

**Consolidated Management report of Herti JSC**  
**For the period 01.01-30.06.2025**

**Introduction**

The following report has been prepared, based on the first six months consolidated financial statements of Herti JSC as of 30 June 2025.

**I. General information and management.**

Herti JSC – the mother company and its daughter companies, together 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 1<sup>st</sup> Str., 9700 Shumen, Bulgaria

The company manufactures aluminum screw caps, plastic caps and composite closure for the spirits and wine industry and production of mineral waters and olive oils.

The shareholders of Herti as at 30.06.2025 are:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage</b>
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
<u>Other shareholders (persons)</u>	<u>34,439</u>	<u>0.29</u>
<b>Total:</b>	<b>12,013,797</b>	<b>100</b>

The management of the company is conducted by a Board of directors, consisted of five members:

Aleksandar Yulianov – Chairman of the Board of directors

Zahari Zahariev – Chief Executive Officer.

Dipl. Eng. Josef Mayer – Member of the Board of directors

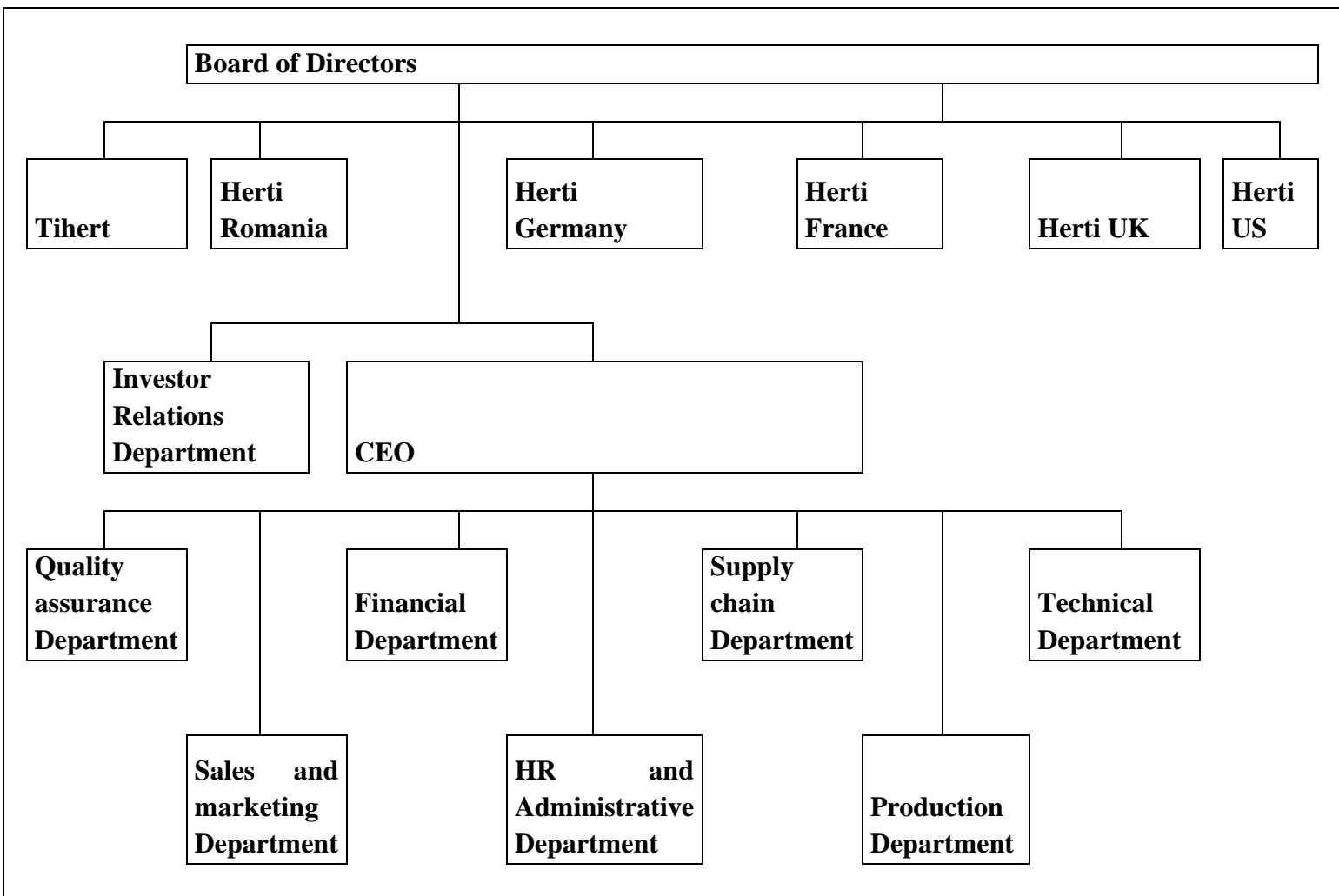
Svetoslav Stamenov- Member of the Board of directors

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 Company is represented separately by Alexander Yulianov – Chairman of the Board of directors and Zahari Zahariev – CEO for business transactions up to 15 000 (fifteen thousand) BGN. For transactions with amount over 15 000 BGN the Company is represented, as follows- by the Chairman of the Board of directors **together** with the Chief Executive Officer.

## Organizational and management structure Of the group



## II. Activity of the company

### 1. Market development

The group Herti operates on the domestic and foreign markets. The trade mark 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.
- Non-refillable pourers.

During the first 6 months of 2025, the group's products are sold in over 50 countries worldwide. The largest market of Herti JSC'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 profit of the group before taxes for the period covered by the report is 3 618 thousand BGN, while for the same period of 2024 it is 4 212 thousand BGN. The company generated an operating profit (EBITDA) of 6 180 thousand BGN.

There is 12.67 % increase in sales compared to the same period of 2024 and it impacts on all markets.

Analysis of the costs for the first six months of 2025 shows increase fixed costs but decrease in variable costs per produced units.

The price of the main material used is formed at the stock exchange rate and cannot be influenced by the company. The steps taken by the Management for renewing the equipment and investing in new machines, helped to decrease the production costs. The management works actively to enlarge market share by launching new products. The budgeted costs are monitored constantly. The implemented ERP system gives detailed and up-to-date information and helps us to take better decisions.

During the past period, the group did not run into liquidity difficulties, all liabilities were paid when they fell due. The policy of maintaining liquidity and the ability to meet all obligations will continue and the company does not anticipate any problems in this area.

The liquidity rate for the period is 2.33, which has increased by 0.02 points, compared to the same period of the previous year. The ratio is good for an industrial company, bearing in mind the production cycle and the specific industry the company operates in. We should evaluate the results obtained, such as growth of working capital, taking into account the duration of the production cycle, the speed of turnover and the specificity of the activities carried out by the company

## **3. Capital resources and investments**

The capital structure of the group includes the issued capital, reserves and retained earnings. Its amount is 36 972 thousand BGN on June 30, 2025. The assets of the company grew with 5 298 thousand BGN to the amount of 59 041 thousand BGN.

## **4. Research and Development activities**

A special R&D unit, part of the Technical Department is functioning in the structure of the group. Its priority tasks are to optimize the products, processes and production organization to implement new ecological materials, to save energy and other resources, create innovative decisions and reach sustainable results. The strategy of the group is to

develop innovative methodologies, procedures and technological means for increasing the quality of the products and maintaining their sustainable competitive advantage.

## **5. Human resources**

Conscious of the importance of immaterial capital for the development of any organization, the Company is developing a program for personnel professional education and driving them to a culture of involvement in the added value generated by the company. 459 people work in the company as of 30.06.2025 and most of them passed training to add skills to their qualification.

Training is the most important element in the company's efforts to constantly improve the performance and achievements of each employee. Almost all of them were included in education and training programs for additional qualification in the relevant professional field.

## **6. Risk management**

The Group is exposed to risks related to changes in the prices of the main raw materials and aluminum, as it uses material stocks in its production process, the prices of which are influenced by those on the international markets and on the London Metal Exchange. The policy in this area consists in negotiating fixed prices with the suppliers with a prevailing term of up to half a year, to avoid the negative effect of the possible increase in the price of raw materials during this period. Also, price volatility, as well as rising energy and transport costs, complicated process management.

The functional currency of the group is BGN. Herti operates in more than 50 different countries. Most of the deals on the external market are conducted in EURO, but there is a currency risk for the markets in the UK and the USA, where the sales are in GBP and US dollars. If necessary, HERTI uses hedging instruments in the management of currency risk. In addition, HERTI owns assets and liabilities to manage liquidity and cash flows in its day-to-day operations.

The market for the group's products is highly competitive and a large amplitude of final prices is observed, especially in the presence of markets in economic stagnation or markets with an attitude towards changes in consumer demand. HERTI faces strong competitors (especially from Europe) with huge resources. In response to the increasing competition in the sector, HERTI and many other manufacturers may be forced to increase their efficiency by reducing the cost price, including the cost of raw materials.

## **7. Future development strategy**

The strategy for achieving the planned volumes includes the preservation of the achieved market shares in Bulgaria and other countries in Europe. Commercial activity in certain regions will be supported with various activities, tailored to the potential of individual countries and the return that the company expects with a short- and medium-term plan.

The medium-term development strategy also includes the launch of new investment projects that will increase production capacity, expand and supplement the range of products, as well as contribute to reducing the cost of the manufactured range.

### **III. Other important information**

The first half of 2025 is better compared to the same period of the previous year despite expectations for a continuing trend of decline in consumption. Sales growth is 9.99% compared to 2024. A lower gross and net profit from operations is realized. There are also new projects with clients. Overall, the situation is positive for Herti, but there is uncertainty related to the imposition of tariffs in the USA and the associated risks of order reduction. Interest expenses on loans have been reduced by almost half. Constant work is being done to improve work organization and optimize costs. There is intensive work on the construction of the new production facility and the accompanying infrastructure.

At the end of January, Herti traditionally participates in the largest wine and winemaking exhibition in the USA - the Unified Symposium in Sacramento, where it presents its rich range of products.

On February 27, 2025, a Board of Directors meeting was held, during which the individual audited report for 2024 was approved. The Board made a decision to convene an ordinary general meeting of shareholders on June 24, 2025, and set the agenda. A decision was made to extend the term of the bank guarantee and the overdraft to UniCredit Bulbank by 12 months.

The leading trade fair for wine and spirits, ProWein, took place from March 16 to 18 in Düsseldorf, Germany. In addition to the exhibition stands, there were numerous events such as tastings, seminars, and workshops that allowed visitors to be informed about trends and developments in the industry. ProWein offers Herti 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 and contribute to preserving the quality and freshness of bottled products. In March, Herti also participated in a conference on olive oil and culinary oils in the USA.

On April 9, 2025, a closing event was held at the Hilton Sofia hotel to report on the programming period of the Norwegian Financial Mechanism 2014-2021, within the framework of the program "Business Development, Innovation and SMEs in Bulgaria." The event was attended by deputy ministers and organized by the Norwegian Financial Mechanism. Herti also participated.

On April 10, 2025, Herti participated in the Career Fair organized by the Shumen Municipality, aimed at early career guidance. The fair showcased vocational schools and businesses in Shumen.

On May 31, 2025, Herti once again opened its doors for the children of its employees. The event took place on the eve of Children's Day and gathered over 80 children of different ages. This day became a kind of celebration for the children and their parents, as well as for all the employees at Herti. This year, Herti also supported the Assembly of Talented Children in the town of Pliska, which took place on June 7, 2025. As part of the celebration, two competitive initiatives were held - the singing contest 'Sing

Your Dream' and the contest for the best violinist in Bulgaria 'Become Glory'. In addition to the traditional assembly of talented children in Pliska, this June Herti also supported two initiatives of Bulgarians abroad: the gathering 'At the Square of the Other Bulgaria' in the city of Lyon, France, and the Traditional Bulgarian Gathering 'Nishka from the Root' of 'Little Bulgaria' and friends in the city of Münster, Germany.

On June 24, 2025, the General Meeting of Shareholders and the Board of Directors of Herti AD was held. The Board of Directors made a decision to apply for an investment loan from UBB of up to 10 million BGN to finance new machines and ovens for the lacquering and lithography processes. An updated Code of Ethics of the company, an Environmental Policy, an Anti-Corruption Policy, a Policy Against Child and Forced Labor, and a Policy Against Workplace Discrimination were also adopted. The Board of Directors approved a Strategy and Goals for Herte AD in relation to ESG reporting and disclosures. The General Meeting of Shareholders decided to distribute a dividend from the profit for 2024 and approved an updated Statute of the Audit Committee.

From 21 till 23 of July, Herti successfully passed a recertification Audit on the last 7<sup>th</sup> version of the BRC Standard and got the highest A grade.

#### **IV. Post balance sheet events.**

There were no important post balance sheet events.

#### **V. 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.

#### **VI. The company has no registered branches.**

#### **VII. Information on the transactions between the Company and related parties**

For the period 01.01- 30.06.2025, the Company has realized the following transactions with major shareholders in thousand BGN:

IGM Holding remuneration as a Board member - 33

Dividends paid to shareholders- 1 161

Transactions with other related parties:

Related party	Transaction	Amount (in thousand BGN)
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Raifen OOD	Transport services received	673
Timshel OOD	Rent	52

### **VIII. Information concerning article 247 from the Trade Law**

The total remuneration of the Board of directors' members for the period is 462 thousand BGN. 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 contacts were signed under article 240b of Trade Law.

### **IX. Financial instruments**

The functional currency of the Company is BGN. Most of the deals on the external market are conducted in EURO, which minimizes the currency risk. The contracted terms with the clients and suppliers give the Company the possibility not to be dependent on financial instruments such as hedging.

### **X. Corporate social responsibility**

Herti follows the principles of the National code for Corporate governance. The principles of transparency and free loyal competition are adopted in the ethical code of the company. Herti is a socially responsible company and supports cultural and sport events in the regions in which it operates.

### **XI. Responsibility of the Management**

According to Bulgarian legislation, the management should prepare a financial report on the activity for each period, which gives a true and fair view for the financial position at the end of the reporting period, for the financial results of the activity and for the cash flows, in accordance with the applicable accounting framework. For the purposes of reporting under Bulgarian accounting legislation, the company applies the International Financial Reporting Standards (IFRS) applicable in the European Union.

This responsibility includes developing, implementing and maintaining a system of internal control related to the preparation and fair presentation of financial statements that are free from material inaccuracies, deviations and inconsistencies, whether due to fraud or error; selection and application of appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Management confirms that it has acted in accordance with its responsibilities, and that the consolidated financial statement has been prepared in full compliance with the International Financial Reporting Standards applicable in the European Union. The management also confirms that, in preparing this consolidated financial statement for the activity, it has truthfully and honestly presented the development and results of the enterprise's activity for the past period, as well as its condition and the main risks it faces.

**Chief Executive Officer:**

Zahari Zahariev

27 August 2025

**HERTI JSC**  
**Consolidated Income statement**

For the second quarter of 2025

*In thousands of BGN*

	30.6.2025	30.6.2024
Revenue	40 972	36 823
Other income	611	537
Carrying amount of materials and goods sold	-18	-222
Increase/(decrease) of inventories of finished goods and work in progress	400	981
Capitalised expenses		
Expenses for materials	-20 926	-18 488
Hired services	-3 766	-3 291
Depreciation and amortisation	-2 471	-2 410
Personnel expenses	-10 416	-9 372
Other operating expenses	-238	-237
Finance expenses	-530	-109
Share of profit/loss in associated companies	0	0
<b>Profit before tax</b>	<b>3 618</b>	<b>4 212</b>
<b>Income tax expense/income/</b>	<b>-59</b>	<b>-31</b>
<b>Profit /Loss for the period</b>	<b>3 559</b>	<b>4 181</b>
<b>Transitions of financial statements of foreign companies</b>	<b>-23</b>	<b>-8</b>
<b>Revaluation of investments in foreign associates</b>		
<b>Total comprehensive income for the period</b>	<b>3 536</b>	<b>4 173</b>

**HERTI JSC**  
**Consolidated Balance sheet**

As at 30 June 2025

*In thousands of BGN*

	30.6.2025	31.12.2024
<b>Assets</b>		
Property, plant and equipment	24 420	23 908
Intangible assets	24	30
Investments	3	3
Assets connected with deferred taxes	0	20
<b>Total non-current assets</b>	<b>24 447</b>	<b>23 961</b>
Related parties receivables	2	0
Inventories	13 674	13 871
Trade and other receivables	13 202	10 482
Cash and cash equivalents	7 716	5 429
<b>Total current assets</b>	<b>34 594</b>	<b>29 782</b>
<b>Total assets</b>	<b>59 041</b>	<b>53 743</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 770	1 770
Retained earnings	23 159	20 784
<b>Total Equity</b>	<b>36 972</b>	<b>34 597</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	5 008	3 708
Deferred tax liabilities	410	410
Other ( earned income)	688	708
Financing	1 109	1 402
<b>Total non- current liabilities</b>	<b>7 215</b>	<b>6 228</b>
Related party payables	1 327	109
Interest bearing loans and finance lease	1 239	1 103
Trade and other payables	11 701	11 119
Financing	587	587
<b>Total current liabilities</b>	<b>14 854</b>	<b>12 918</b>
<b>Total liabilities</b>	<b>22 069</b>	<b>19 146</b>
<b>Total equity and liabilities</b>	<b>59 041</b>	<b>53 743</b>

**HERTI JSC****Change in equity - consolidated**

For the period ended 30 June 2025

*In thousands of BGN*

	<b>Authorised Capital</b>	<b>Premium of issued capital</b>	<b>Compulsory reserves</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at 1 January 2025	12 014	29	1388	382	20 784	34 597
Translations of financial statements of foreign companies					-23	-23
Revaluation of investments in associates						0
Other transactions for the period						0
Dividends paid					-1 161	-1 161
Current net profit/loss	-	-			3559	3559
Effect from differred tax liabilities						0
Balance at 30 June 2025	<u>12 014</u>	<u>29</u>	<u>1388</u>	<u>382</u>	<u>23 159</u>	<u>36 972</u>

**HERTI JSC****consolidated Cash flow**

For the second quarter of 2025

*In thousands of BGN*

	30.6.2025	30.6.2024
<b>Cash flows from operating activities</b>		
Cash receipts from customers	43 885	37 088
Cash paid to suppliers	-27 168	-19 459
Net cash flow for salaries and wages of personnel	-9 922	-9 079
Other payments from operating activities	-61	5
Income taxes paid /received	-2322	-2707
<b>Cash from operating activities</b>	<b>4 412</b>	<b>5 848</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-3 445	-1 271
Proceeds from non-current assets		162
Other proceeds/ payments from investment activities		
<b>Cash from investing activities</b>	<b>-3 445</b>	<b>-1 109</b>
<b>Cash flows from financing activities</b>		
Loans received	2 099	6 339
Repayment of borrowings	-667	-8 302
Other financial payments/received		
Payment of finance lease liabilities	0	0
Interest paid	-112	-215
Other financial payments, dividends		
<b>Cash from financing activities</b>	<b>1 320</b>	<b>-2 178</b>
Net increase in cash and cash equivalents	2 287	2 561
Cash and cash equivalents at 1 January	5429	11348
Effect of change of currency exchange rate		
<b>Cash and cash equivalents at the end of the period</b>	<b>7 716</b>	<b>13909</b>