Explanatory notes to the 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 was better compared to the same period of the previous year, despite expectations of a continued decline in consumption trends. Sales increased by 15% compared to 2024. Both gross and net profit from operations improved. New projects with clients were also initiated. Overall, the situation is positive for Herti, although there is some uncertainty related to the imposition of tariffs in the USA and the associated risks of reduced orders. Interest expenses on loans were nearly halved. Efforts continue to improve organizational structure and optimize costs. Significant progress is being made in the construction of the new production facility and related infrastructure.

At the end of January, Herti participated, as is tradition, in the largest wine and winemaking exhibition in the USA – the **Unified Symposium** in Sacramento, where the company presented its extensive range of products.

On February 27, 2025, a meeting of the Board of Directors was held, at which the individual audited financial statement for 2024 was approved. The Board resolved to convene the regular General Meeting of Shareholders on June 24, 2025, and approved the agenda. A decision was also made 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**, was held from March 16 to 18 in Düsseldorf, Germany. In addition to the exhibition stands, the event featured numerous activities such as tastings, seminars, and workshops, offering visitors insights into trends and developments in the industry. ProWein provides Herti with an ideal platform to showcase its innovative products and solutions to an international audience. The company's aluminum screw caps are distinguished by their design and functionality and help preserve the quality and freshness of bottled products.

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

On April 9, 2025, the closing event for the 2014–2021 Norwegian Financial Mechanism programming period was held at Hilton Hotel Sofia, under the program "Business Development, Innovation and SMEs in Bulgaria." The event, attended by deputy ministers, was organized by the Norwegian Financial Mechanism, in which Herti took part.

On April 10, 2025, Herti participated in the **Career Fair** organized by the Municipality of Shumen, aimed at early career orientation. Vocational schools and businesses in the region were represented at the fair.

2. Risk reduction and financial instruments

The functional currency of the company is the Bulgarian lev. Most of the transactions conducted on the international market are carried out in euros. This minimizes currency risk. The agreed terms with customers and suppliers as of the date of preparation of this report allow the company to avoid using financial instruments such as hedging.

Since the beginning of 2024, all aluminum suppliers have adjusted their prices downward, which has resulted in a decrease in direct production costs. Herti has also taken steps to reduce

the selling prices to its customers. At the end of 2024, there was a trend of slight increases in the prices of key materials, which affected the fourth quarter of 2024. The observed improvement in the supply chain during 2024, which in turn improved the planning and forecasting of raw material and material deliveries, was hindered by the onset of military conflict in the Middle East. This led to disruptions in the supply chain, which increased the cost of sea transport. Currently, deliveries are regular, but delivery times have nearly doubled. All of this contributes to an increase in production costs. Due to Herti AD's good liquidity, the company is able to maintain larger inventories of raw materials and supplies, thus preventing disruptions to the production process and ensuring Herti AD can fulfill customer orders as usual.

Management monitors the situation on a daily basis and has identified certain stabilization measures. Through the implementation of these measures, the company expects the negative financial consequences to be mitigated.

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

For the period 01.01- 31.12.2024, the Company has realized the following transactions with related parties:

Related party	**Transaction**	**Amount (in thousand BGN)**
Herti Group International	Sales of product	867
Herti UK	Sales of product	3 850
Herti France	Sales of product	2 982
Herti Germany	Sales of products	2 524
Herti US	Sales of products	693
TIHERT JSC	Services sales	23
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
TIHERT JSC	Purchase of spare parts and materials	1
Timshel OOD	Rent	26
Raifen OOD	Transport services received	243
IGM	Renumeration for BD	17

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

5. Responsibility of the Management

Management confirms that, to the best of its knowledge, these explanatory notes present a true and fair view of the development and results of Herti AD's operations for the reporting period, as well as its financial condition and the main risks it faces.

Chief Executive Officer:

24 April 2025 Zahari Zahariev

HERTI JSC

Income statement

For the first quarter of 2025

In thousands of BGN

	31.3.2025	31.3.2024
Revenue	19 476	17 355
Other income (including financing)	371	236
Carrying amount of materials and goods sold	-2	-3
Increase/(decrease) of inventories of finished goods and work in progress	-49	-135
Capitalised expenses	0	0
Expenses for materials	-10 461	-8 988
Hired services	-1 385	-1 268
Depreciation and amortisation	-1 233	-1 200
Personnel expenses	-4 337	-4 272
Other operating expenses	-108	-58
Finance income	0	664
Finance expenses	-181	-118
Profit before tax	2 091	2 213
Income tax expense	0	0
Profit for the period	2 091	2 213

HERTI JSC
Balance sheet
As at 31 March 2025
In thousands of BGN

	31.3.2025	31.12.2024
Assets		
Property,plant and equipment	24 958	24 840
Intangible assets	26	30
Investments	486	486
Total non-current assets	25 470	25 356
Related parties receivables	7 858	6 200
Inventories	10 654	11 444
Trade and other receivables	5 312	3 946
Cash and cash equivalents	4 353	4 282
Total current assets	28 177	25 872
Total assets	53 647	51 228
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 664	1 664
Retained earnings	21 805	19 714
Total Equity	35 512	33 421
Liabilities		
Interest bearing loans and finance lease	4 376	3 708
Deferred tax liabilities	410	410
Other non- current liabilities	657	657
Financing	1 243	1 389
Total non- current liabilities	6 686	6 164
Related party payables	126	102
Interest bearing loans and finance lease	960	1 102
Taxes payable	933	1 067
Trade and other payables	8 846	8 788
Financing	584	584
Total current liabilities	11 449	11 643
Total liabilities	18 135	17 807
Total equity and liabilities	53 647	51 228

HERTI JSC

Change in equity

For the period ended 31 March 2025

In thousands of BGN

	Authorised Capital	Premium of issued capital	Reserves	Additional Reserves	Retained Earnings	Total
Balance at 1 January 2024	12 014	29	1282	382	14525	28 232
Transform of retained earnings-nondistributed	-				-69	-69
Current net profit/loss					6723	6 723
Other / dividents paid					-1465	-1 465
Balance at 31 December 2024	12 014	29	1282	382	19714	33 421
Balance at 1 January 2025	12 014	29	1282	382	19714	33 421
Transform of retained earnings-nondistributed	-					0
Dividents paid						0
Current net profit/loss					2091	2 091
Effect from deffered taxes						0
Other						0
Balance at 31 March 2025	12 014	29	1282	382	21805	35 512

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

Cash flows from operating activities	01.01-31.03.2025	01.01.-31.03.2024
Cash receipts from customers	17 803	15 641
Cash paid to suppliers	-12 934	-9 021
Net cash flow for salaries and wages of personnel	-4 593	-4 102
Income taxes paid /received(excluding profit tax)	610	194
Profit tax		
Interest for short term credits and bank taxes paid	-10	-8
Effect of change of currency exchange rate on cash held	9	39
Other income/ payment from operative activities	22	2
Cash from operating activities	907	2 745
Cash flows from investing activities		
Acquisition of property, plant and equipment	-1 310	-662
Proceeds from non-current assets		
Investment/ dividents in/from daughter companies	0	587
Other	0	162
Cash from investing activities	-1 310	87
Cash flows from financing activities		
Loans received	881	6 160
Repayment of borrowings	-355	-6 175
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-52	-117
Transactions costs		
Other financing activities - dividends paid		
Cash from financing activities	474	-132
Net increase in cash and cash equivalents	71	2 700
Cash and cash equivalents at 1 January	4282	9928
Cash and cash equivalents at the end of the period	4353	12628