Explanatory notes to the 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. 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 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 which can bring risks of decreased production orders. 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.

The nine months of 2026 are better compared to the same period last year despite expected decrease in consumption. Sales increased by 13.38% compared to the same period in 2025. The gross and net profits are very good. There are projects with new clients.

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.
Herti took part once more in the ADI Craft Spirits Conference and Expo, one of the leading events for the spirits industry in North America, that took place in Miami beach, US, from 18 to 19 th August 2026. This year marked the fifth participation of Herti in this show, which proves the long-term commitment of the company to the North American market and its strong partnerships with manufacturers of craft and premium spirits.
In the first week of September, we were part of awesome wine event Bocas Moradas in Santiago, Chile. We had two very productive days for Herti South America.
The third quarter was very busy with active work on the new production building and installation of the new ovens for the lacquering and printing process and new machines for side printing. We

expect the process to be finalized by the end of the year and regular production to start in the new premises.

Risk reduction and financial instruments

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, Herti AD has 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. All 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.

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

For the period 01.01- 30.09.2026, the Company has carried out the following transactions with related parties:

Related party	**Transaction**	**Amount (in thousand EUR)**
Herti Group International	Sales of product	1 295
Herti UK	Sales of product	6 991
Herti France	Sales of product	3 505
Herti Germany	Sales of products	4 220
Herti US	Sales of products	806
Herti South America	Sales of products	132
TIHERT JSC	Services sales	31
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
TIHERT JSC	Purchase of spare parts and materials	4
Timshel OOD	Rent	41
Raifen OOD	Transport services received	535

3. **There are no new considerable and important receivables or payables arisen for the period.**
4. **Responsibility of the Management**

Management confirms that, in preparing these explanatory notes, it has presented a true and fair view of the development and results of Herti AD's activities for the period, as well as its financial position and the main risks it faces.

Chief Executive Officer:

21 October 2026 Zahari Zahariev

HERTI JSC

Income statement

For the third quarter of 2026

In thousands of EUR

	30.9.2026	30.9.2025
Revenue	33 404	29 508
Other income (including financing)	414	411
Carrying amount of materials and goods sold	-15	-85
Increase/(decrease) of inventories of finished goods and work in progress	-156	105
Capitalised expenses	0	0
Expenses for materials	-17 829	-15 670
Hired services	-2 633	-2 136
Depreciation and amortisation	-1 908	-1 866
Personnel expenses	-7 734	-7 371
Other operating expenses	-205	-148
Finance income	630	0
Finance expenses	-172	-352
Profit before tax	3 796	2 396
Income tax expense		
Profit for the period	3 796	2 396

HERTI JSC

Balance sheet

As at 30 September 2026

In thousands of EUR

	30.9.2026	31.12.2025
Assets		
Property,plant and equipment	22 167	15 946
Intangible assets	58	9
Investments	339	248
Total non-current assets	22 564	16 203
Related parties receivables	4 633	2 802
Inventories	6 780	6 354
Trade and other receivables	3 507	2 810
Cash and cash equivalents	2 406	2 331
Total current assets	17 326	14 297
Total assets	39 890	30 500
Equity		
Issued capital	6 127	6 143
Premium of issued capital	15	15
Reserves	850	850
Retained earnings	15 641	12 550
Total Equity	22 633	19 558
Liabilities		
Interest bearing loans and finance lease	8 924	3 895
Deferred tax liabilities	117	117
Other non- current liabilities	402	402
Financing	213	412
Total non- current liabilities	9 656	4 826
Related party payables	82	53
Interest bearing loans and finance lease	1 231	846
Taxes payable	32	230
Trade and other payables	5 983	4 688
Financing	273	299
Total current liabilities	7 601	6 116
Total liabilities	17 257	10 942
Total equity and liabilities	39 890	30 500

HERTI JSC

Change in equity

For the period ended 30 September 2026

In thousands of EUR

	Authorised Capital	Premium of issued capital	Reserves	Additional Reserves	Retained Earnings	Total
Balance at 1 January 2025	6 143	15	655	195	10079	17 087
Transform of retained earnings-nondistributed	-				-64	-64
Current net profit/loss					3149	3 149
Other / divdents paid					-614	-614
Balance at 31 December 2025	6 143	15	655	195	12550	19 558
Balance at 1 January 2026	6 143	15	655	195	12550	19 558
Transform of retained earnings-nondistributed	-					0
Divdents paid					-721	-721
Current net profit/loss					3796	3 796
Effect from deffered taxes						0
Other	-16				16	0
Balance at 30 September 2026	6 127	15	655	195	15641	22 633

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

Cash flows from operating activities	01.01-30.09.2026	01.01.-30.09.2025
Cash receipts from customers	33 313	29 979
Cash paid to suppliers	-20 322	-20 290
Net cash flow for salaries and wages of personnel	-7 750	-7 094
Income taxes paid /received(excluding profit tax)	-1 263	871
Profit tax	-228	-245
Interest for short term credits and bank taxes paid	-12	-19
Effect of change of currency exchange rate on cash held	81	-20
Other income/ payment from operative activities	-97	7
Cash from operating activities	3 722	3 189
Cash flows from investing activities		
Acquisition of property, plant and equipment	-8 634	-4 619
Proceeds from non-current assets	-90	0
Investment/ dividents in/from daughter companies	530	0
Other	0	0
Cash from investing activities	-8 194	-4 619
Cash flows from financing activities		
Loans received	6 040	2 009
Repayment of borrowings	-626	-481
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-170	-108
Transactions costs		
Other financing activities - dividends paid	-697	-594
Cash from financing activities	4 547	826
Net increase in cash and cash equivalents	75	-604
Cash and cash equivalents at 1 January	2331	2189
Cash and cash equivalents at the end of the period	2406	1585