

Explanatory notes to the financial statement of Herti JSC **For the period 01.01-30.09.2025**

1. Important events, that took place in the period 01/01 – 30/09/2025

The third quarter 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 9.69% 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.

At the end of August Herti traditionally took part in ADI spirit Show in Texas and in the middle of September showed its portfolio with a booth at Drinktec in Munich, Germany.

On September 28th, a Science and technology fair for pupils and students took place for a second time in Shumen. Herti supported the event financially.

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.

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

For the period 01.01- 30.09.2025, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
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Herti Group International	Sales of product	2 420
Herti UK	Sales of product	11 448
Herti France	Sales of product	8 063
Herti Germany	Sales of products	7 181
Herti US	Sales of products	1 516
TIHERT JSC	Services sales	73
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
TIHERT JSC	Purchase of spare parts and materials	4
Timshel OOD	Rent	78
Raifen OOD	Transport services received	790
IGM	Remuneration for BD	48

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

4. 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:

20 April 2025

Zahari Zahariev

HERTI JSC**Income statement**

For the third quarter of 2025

In thousands of BGN

	30.9.2025	30.9.2024
Revenue	57 713	52 581
Other income (including financing)	804	675
Carrying amount of materials and goods sold	-167	-9
Increase/(decrease) of inventories of finished goods and work in progress	205	797
Capitalised expenses	0	0
Expenses for materials	-30 648	-27 218
Hired services	-4 177	-4 017
Depreciation and amortisation	-3 650	-3 616
Personnel expenses	-14 416	-12 977
Other operating expenses	-290	-297
Finance income	0	658
Finance expenses	-688	-304
Profit before tax	4 686	6 273
Income tax expense	0	0
Profit for the period	4 686	6 273

HERTI JSC**Balance sheet**

As at 30 September 2025

In thousands of BGN

	30.9.2025	31.12.2024
Assets		
Property, plant and equipment	29 482	24 840
Intangible assets	21	30
Investments	486	486
Total non-current assets	29 989	25 356
Related parties receivables	6 410	6 200
Inventories	11 187	11 444
Trade and other receivables	6 497	3 946
Cash and cash equivalents	3 101	4 282
Total current assets	27 195	25 872
Total assets	57 184	51 228
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 664	1 664
Retained earnings	23 199	19 714
Total Equity	36 906	33 421
Liabilities		
Interest bearing loans and finance lease	6 377	3 708
Deferred tax liabilities	410	410
Other non-current liabilities	657	657
Financing	951	1 389
Total non-current liabilities	8 395	6 164
Related party payables	179	102
Interest bearing loans and finance lease	1 424	1 102
Taxes payable	782	1 067
Trade and other payables	8 914	8 788
Financing	584	584
Total current liabilities	11 883	11 643
Total liabilities	20 278	17 807
Total equity and liabilities	57 184	51 228

HERTI JSC**Change in equity**

For the period ended 30 September 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 / dividends 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
Dividends paid					-1201	-1201
Current net profit/loss					4686	4 686
Effect from deffered taxes						0
Other						0
Balance at 30 September 2025	12 014	29	1282	382	23199	36 906

HERTI JSC**Cash flow**

For the third quarter of 2025

In thousands of BGN

	01.01.-30.09.2025	01.01.-30.09.2024
Cash flows from operating activities		
Cash receipts from customers	58 633	53 962
Cash paid to suppliers	-39 684	-30 341
Net cash flow for salaries and wages of personnel	-13 874	-12 670
Income taxes paid /received(excluding profit tax)	1 704	-711
Profit tax	-480	-451
Interest for short term credits and bank taxes paid	-37	-31
Effect of change of currency exchange rate on cash held	-39	78
Other income/ payment from operative activities	14	-18
Cash from operating activities	6 237	9 818
Cash flows from investing activities		
Acquisition of property, plant and equipment	-9 035	-2 742
Proceeds from non-current assets	0	4
Investment/ dividends in/from daughter companies	0	587
Other	0	162
Cash from investing activities	-9 035	-1 989
Cash flows from financing activities		
Loans received	3 930	6 339
Repayment of borrowings	-940	-10 319
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-212	-287
Transactions costs		
Other financing activities - dividends paid	-1161	-1417
Cash from financing activities	1 617	-5 684
Net increase in cash and cash equivalents	-1 181	2 145
Cash and cash equivalents at 1 January	4282	9928
Cash and cash equivalents at the end of the period	3101	12073