Explanatory notes to the consolidated financial statement of Herti JSC
For the period 01.01-31.03.2025

1. Important events, that took place in the period 01/01 – 31/03/2025

The first quarter of 2025 has been more favorable for Herti and its group of companies compared to the same period of the previous year, despite expectations of a continuing trend of declining consumption. Sales growth varies across the different entities, but is above 15% everywhere. Both gross and net profits from operations have improved. New projects with clients have also been launched. Overall, the situation is positive for Herti, although there is uncertainty related to the imposition of tariffs in the United States and the associated risks of potential order reductions. Interest expenses on loans have been reduced by nearly half. Efforts to improve work organization and optimize costs are ongoing. Intensive work continues on the construction of the new production facility and its associated infrastructure.

At the end of January, Herti traditionally participated in the largest wine and winemaking exhibition in the USA — the Unified Symposium in Sacramento — where it presented its wide range of products.

On February 27, 2025, a Board of Directors meeting was held, during which the individual audited financial report for 2024 was approved. The Board decided to convene the regular Annual General Meeting of Shareholders on June 24, 2025, and set the agenda. It was also decided to extend the term of the bank guarantee and overdraft agreement with UniCredit Bulbank by 12 months.

The leading trade fair for wine and spirits, **ProWein**, took place from March 16–18 in Düsseldorf, Germany. In addition to exhibition booths, there were numerous events such as tastings, seminars, and workshops, offering visitors insights into industry trends and developments. **ProWein** provides Herti with an ideal platform to present its innovative products and solutions to an international audience. The company’s aluminum screw caps stand out for their design and functionality, contributing to the preservation of quality and freshness in bottled products.

In March, Herti also participated in a conference on olive oil and edible oils in the United States.

On April 9, 2025, the final event reporting on the programming period of the Norwegian Financial Mechanism 2014–2021 was held at the Hilton Hotel in Sofia, within the framework of the “Business Development, Innovation and SMEs in Bulgaria” program. The event was attended by Deputy Ministers and was organized by the Norwegian Financial Mechanism, in which Herti participated.

On April 10, 2025, Herti took part in the **Profession Fair** organized by the Municipality of Shumen, aimed at early professional orientation. The fair featured vocational schools and local businesses in Shumen.

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2. Risks and Uncertainties Facing the Company and the Group

The functional currency of the company is the Bulgarian lev. Most international transactions are conducted in euros, which minimizes currency risk. As of the date of this report, the terms agreed with clients and suppliers allow the company to avoid the use of financial instruments such as hedging.

There is some uncertainty in the markets due to the unclear tariff policies in the United States.

Serious preparatory work is also required for the introduction of the euro in Bulgaria, set for early 2026. Management has already taken steps to sign contracts for the preparation of all accounting and information systems.

Due to Herti AD’s strong liquidity, the company has the capacity to maintain higher inventories of raw materials and supplies, thus avoiding disruptions to the production process and ensuring timely fulfillment of customer orders.

Management monitors the situation daily and takes necessary and appropriate measures to ensure the continued stable operation of the company and its subsidiaries, as well as the servicing of clients.

2. Information on transactions between the Company and related parties

For the period 01.01- 31.03.2025, the Company has realized the following transactions with related parties:

Related party	**Transaction**	**Amount (in thousand BGN)**
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Timshel OOD	Rent	26
Raifen OOD	Transport services received	243
IGM	Expenses	17

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

4. Responsibility of the Management

The management confirms that the Consolidated Financial Statement for the first quarter of 2025 gives a fair and complete view of the financial position of the companies in the group and the risks it faces.

Chief Executive Officer:

28 May 2025

Zahari Zahariev

HERTI JSC

Consolidated Income statement

For the first quarter of 2025

In thousands of BGN

	31.3.2025	31.3.2024
Revenue	21 784	17 949
Other income	402	309
Carrying amount of materials and goods sold	-62	-51
Increase/(decrease) of inventories of finished goods and work in progress	-28	365
Capitalised expenses		
Expenses for materials	-11 433	-9 203
Hired services	-1 865	-1 644
Depreciation and amortisation	-1 202	-1 202
Personnel expenses	-4 777	-4 700
Other operating expenses	-124	-60
Finance expenses	-187	-46
Share of profit/loss in associated companies	0	0
Profit before tax	2 508	1 717
Income tax expense/income/	-33	-23
Profit /Loss for the period	2 475	1 694
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	2 475	1 694

HERTI JSC

Consolidated Balance sheet

As at 31 March 2025

In thousands of BGN	**31.3.2025**	**31.12.2024**
Assets		
Property,plant and equipment	23 912	23 908
Intangible assets	26	30
Investments	3	3
Assets connected with deffered taxes	20	20
Total non-current assets	23 961	23 961
Related parties receivables	2	0
Inventories	13 428	13 871
Trade and other receivables	13 261	10 482
Cash and cash equivalents	5 882	5 429
Total current assets	32 573	29 782
Total assets	56 534	53 743
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 769	1 770
Retained earnings	23 258	20 784
Total Equity	37 070	34 597
Liabilities		
Interest bearing loans and finance lease	4 376	3 708
Deferred tax liabilities	410	410
Other (earned income)	708	708
Financing	1 256	1 402
Total non- current liabilities	6 750	6 228
Related party payables	131	109
Interest bearing loans and finance lease	966	1 103
Trade and other payables	11 030	11 119
Financing	587	587
Total current liabilities	12 714	12 918
Total liabilities	19 464	19 146
Total equity and liabilities	56 534	53 743

HERTI JSC

Change in equity - consolidated

For the period ended 31 March 2025

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2025	12 014	29	1388	382	20 784	34 597
Translations of financial statements of foreign companies						0
Revaluation of investments in associates						0
Other transactions for the period			-1		-1	-2
Dividents paid						0
Current net profit/loss	-	-			2475	2475
Effect from differred tax liabilities						0
Balance at 31 March 2025	12 014	29	1387	382	23 258	37 070

HERTI JSC
consolidated Cash flow
For the first quarter of 2025
In thousands of BGN

Cash flows from operating activities	31.3.2025	31.3.2024
Cash receipts from customers	20 873	18 068
Cash paid to suppliers	-13 621	-9 223
Net cash flow for salaries and wages of personnel	-4 984	-4 487
Other payments from operating activities	-113	23
Income taxes paid /received	-866	-1282
Cash from operating activities	1 289	3 099
Cash flows from investing activities		
Acquisition of property, plant and equipment	-1 310	-668
Proceeds from non-current assets		
Other proceeds/ payments from investment activities		162
Cash from investing activities	-1 310	-506
Cash flows from financing activities		
Loans received	881	6 160
Repayment of borrowings	-355	-6 175
Other financiial payments/received		
Payment of finance lease liabilities	0	0
Interest paid	-52	-117
Other financial payments, dividends		
Cash from financing activities	474	-132
Net increase in cash and cash equivalents	453	2 461
Cash and cash equivalents at 1 January	5429	11348
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	5 882	13809