

**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 financial statements of Herti JSC as at 30 June 2025.

**I. General information and management.**

Herti JSC 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 articles, printing and lacquering on metal sheets.

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
Other shareholders (persons)	34,439	0.29
<b>Total:</b>	<b>12,013,797</b>	<b>100</b>

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

Aleksandar Yuliyarov – Chairman of the Board of directors

Zahari Zahariev – Chief Executive Officer.

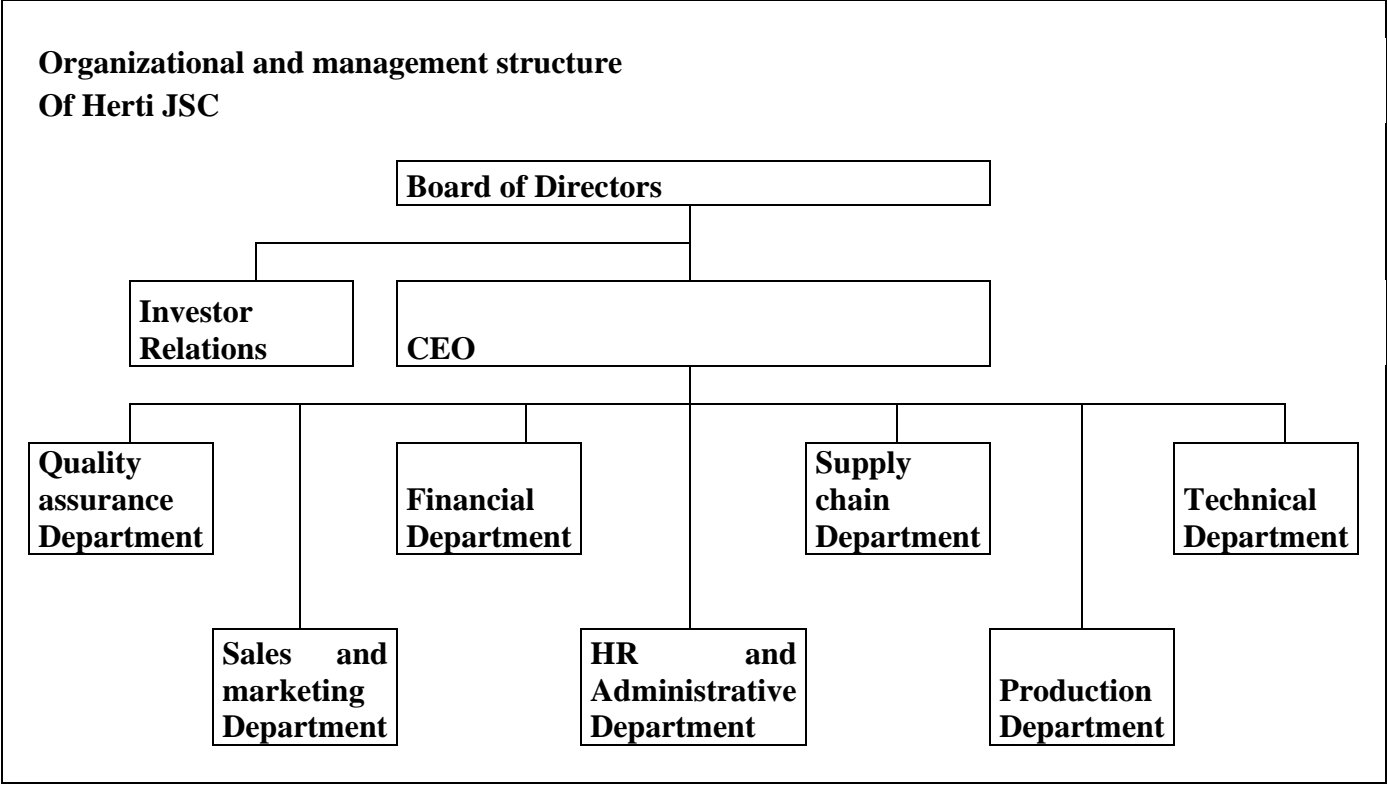
Dipl. Eng. Josef Mayer – Member of the Board of directors

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.



**II. Activity of the company**

**1. Market development**

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.
- Non-refillable pourers.

During the first 6 months of 2025, the company'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 before taxes for the period covered by the report is 2 866 thousand BGN, while for the same period of 2024 it is 4 448 thousand BGN. The company generated an operating profit (EBITDA) of 5 420 thousand BGN.

There is a 9.9 % increase in sales compared to the same period of 2024 and it impacts the European and all other markets.

Analysis of the costs for the first six months of 2025 shows an increase both in fixed costs and in variable costs.

The price of the main material used is formed at the stock exchange and cannot be influenced by the company. This affects the profit negatively. 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 2.21, compared to 2.22 for the same period in 2024. The ratio is good for an industrial company, bearing in mind the production cycle and the specific industry the company operates in. We should also bear in mind that throughout the period the company has paid back 667 thousand BGN of its long-term loans.

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

The capital structure includes the issued capital, reserves and retained earnings. Its amount is 35 126 thousand BGN on June 30, 2025. The assets of the company grew with 4 436 thousand BGN to the amount of 55 664 thousand BGN. The indicators ROE and ROA are 8.16% and 5.15% respectively.

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

The Company is developing innovative methodologies, procedures and technological means for increasing the quality of the products and maintaining its sustainable competitive advantage. Regular training is organized for the staff.

## **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. 443

people work in the company as at 30.06.2025 and most of them passed training for adding skills to their qualification.

## **6. Risk management**

Herti experiences different risks and has a system to manage them.

One of the main risks is the volatility of the prices of raw materials and their impact on the operating profit. The management of Herti contracts fixed prices for the aluminum for a period up to 6 months to reduce the negative effect of prices during that period.

The functional currency of the Company 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.

Another risk is the great competition in the industry which can force the company to reduce prices.

## **7. Future development strategy**

The strategy for achieving the planned volumes includes maintaining the market shares obtained in Bulgaria and other countries in Europe and increasing the market share in export markets. Commercial activities in certain regions will be supported by various marketing activities tailored to the potential of individual countries and the returns that the company expects in the short and medium term. The medium-term development strategy also includes launching new investment projects that will increase production capacity, expand and complement the product range, as well as contribute to reducing the cost of production. New products are developed annually, and participation in exhibitions is regularly undertaken to find new clients.

## **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, 2024, 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.

#### **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 related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti UK	Sales of products	7 150
Herti France	Sales of product	5 740
Herti US	Sales of product	1 084
Herti Romania	Sales of products	1 663
Herti Germany	Sales of products	5 078
IGM Holding	Expenses	33
TIHERT JSC	Sales	3
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Raifen OOD	Transport services received	518
Timshel OOD	Rent	52
Shareholders	Dividends	1 161

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

The total remuneration of the Board of directors' members for the period is 414 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 contracts 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**

The management confirms that the financial statement for the first six months of 2025 is prepared according to the International Financial Reporting Standards and gives a fair and complete view of the financial position of the company and the risks it faces.

22 July 2025

**Chief Executive Officer:**

Zahari Zahariev

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

For the second quarter of 2025

*In thousands of BGN*

	30.6.2025	30.6.2024
Revenue	38 242	34 750
Other income (including financing)	608	461
Carrying amount of materials and goods sold	-18	-5
Increase/(decrease) of inventories of finished goods and work in progress	191	688
Capitalised expenses	0	0
Expenses for materials	-20 660	-18 192
Hired services	-2 755	-2 552
Depreciation and amortisation	-2 465	-2 405
Personnel expenses	-9 548	-8 548
Other operating expenses	-217	-235
Finance income	0	716
Finance expenses	-512	-230
<b>Profit before tax</b>	<b>2 866</b>	<b>4 448</b>
<b>Income tax expense</b>		
<b>Profit for the period</b>	<b>2 866</b>	<b>4 448</b>

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

As at 30 June 2025

*In thousands of BGN*

	30.6.2025	31.12.2024
<b>Assets</b>		
Property, plant and equipment	25 586	24 840
Intangible assets	24	30
Investments	486	486
<b>Total non-current assets</b>	<b>26 096</b>	<b>25 356</b>
Related parties receivables	6 188	6 200
Inventories	10 815	11 444
Trade and other receivables	6 024	3 946
Cash and cash equivalents	6 541	4 282
<b>Total current assets</b>	<b>29 568</b>	<b>25 872</b>
<b>Total assets</b>	<b>55 664</b>	<b>51 228</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 664	1 664
Retained earnings	21 419	19 714
<b>Total Equity</b>	<b>35 126</b>	<b>33 421</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	5 008	3 708
Deferred tax liabilities	410	410
Other non-current liabilities	657	657
Financing	1 097	1 389
<b>Total non-current liabilities</b>	<b>7 172</b>	<b>6 164</b>
Related party payables	1 324	102
Interest bearing loans and finance lease	1 235	1 102
Taxes payable	768	1 067
Trade and other payables	9 455	8 788
Financing	584	584
<b>Total current liabilities</b>	<b>13 366</b>	<b>11 643</b>
<b>Total liabilities</b>	<b>20 538</b>	<b>17 807</b>
<b>Total equity and liabilities</b>	<b>55 664</b>	<b>51 228</b>

**HERTI JSC****Change in equity**

For the period ended 30 June 2025

*In thousands of BGN*

	<b>Authorised Capital</b>	<b>Premium of issued capital</b>	<b>Reserves</b>	<b>Additional Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at 1 January 2024	12 014	29	1282	382	14525	28 232
Transform of retained earnings- nondistributed	-					0
Current net profit/loss					6756	6 756
Other / dividends paid					-1567	-1 567
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
Dividends paid					-1161	-1161
Current net profit/loss					2866	2 866
Effect from deffered taxes						0
Other						0
Balance at 30 June 2025	12 014	29	1282	382	21419	35 126

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

For the second quarter of 2025

*In thousands of BGN*

	01.01.-30.06.2025	01.01.-30.06.2024
<b>Cash flows from operating activities</b>		
Cash receipts from customers	38 826	33 920
Cash paid to suppliers	-25 957	-20 001
Net cash flow for salaries and wages of personnel	-9 149	-8 369
Income taxes paid /received(excluding profit tax)	1 104	358
Profit tax	-405	-376
Interest for short term credits and bank taxes paid	-29	-39
Effect of change of currency exchange rate on cash held	-4	51
Other income/ payment from operative activities	-8	2
<b>Cash from operating activities</b>	<b>4 378</b>	<b>5 546</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-3 439	-1 265
Proceeds from non-current assets	0	0
Investment/ dividends in/from daughter companies	0	587
Other	0	162
<b>Cash from investing activities</b>	<b>-3 439</b>	<b>-516</b>
<b>Cash flows from financing activities</b>		
Loans received	2 099	6 339
Repayment of borrowings	-667	-8 302
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-112	-215
Transactions costs		
Other financing activities - dividends paid	0	
<b>Cash from financing activities</b>	<b>1 320</b>	<b>-2 178</b>
Net increase in cash and cash equivalents	2 259	2 852
Cash and cash equivalents at 1 January	4282	9928
<b>Cash and cash equivalents at the end of the period</b>	<b>6541</b>	<b>12780</b>