Consolidated management report of Herti JSC

For the period 01.01-30.06.2026

I. Introduction

The following report is part of the unaudited financial report prepared according to the Law on public offering of securities and should be considered as part of the unaudited consolidated financial report of Herti AD for the period 01.01.2026-30.06.2026.

II. General information and management.

Herti JSC (the mother company) and its daughter companies together thereafter referred as the Group, is a public company with one stage management system and headquarter situated in Shumen, Bulgaria. The company has been registered under the lawsuit № 567/2007 by Shumen district court according to the Bulgarian Commercial law. Address of the headquarters: 38 Antim 1st Str., 9700 Shumen, Bulgaria. Herti is a public company, and its shares are traded on the unofficial market of the Bulgarian Stock exchange.

The company manufactures aluminum screw caps, plastic caps and articles, printing and lacquering on metal sheets.
The shareholders of Herti group as of 30.06.2026 are:

Name	**Number of shares**	**Percentage**
IGM Holding GmbH	3,997,316	33.27
Alexander Yulianov	3, 991,420	33.22
Zahari Zahariev	3,030,622	25.23
Elena Zaharieva	960,000	7.99
Other shareholders (persons)	34,439	0.29
Total:	**12,013,797**	**100**

The management of the group is conducted by a Board of directors, consisting of five members:

Aleksandar Yuliyanov – Chairman of the Board of directors

Zahari Zahariev – Chief Executive Officer.

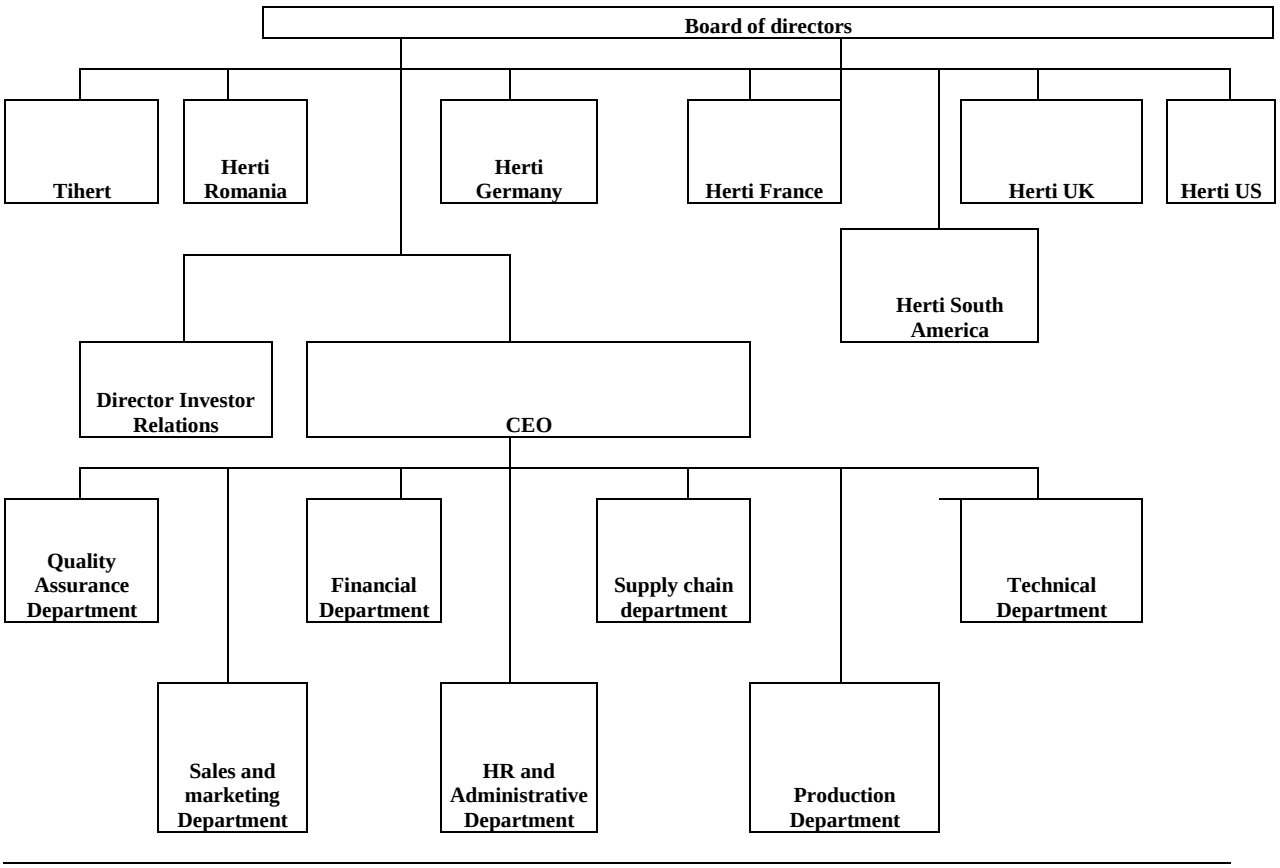
IGM Holding GmbH, represented by Josef Mayer – Member of the Board of directors

Svetoslav Stamenov- Member of the Board of directors

Maria Velinova – Member of the Board of directors

The Board of directors hasn't authorized a procurator or any other representative. Elena Zaharieva is the Director of Investor Relations.
The Group is represented separately by Alexander Yulianov – Chairman of the Board of directors and Zahari Zahariev– CEO.

Organizational and management structure of the Group



III. Activity of the company

1. Market development

The group of Herti operates in the domestic and foreign markets. The trademark Herti is well known worldwide. The perfect message and meaning included in the brand have an advantage over our competitors. The main subject of activity is the production of:

- Aluminium caps.
- Plastic caps.

- Composite caps.

During the first 6 months of 2026, the group's products are sold in over 50 countries worldwide. The largest market of Herti's products is Great Britain, and the next most important markets are France, Germany, Bulgaria and the rest of Europe, forming a total of about 86% of turnover.

Despite the highly competitive markets and the increase in global commodity prices, as well as decrease in demand, the company expects to maintain its position in the markets in which it operates.

2. Financial data

The group's profit before taxes for the period covered by the report is 2 506 thousand EUR, while for the same period of 2025 it is 1 820 thousand EUR. The company generated an operating profit (EBITDA) of 3 767 thousand EUR.

There is a 9.92 % increase in sales compared to the same period of 2025 and it impacts the European and all other markets.

Analysis of the costs for the first six months of 2026 of the group shows an increase in fixed costs and decrease in variable costs.

The price of the main material used is formed at the stock exchange rate and cannot be influenced by the company. The management monitors all costs and works actively to enter new markets and offer new products. The steps taken by the Management for renewing the equipment and investing in new machines will help to decrease the production costs. The implemented ERP system gives detailed and up-to-date information and helps us to take better decisions.

The liquidity rate for the period is 2.25, compared to 2.33 for the same period in 2025. The ratio is good for an industrial company, bearing in mind the production cycle and the specific industry the company operates in.

3. Capital resources and investments

The capital structure of the group includes the issued capital, reserves and retained earnings. Its amount is 22 280 thousand EUR on June 30, 2026. The assets of the group grew with 8 137 thousand EUR to the amount of 40 387 thousand EUR as of June 30th. 2026.

4. Research and Development activities

Within the structure of the group, a dedicated R&D unit operates as part of the Technical Directorate. Its priority tasks include optimizing products, processes, and production organization with the aim of implementing new environmentally friendly materials, reducing energy and resource consumption, developing innovative solutions, and achieving sustainable results. The group's strategy focuses on developing innovative methodologies, procedures, and technological tools to enhance product quality and maintain its sustainable competitive advantage.

5. Human resources

In 2026, Herti continued its long-term commitment to investing in its human resources. As of 30 June 2026, the total average number of employees was 460 (compared to 459 in 2025).

Training remains the most important element in the company's efforts to continuously enhance the performance and achievements of every employee. Almost all staff members participated in training and development programs aimed at acquiring additional qualifications in their respective professional fields.

6. Risk management

HERTI is exposed to risks related to changes in raw material prices.

The Group is exposed to risks associated with fluctuations in the prices of key raw materials, particularly aluminum, as its production process relies on material inventories whose prices are influenced by international markets and the London Metal Exchange. The policy in this area consists of negotiating fixed prices with suppliers, predominantly for periods of up to six months, in order to avoid the negative impact of potential increases in raw material and component prices during that timeframe. In addition, price volatility, as well as rising energy and transportation costs, further complicate process management.

HERTI is exposed to risks related to foreign exchange rates.

The Group works with clients in more than 50 countries worldwide, which exposes it to risks associated with cross-border operations, including fluctuations in foreign exchange rates and delays in payments from counterparties in certain countries. The main currency risks relate to the British Pound and the US Dollar. When necessary, HERTI uses hedging instruments to manage foreign exchange risk. Furthermore, HERTI maintains assets and liabilities to support liquidity management and cash flow planning in its daily operations.

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

The market for the Group's products is highly competitive, with significant fluctuations in end-customer prices, especially in markets experiencing economic stagnation or shifts in consumer demand. HERTI faces strong competitors (particularly from Europe) with substantial resources. In response to increasing competition in the sector, HERTI and many other manufacturers may be forced to improve efficiency by reducing production costs, including raw material expenses.

7. Future development strategy

The strategy for achieving the planned volumes includes maintaining the market shares already gained in Bulgaria and other European countries, as well as increasing the market share in export markets. Commercial activities in certain regions will be supported by various marketing initiatives tailored to the potential of each country and the expected short-term and medium-term return for the company.

The medium-term development strategy also includes launching new investment projects aimed at increasing production capacity, expanding and complementing the product range, and contributing to reducing the production cost of the existing portfolio.

IV. Other important information

The first six months of 2026 are better compared to the same period last year despite expected decrease in consumption. Sales increased by 10.36% compared to the same period in 2025. The gross and net profits are very good. There are projects with new clients. Overall, the situation for Herti remains positive, 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. The Management works actively to improve the organization and optimize the expenses. Hard work has been done for the new building and the related infrastructure.

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, Herti participated in the "Career Fair" to present to students and parents the working conditions and career development opportunities in the company.
The event is a joint initiative of the Municipality of Shumen and the Shumen Institute of Technology and was held on 29.04.2026 in the dance hall of the Shumen Youth Center.

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 for the registration of the new subsidiary Herti South America were submitted, according to the decision of the Board of Directors taken on 24.02.2026. The company was registered in the registers of Chile on 04.05.2026.

The Open Day for the children of Herti, which has become a tradition, was held on the eve of June 1. More than 100 children visited Herti's production base to see up close where their parents work. The children had the opportunity to get acquainted with the working environment, learn more about the company's activities and experience a special day together with their families.
On 23.06.2024, the Board of Directors and the General Meeting of Shareholders of Herti AD were held. The General Meeting of Shareholders decided to distribute a dividend from the profit for 2025.
At the end of June, right after the company holiday, HERTI received a silver medal from EcoVadis with an overall score of 75 out of 100 points, which ranks the company among the best 15% of all companies assessed by EcoVadis worldwide.
The EcoVadis assessment is a recognition of HERTI's consistent efforts in the areas of environmental protection, labor and human rights, business ethics and sustainable procurement. The progress achieved is the result of the company's long-term commitment to sustainable development and the continuous improvement of good corporate practices.

V. Post balance sheet events.

There were no important post balance sheet events.

VI. Information about buying back own shares.

At the date of preparing this report the company has not bought its own shares meant by article 187 from the Trade Law.

VII. The company has no registered branches.

VIII. Information on the transactions between the Company and related parties

For the period 01.01- 30.06.2026, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand EUR)
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Raifen OOD	Transport services received	359
Timshel OOD	Rent	27
Shareholders	Divident	697

IX. Information concerning article 247 from the Trade Law

The total remuneration of the Board of directors' members for the period is 255 thousand EUR. During the period covered by the report no one of the Board members has bought or sold company shares. All Board members have rights according to the Trade law. There are no preferences or restrictions on their rights in the Company Bylaws. There are no members of the Board with unlimited responsibility who hold more than 25% of the capital of another company. During the period no contracts were signed under article 240b of Trade Law.

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

Aleksandar Blagoev Yuliyanov

- Directly owns 50% of *Timshel* Ltd., Shumen, BULSTAT: 127044260
- Directly and indirectly owns 29.5% of the votes in the General Assembly of *Raifen* Ltd. (through the participation of *Timshel* Ltd.), Shumen, BULSTAT: 12700362
- Manager of *Timshel* Ltd., Shumen
- Directly owns 50% of *DJULS888* Ltd., Sofia, BULSTAT: 207727164
- Manager of *DJULS888* Ltd., Sofia

Zahari Ganev Zahariev

- Directly owns 50% of *Timshel* Ltd., Shumen, BULSTAT: 127044260

- Directly and indirectly owns 30.5% of the votes in the General Assembly of *Raifen* Ltd. (through the participation of *Timshel* Ltd.), Shumen, BULSTAT: 127003623
- Manager of *Timshel* Ltd., Shumen
- Directly owns 50% of *Zerini* Ltd., Shumen, EIK 207719922
- Manager of *Zerini* Ltd., Shumen, EIK 207719922
- Manager of *Madara* NPO, Shumen, EIK 127604823

Josef Mayer

- Manager of *IGM Holding* Ltd., Austria
- Owns 25% of *IGM Holding* Ltd., Austria

Maria Velinova

- Directly owns 51% of *Velinova* Ltd., Shumen, BULSTAT: 202873051
- General partner with unlimited liability and Manager of *Velinova, Hadzhieva & Co.* GP, Shumen, BULSTAT: 127030894
- Manager of *Velinova* Ltd., Shumen, BULSTAT: 202873051
- Manager of *Vipharm* Ltd., Shumen, BULSTAT: 201024272

Svetoslav Stamenov

- Directly owns 49% of *Energo-1* Ltd., Shumen, BULSTAT: 130572734
- Directly owns 25% of *Termokompleks* Ltd., Shumen, BULSTAT: 127528261
- Owns 66.66% of the capital of *Capital Glass* JSC, registered in Bulgaria, Shumen region, Kaspichan municipality, Pliska 9920, Alexander Stamboliyski St. No. 30, EIK 204803781
- Indirectly owns 66.66% of the capital of *Glass Pack Trade* Ltd., Shumen, BULSTAT: 207528707
- Participates as procurator, manager or board member in the management of: *Capital Glass* JSC, Shumen, EIK 204803781 *Yanis Vision* JSC, Shumen, EIK 208555746

X. Financial instruments

The functional currency of the company is the euro. Most of the transactions carried out on the international market are conducted in euro, which minimizes foreign exchange risk. The agreed terms with customers and suppliers as of the date of preparation of this report allow the company not to resort to financial instruments such as hedging.

The objectives and policies of the enterprise for managing financial risk, as well as the company's exposure to price risk, credit risk, liquidity risk, and cash flow risk, are disclosed in the notes to the consolidated financial statements of the company.

XI. Corporate social responsibility

Herti AD applies to the principles of the National Corporate Governance Code. The principles of transparency, free and fair competition are embedded in the company's Code of

Ethics. Herti is a socially responsible company engaged in community and cultural initiatives within the municipality. During the reporting period, the company supported the organization of cultural and sports events in the municipalities of Shumen and Kaspichan.

XII. Responsibility of the Management

According to Bulgarian legislation, management is required to prepare a financial report for each reporting period (in accordance with Ordinance No. 2 on prospectuses for public offering and admission to trading on a regulated securities market and on disclosure of information), which must present a true and fair view of the company's financial position at the end of the reporting period, its financial performance, and its cash flows, in compliance with the applicable accounting framework.

For the purposes of reporting under Bulgarian accounting legislation, the company applies the International Financial Reporting Standards (IFRS) as adopted by the European Union. This responsibility includes: developing, implementing, and maintaining an internal control system related to the preparation and reliable presentation of financial statements that are free from material misstatements, deviations, or inconsistencies, whether due to fraud or error; selecting and applying appropriate accounting policies; and preparing accounting estimates that are reasonable under the circumstances.

Management confirms that it has acted in accordance with its responsibilities and that the financial report has been prepared in full compliance with the International Financial Reporting Standards as adopted by the European Union. Management also confirms that, in preparing this financial report, it has presented a true and fair view of the development and results of the activities of the enterprise and its subsidiaries for the reporting period, as well as their condition and the principal risks they face.

Chief Executive Officer:

27 August 2026 Zahari Zahariev

HERTI JSC

Consolidated Income statement

For the second quarter of 2026

In thousands of EUR

	30.6.2026	30.6.2026
Revenue	23 048	20 955
Other income	200	307
Carrying amount of materials and goods sold	-24	-9
Increase/(decrease) of inventories of finished goods and work in progress	28	205
Capitalised expenses		
Expenses for materials	-11 458	-10 699
Hired services	-2 022	-1 926
Depreciation and amortisation	-1 175	-1 264
Personnel expenses	-5 923	-5 325
Other operating expenses	-102	-122
Finance expenses	-48	-272
Share of profit/loss in associated companies	0	0
Profit before tax	2 524	1 850
Income tax expense/income/	-18	-30
Profit /Loss for the period	2 506	1 820
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	2 506	1 820

HERTI JSC

Consolidated Balance sheet

As at 30 June 2026

In thousands of EUR	**30.6.2026**	**31.12.2025**
Assets		
Property,plant and equipment	19 361	15 362
Intangible assets	57	9
Investments	2	2
Assets connected with deffered taxes	0	0
Total non-current assets	19 420	15 373
Related parties receivables	1	0
Inventories	8 799	7 650
Trade and other receivables	7 259	6 240
Cash and cash equivalents	4 908	2 987
Total current assets	20 967	16 877
Total assets	40 387	32 250
Equity		
Issued capital	6 127	6 143
Raising of capital	15	15
Reserves	903	905
Retained earnings	15 235	13 450
Total Equity	22 280	20 513
Liabilities		
Interest bearing loans and finance lease	8 019	3 895
Deferred tax liabilities	105	105
Other (earned income)	431	432
Financing	268	417
Total non- current liabilities	8 823	4 849
Related party payables	786	54
Interest bearing loans and finance lease	1 137	852
Trade and other payables	7 062	5 682
Financing	299	300
Total current liabilities	9 284	6 888
Total liabilities	18 107	11 737
Total equity and liabilities	40 387	32 250

HERTI JSC

Change in equity - consolidated

For the period ended 30 June 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		-16	-18
Revaluation of investments in associates						0
Other transactions for the period						0
Dividents paid					-721	-721
Current net profit/loss	-	-			2506	2506
Effect from differred tax liabilities						0
Balance at 30 June 2026	6 143	15	708	195	15 219	22 280

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

Cash flows from operating activities	30.6.2026	30.6.2025
Cash receipts from customers	24 881	22 438
Cash paid to suppliers	-14 722	-13 891
Net cash flow for salaries and wages of personnel	-5 597	-5 073
Other payments from operating activities	-695	-804
Income taxes paid /received	-679	-414
Cash from operating activities	3 188	2 256
Cash flows from investing activities		
Acquisition of property, plant and equipment	-5 589	-1 762
Proceeds from non-current assets		
Other proceeds/ payments from investment activities		
Cash from investing activities	-5 589	-1 762
Cash flows from financing activities		
Loans received	4 809	1 073
Repayment of borrowings	-397	-341
Other financiial payments/received	0	0
Payment of finance lease liabilities	0	0
Interest paid	-90	-57
Other financial payments, dividends		
Cash from financing activities	4 322	675
Net increase in cash and cash equivalents	1 921	1 169
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	4 908	3945