Explanatory notes to the consolidated financial statement of Herti JSC
For the period 01.01-30.09.2026

1. Important events, that took place in the period 01/01 – 30/09/2026

As of 01.01.2026, the Republic of Bulgaria replaced the Bulgarian lev with the euro, and the official currency became the euro. The Law on the Introduction of the Euro in the Republic of Bulgaria requires the conversion of the nominal value of shares and the share capital of companies. According to Art. 31, Herti AD recalculated the nominal value of one share from BGN 1 to EUR 0.51 and converted the share capital from BGN 12,013,797 (EUR 6,142,650) to EUR 6,127,036.47. The difference of EUR 15,613.53, in accordance with Art. 31(3) of the law, was allocated to retained earnings.

The beginning of 2026 started positively with normal order volumes and good sales. Sales increased by 7.42% compared to the same period in 2025. Continuous efforts are being made to improve work organization and optimize costs. Intensive work is ongoing on the construction of the new production facility and related infrastructure.

Overall, the situation for the group of Herti remains stable, but there is uncertainty related to the conflict in the Middle East, the closure of the Strait of Hormuz, the ongoing war in Ukraine, and the imposition of tariffs in the United States. This has led to increased prices of energy resources and key raw materials, without the possibility for negotiation or deferral. Supply chains have also been disrupted. The situation is complex and difficult to predict, requiring constant monitoring and difficult decision-making. The Management decided to increase prices to compensate the rising material costs. All of this may lead to a decline in consumption and sales.

At the beginning of January, Herti AD joined the “Yellow Coins – Children Help Children” campaign by donating nearly 70 kilograms of coins collected by employees and their families. The coins were handed over at a collection point organized by Radio Shumen and were intended for the purchase of equipment for the Neonatology Department at “Ivan Skenderov” Hospital in the town of Gotse Delchev.

At the end of January, for the tenth consecutive time, Herti AD participated in the largest event for the wine and grape industry in North America – the Unified Wine & Grape Symposium 2026. It was held from January 27 to 29, 2026, at the SAFE Credit Union Convention Center in Sacramento, California. Herti presented its wide range of products.

On 24.02.2026, a Board of Directors meeting was held, at which the individual audited financial statement for 2025 was approved. The Board decided to convene the Annual General Meeting of Shareholders on 23.06.2026 and approved the agenda. A decision was also made to extend the drawdown period and the term of the loan agreement with Eurobank Bulgaria AD by 12 months.

The Board of Directors also decided to initiate the necessary procedures and documentation for the establishment of a new subsidiary, 100% owned by Herti AD. The new daughter company will be based in Chile, under the name Herti South America.

Herti AD also participated for the tenth consecutive time in ProWein – one of the leading global trade fairs for wines and spirits. The event took place from March 15 to 17, 2026, in Düsseldorf, Germany, traditionally bringing together producers, distributors, and professionals from over 60 countries. Participation in ProWein is part of Herti’s efforts to maintain active dialogue with partners and clients and to monitor developments in the international market.

In March, Herti AD took part in a conference on olive oil and edible oils in the United States.

This year, too, Herti participated in the 'Career Fair' to present to students and parents the working conditions and career development opportunities within the company. The event is a joint initiative of the Municipality of Shumen and the Shumen University of Technology and took place on April 29, 2026, in the dance hall of the Youth Center Shumen.

In April, Herti participated for the first time in the international packaging exhibition CIRCLEPACK, which is held in Santiago, Chile. At the end of April, all documents were also submitted for the registration of the new subsidiary Herti South America, according to the decision of the Management Board made on February 24, 2026. The company was registered in the Chilean registers on May 4, 2026.

The traditional Open Day was held on the eve of June 1st. More than 100 children visited the Herti production facility to see up close, where their parents work. The children had the opportunity to explore the work environment, learn more about the company’s operations, and enjoy a special day together with their families.

On June 23, 2024, meetings of the Board of Directors and the General Meeting of Shareholders of Herti AD took place. The General Meeting of Shareholders resolved to distribute a dividend from the profit for 2025.

At the end of June—shortly after the company’s anniversary celebration—Herti was awarded a silver medal by EcoVadis, achieving an overall score of 75 out of 100 points. This places the company among the top 15% of all entities evaluated by EcoVadis globally. The EcoVadis rating serves as recognition of Herti’s consistent efforts in the areas of environmental protection, labor and human rights, business ethics, and sustainable procurement. This progress is the result of the company’s long-term commitment to sustainable development and the continuous improvement of its corporate practices.

Herti once again participated in the ADI Craft Spirits Conference & Expo, one of the leading events for the spirits industry in North America, held in Miami Beach, USA, on 18–19 August 2026. This year marked Herti's fifth consecutive participation in the exhibition, demonstrating the Company's long-term commitment to the North American market and its strong partnerships with craft and premium spirits producers.

During the first weekend of September, Herti South America participated in Bocas Moradas, a major wine event held in Santiago, Chile. The two-day event provided valuable opportunities for business contacts and proved highly productive for the subsidiary.

The third quarter was characterized by intensive work on completing the new production building and installing new machinery and ovens. Production in the new facilities, as well as in the renovated production areas, is expected to commence by the end of the year.

At the end of the reporting period, Herti submitted its application to join the United Nations Global Compact and its Bulgarian Local Network. In the first days of October, Herti received its membership certificate. By joining the initiative, the Company reaffirmed its commitment to sustainable development, ethical business practices and responsible corporate governance.

2. Risks and Uncertainties Facing the Company and Its Subsidiaries

As of 01.01.2026, the functional currency of the Company is the euro. Most transactions in foreign markets are conducted in euro, which minimizes currency risk. The agreed payment terms with customers and suppliers as of the date of this report allow the Company to avoid using financial instruments such as hedging.

Since the beginning of 2026, all aluminum suppliers have slightly increased their prices, which has led to higher direct production costs. Under market pressure, the companies in the group of Herti have taken steps to adjust its selling prices to customers.

The improvement in supply chains observed in 2025, which had enhanced planning and forecasting of raw material deliveries, has been hindered by the outbreak of military actions in the Middle East. This has caused disruptions in supply chains and increased maritime transport costs. Currently, deliveries are regular but lead times have nearly doubled. The suppliers-initiated price increase in all raw materials. Al this leads to higher production costs. Due to Herti AD's strong liquidity, the Company can maintain larger inventories of raw materials and avoid disruptions to the production process, ensuring normal fulfillment of customer orders.

Management monitors the situation daily and has identified stabilization measures, the implementation of which is expected to mitigate negative financial effects.

3. Information on Related-Party Transactions

During the period from 1 January 2026 to 30 September 2026, the Company entered into the following transactions with related parties:

Related party	**Transaction**	**Amount (in thousand EUR)**
IGM	Board of directors' remuneration	26
Timshel OOD	Rent	41
Raifen OOD	Transport services received	535

4. There are no new considerable and important receivables or payables arisen for the period.

Responsibility of the Management

The management confirms that the Consolidated Financial Statement for the third quarter of 2026 gives a fair and complete view of the financial position of the companies in the group and the risks it faces.

Chief Executive Officer:

18 November 2026 Zahari Zahariev

Financial Officer:

Ivaylo Petrov

HERTI JSC

Consolidated Income statement

For the third quarter of 2026

In thousands of EUR

	30.9.2026	30.9.2026
Revenue	34 940	31 666
Other income	410	413
Carrying amount of materials and goods sold	-29	-215
Increase/(decrease) of inventories of finished goods and work in progress	313	75
Capitalised expenses		
Expenses for materials	-18 104	-15 826
Hired services	-3 177	-2 760
Depreciation and amortisation	-1 871	-1 876
Personnel expenses	-8 484	-8 038
Other operating expenses	-213	-163
Finance expenses	-110	-360
Share of profit/loss in associated companies	0	0
Profit before tax	3 675	2 916
Income tax expense/income/	-49	-45
Profit /Loss for the period	3 626	2 871
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	3 626	2 871

HERTI JSC

Consolidated Balance sheet

As at 30 September 2026

In thousands of EUR

	30.9.2026	31.12.2025
Assets		
Property,plant and equipment	21 572	15 362
Intangible assets	58	9
Investments	2	2
Assets connected with deffered taxes	0	0
Total non-current assets	21 632	15 373
Related parties receivables	3	0
Inventories	8 936	7 650
Trade and other receivables	7 665	6 240
Cash and cash equivalents	3 404	2 987
Total current assets	20 008	16 877
Total assets	41 640	32 250
Equity		
Issued capital	6 127	6 143
Raising of capital	15	15
Reserves	903	905
Retained earnings	16 357	13 450
Total Equity	23 402	20 513
Liabilities		
Interest bearing loans and finance lease	8 924	3 895
Deferred tax liabilities	105	105
Other (earned income)	431	432
Financing	218	417
Total non- current liabilities	9 678	4 849
Related party payables	86	54
Interest bearing loans and finance lease	1 234	852
Trade and other payables	6 966	5 682
Financing	274	300
Total current liabilities	8 560	6 888
Total liabilities	18 238	11 737
Total equity and liabilities	41 640	32 250

HERTI JSC

Change in equity - consolidated

For the period ended 30 September 2026

In thousands of EUR

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2026	6 143	15	710	195	13 450	20 513
Translations of financial statements of foreign companies			-2		-14	-16
Revaluation of investments in associates						0
Other transactions for the period	-16				16	0
Divdents paid					-721	-721
Current net profit/loss	-	-			3626	3626
Effect from differred tax liabilities						0
Balance at 30 September 2026	6 127	15	708	195	16 357	23 402

HERTI JSC
consolidated Cash flow
For the third quarter of 2026
In thousands of EUR

Cash flows from operating activities	30.9.2026	30.9.2025
Cash receipts from customers	38 088	33 842
Cash paid to suppliers	-20 828	-21 101
Net cash flow for salaries and wages of personnel	-8 393	-7 647
Other payments from operating activities	-54	-131
Income taxes paid /received	-4250	-1678
Cash from operating activities	4 563	3 285
Cash flows from investing activities		
Acquisition of property, plant and equipment	-8 695	-4 624
Proceeds from non-current assets		
Other proceeds/ payments from investment activities		
Cash from investing activities	-8 695	-4 624
Cash flows from financing activities		
Loans received	6 040	2 009
Repayment of borrowings	-626	-481
Other financiial payments/received	0	0
Payment of finance lease liabilities	0	0
Interest paid	-170	-108
Other financial payments, dividends	-697	-594
Cash from financing activities	4 547	826
Net increase in cash and cash equivalents	415	-513
Cash and cash equivalents at 1 January	2987	2776
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	3 402	2263