Management report of Herti JSC

For the period 01.01-30.06.2026

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 individual financial report of Herti AD for the period 01.01.2026-30.06.2026.

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

Aleksandar Yuliyanov – Chairman of the Board of directors

Zahari Zahariev – Chief Executive Officer.

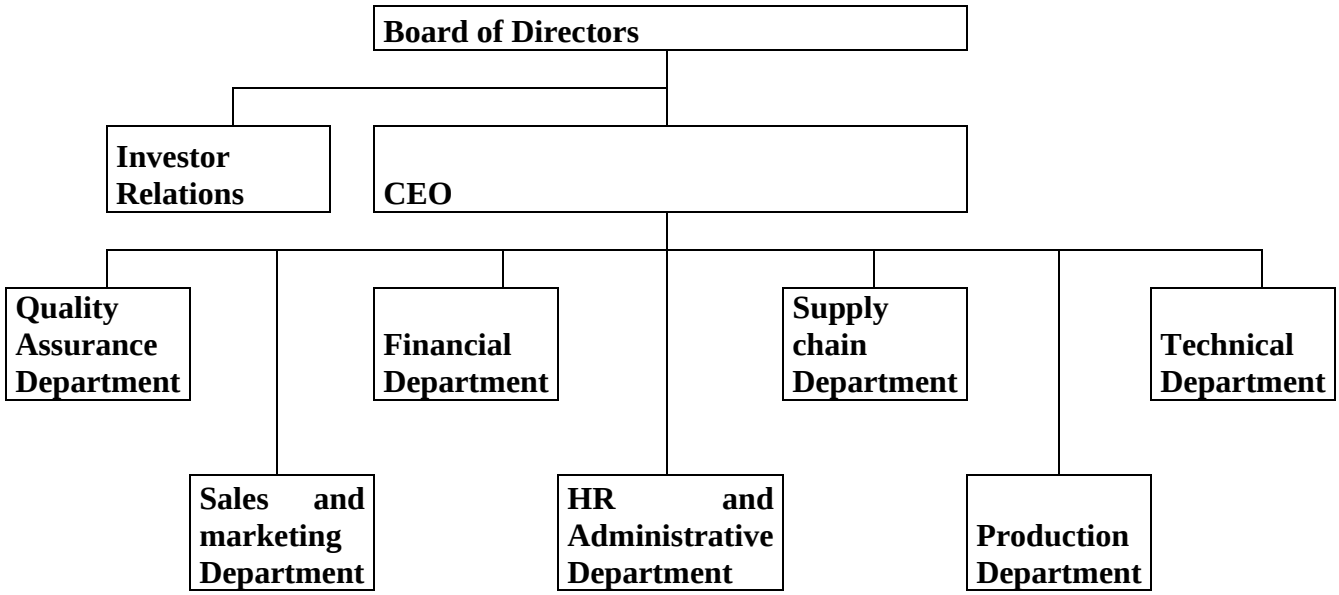
IGM Holding GmbH, represented by Josef Mayer – Member of the Board of directors

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 Company is represented separately by Alexander Yulianov – Chairman of the Board of directors and Zahari Zahariev– CEO.

Organizational and management structure
Of Herti JSC



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.

During the first 6 months of 2026, 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 2 814 thousand EUR, while for the same period of 2025 it is 1 465 thousand. The company generated an operating profit (EBITDA) of 4 102 thousand.

There is a 10.36 % 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 shows an increase both in fixed costs and 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 2.21, compared to 2.21 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. We should also bear in mind that throughout the period the company has paid back 397 thousand EУР of its long-term loans.

3. Capital resources and investments

The capital structure includes the issued capital, reserves and retained earnings. Its amount is 21 651 thousand EUR on June 30, 2026. The assets of the company grew with 8 342 thousand EUR to the amount of 38 842 thousand EUR. The indicators ROE and ROA are 12.99% and 7.24% 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. 444 people work in the company as at 30.06.2026 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 EUR. Herti operates in more than 50 different countries. Most of the deals on the external market are conducted in EUR, 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 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.

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

Related party	Transaction	Amount (in thousand EUR)
Herti UK	Sales of products	4 261
Herti France	Sales of product	2 395
Herti US	Sales of product	587
Herti Romania	Sales of products	854
Herti Germany	Sales of products	2 932
Herti South America	Sales of products	74
IGM Holding	Expenses	17
TIHERT JSC	Sales	3
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Raifen OOD	Transport services received	351

Timshel OOD	Rent	27
Shareholders	Dividents	697

VIII. Information concerning article 247 from the Trade Law

The total remuneration of the Board of directors' members for the period is 229 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.

IX. Financial instruments

The functional currency of the Company is EУР. 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. The policy for managing financial risk and the credit, liquidity and cash flows is announced in the attachment to the financial report.

X. Corporate social responsibility

Herti follows the principles of the National code for Corporative 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 2026 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.

Chief Executive Officer:

22 July 2026 Zahari Zahariev

HERTI JSC

Income statement

For the second quarter of 2026

In thousands of EUR

	30.6.2026	30.6.2025
Revenue	21 610	19 553
Other income (including financing)	210	310
Carrying amount of materials and goods sold	-10	-9
Increase/(decrease) of inventories of finished goods and work in progress	144	98
Capitalised expenses	0	0
Expenses for materials	-11 261	-10 563
Hired services	-1 638	-1 409
Depreciation and amortisation	-1 221	-1 260
Personnel expenses	-5 421	-4 882
Other operating expenses	-101	-111
Finance income	602	0
Finance expenses	-100	-262
Profit before tax	2 814	1 465
Income tax expense		
Profit for the period	2 814	1 465

HERTI JSC
Balance sheet
As at 30 June 2026

In thousands of EUR	30.6.2026	31.12.2025
Assets		
Property,plant and equipment	19 991	15 946
Intangible assets	57	9
Investments	285	248
Total non-current assets	20 333	16 203
Related parties receivables	4 448	2 802
Inventories	6 903	6 354
Trade and other receivables	3 175	2 810
Cash and cash equivalents	3 983	2 331
Total current assets	18 509	14 297
Total assets	38 842	30 500
Equity		
Issued capital	6 127	6 143
Premium of issued capital	15	15
Reserves	850	850
Retained earnings	14 659	12 550
Total Equity	21 651	19 558
Liabilities		
Interest bearing loans and finance lease	8 019	3 895
Deferred tax liabilities	117	117
Other non- current liabilities	402	402
Financing	263	412
Total non- current liabilities	8 801	4 826
Related party payables	786	53
Interest bearing loans and finance lease	1 134	846
Taxes payable	173	230
Trade and other payables	5 999	4 688
Financing	298	299
Total current liabilities	8 390	6 116
Total liabilities	17 191	10 942
Total equity and liabilities	38 842	30 500

HERTI JSC

Change in equity

For the period ended 30 June 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	656	195	10079	17 088
Transform of retained earnings-nondistributed	-				-64	-64
Current net profit/loss					3149	3 149
Other / dividents paid					-614	-614
Balance at 31 December 2025	6 143	15	656	195	12550	19 559
Balance at 1 January 2026	6 143	15	656	195	12550	19 559
Transform of retained earnings-nondistributed	-					0
Dividents paid					-721	-721
Current net profit/loss					2814	2 814
Effect from deffered taxes						0
Other	-16				16	0
Balance at 30 June 2026	6 127	15	656	195	14659	21 652

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

Cash flows from operating activities	01.01-30.06.2026	01.01.-30.06.2025
Cash receipts from customers	21 124	19 852
Cash paid to suppliers	-14 161	-13 272
Net cash flow for salaries and wages of personnel	-5 143	-4 678
Income taxes paid /received(excluding profit tax)	786	564
Profit tax	-186	-207
Interest for short term credits and bank taxes paid	-8	-15
Effect of change of currency exchange rate on cash held	39	-2
Other income/ payment from operative activities	-47	-4
Cash from operating activities	2 404	2 238
Cash flows from investing activities		
Acquisition of property, plant and equipment	-5 567	-1 758
Proceeds from non-current assets	-20	0
Investment/ dividents in/from daughter companies	530	0
Other	0	0
Cash from investing activities	-5 057	-1 758
Cash flows from financing activities		
Loans received	4 809	1 073
Repayment of borrowings	-397	-341
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-90	-57
Transactions costs		
Other financing activities - dividends paid	-17	
Cash from financing activities	4 305	675
Net increase in cash and cash equivalents	1 652	1 155
Cash and cash equivalents at 1 January	2331	2189
Cash and cash equivalents at the end of the period	3983	3344