negative situation in which the Company is unable to meet all its obligations unconditionally as they fall due. It pursues a conservative liquidity management policy, through which it maintains an optimal cash reserve and a good ability to finance its business activities, including by securing and maintaining adequate credit resources and facilities, constantly monitoring actual and forecast cash flows for future periods and maintaining a balance between the maturity limits of the Company's assets and liabilities.

Maturity analysis

The Company's financial non-derivative assets and liabilities as at the reporting date are presented below, grouped by residual maturity determined based on the agreed maturity and cash flows. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the receivable or liability is due. The amounts include principal and interest.

31 December 2025	Up to1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Trade payables to related parties	49	10	-	-	59
Trade and other payables	2,821	1,153	-	-	3,974
Liabilities from leases	32	64	252	509	857
Financial liabilities	2,902	1,227	252	509	4,890

30. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICY (continued)
Maturity analysis (continued)

31 December 2024	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Trade payables to related parties	19	58	-	-	77
Trade and other payables	3,377	2,425	-	-	5,802
Liabilities from leases	30	62	265	801	1,158
Financial Liabilities	3,426	2,545	265	801	7,037

Income from interest-bearing cash flows

In general, the Company has no interest-bearing assets except for cash in bank, which bears interest at a fixed rate. Therefore, income and operating cash flows are largely independent of changes in market interest rates.

At the same time, the Company is exposed to interest rate risk as it uses short-term loans to finance its operating activities and long-term loans for its investment activities, agreed at floating interest rates. Therefore, changes in interest rates are monitored on an ongoing basis and ways are sought to renegotiate in a timely manner in the event of negative trends.

Interest rate analysis

31 December 2025	Interest- free BGN '000	With floating interest % BGN '000	With fixed interest % BGN '000	Total BGN '000
Receivables from related parties	3,072	-	-	3,072
Trade and other receivables	6,901	-	-	6,901
Cash and cash equivalents	-	-	5,036	5,036
Total Financial Assets	9,973	-	5,036	15,009
Bank Loans	-	5,929	-	5,929
Trade payables to related parties	59	-	-	59
Trade and other payables	3,974	-	-	3,974
Liabilities from leases	-	-	857	857
Total Financial Liabilities	4,033	5,929	857	10,819

30. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICY (continued)**Maturity analysis (continued)****Interest rate analysis (continued)**

31 December 2024	Interest-free BGN '000	With floating interest % BGN '000	With fixed interest % BGN '000	Total BGN '000
Receivables from related parties	2,251	-	-	2,251
Trade receivables	6,218	-	-	6,218
Cash and cash equivalents	1	-	6,477	6,478
Total Financial Assets	8,470	-	6,477	14,947
Bank Loans	-	-	-	-
Trade payables to related parties	77	-	-	77
Trade and other payables	5,802	-	-	5,802
Liabilities from leases	-	-	1,118	1,118
Total Financial Liabilities	5,879	-	1,118	6,997

The average interest rates achieved on interest-bearing assets and liabilities are as follows:

- cash in deposit accounts – 0.04%
- bank loans – 0.6% – 4.0% (31.12.2024 - 1.2% – 4.4%)

The Company's management monitors and analyses its exposure to changes in interest rates on an ongoing basis. Various scenarios are simulated for refinancing, renewal of existing positions, alternative financing and hedging instruments. Based on these scenarios, the effect on the financial result and equity is measured for changes in interest rates by specific percentage points. For each simulation, the same assumption of interest rate change is applied to all major currencies. The calculations are made for significant interest-bearing items.

As at 31 December 2025, the Company's sensitivity to possible changes in interest rates based on the structure of assets and liabilities and assuming that the impact of other variables is ignored is insignificant.

Capital risk management

Through capital management, the Company aims to create and maintain opportunities to continue operating as a going concern and to provide an appropriate return on the invested capital of its shareholders (partners) and economic benefits to other stakeholders and participants in its business, as well as to maintain an optimal capital structure in order to reduce capital costs.

The Company monitors the security and structure of its capital on an ongoing basis based on its debt ratio. This ratio is calculated as the ratio of net debt to total (committed) capital. Net debt capital is defined as the difference between all borrowed funds (short-term and long-term) as reported in the statement of financial position and cash and cash equivalents. The total amount of committed capital is equal to equity and net debt capital.

