**Explanatory notes to the financial statement of Herti JSC**
**For the period 01.01-31.12.2025**

## 1. Important events, that took place in the period 01/01 – 31/12/2025

Overall, the financial year 2025 is better compared to the previous year despite expectations of a continuing decline in consumption. Sales growth is 10.41% compared to 2024. A better gross profit from operations has been achieved. There are 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 reduced orders. Interest expenses on loans have been reduced by almost one fifth. Continuous work is being done to improve work organisation and cost optimisation. Intensive work is being carried out on the construction of the new production base and the associated 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 decided 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 pf 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.

On 17 October 2025, HERTI took part in the “Night of Industry” initiative and opened its doors to everyone interested in visiting the company, offering an inside look at its production process. More than 30 people joined the tour, where they had the opportunity to see different types of machinery and learn about the various stages of manufacturing. “Night of Industry” is being held for the fourth time in Bulgaria. The event is organized by the non-governmental association “Bridge Between Generations,” whose mission is to connect businesses with young people by giving them the chance to experience the industrial environment and explore career opportunities in the real sector.

In November, Herti participated with a booth at two specialized international exhibitions, where the company presented its diverse range of products: the WINE & SPIRITS SHOW 2025 — a business exhibition for wine, spirits, and beer, held from 12 to 15 November 2025 at Inter Expo Center in Sofia, and SITEVI, the leading event for viticulture, winemaking, and agro-innovation, held in Montpellier, France, from 25 to 27 November 2025.

Herti once again showcased its products and technological innovations in the packaging industry at WIN Expo 2025, which took place on 4 December 2025 at the Sonoma County Fairgrounds in Santa Rosa, California. WIN Expo is the second-largest trade show in North America dedicated to presenting the latest innovations in packaging and the industry.

**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 2025, all aluminium suppliers have slightly adjusted prices upwards, which has led to an increase in direct production costs. Under market pressure, Herti took steps to reduce sales prices for its customers. The observed improvement in the supply chain in 2025, which in turn improved planning and forecasting of raw material and material deliveries, was hindered by the onset of military actions in the nearby Middle East. This caused disruptions in the supply chain, raising maritime transport costs. Currently, deliveries are regular, but the lead time has nearly doubled. All of this leads to increased production costs. Due to Herti AD's good liquidity, it is possible to maintain larger stocks of raw materials and

supplies, preventing any disruption of the production process and allowing Herti AD to fulfil customer orders normally.

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- 31.12.2025, the Company has carried out the following transactions with related parties:

| **Related party** | **Transaction** | **Amount (in thousand BGN)** |
|---|---|---|
| Herti Group International | Sales of product | 3 281 |
| Herti UK | Sales of product | 15 330 |
| Herti France | Sales of product | 9 785 |
| Herti Germany | Sales of products | 9 332 |
| Herti US | Sales of products | 2 290 |
| TIHERT JSC | Services sales | 96 |
| Timshel OOD | Service sales | 2 |
| Raifen OOD | Service sales | 2 |
| TIHERT JSC | Purchase of spare parts and materials | |
| Timshel OOD | Rent | 104 |
| Raifen OOD | Transport services received | 1 067 |
| IGM | Renumeration for BD | 65 |

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:**

21 January 2025 Zahari Zahariev

**HERTI JSC**
**Income statement**
For the fourth quarter of 2025
*In thousands of BGN*

| | 31.12.2025 | 31.12.2024 |
|---|---|---|
| Revenue | 76 765 | 69 447 |
| Other income (including financing) | 1 382 | 1 475 |
| Carrying amount of materials and goods sold | -318 | -12 |
| Increase/(decrease) of inventories of finished goods and work in progress | 1 270 | 739 |
| Capitalised expenses | 0 | 0 |
| Expenses for materials | -40 753 | -35 503 |
| Hired services | -5 560 | -5 442 |
| Depreciation and amortisation | -4 825 | -4 829 |
| Personnel expenses | -19 765 | -18 519 |
| Other operating expenses | -620 | -404 |
| Finance income | 0 | 815 |
| Finance expenses | -796 | -390 |
| **Profit before tax** | 6 780 | 7 377 |
| **Income tax expense** | 0 | -621 |
| **Profit for the period** | 6 780 | 6 756 |

**HERTI JSC**
**Balance sheet**
As at 31 December 2025

| *In thousands of BGN* | **31.12.2025** | **31.12.2024** |
|---|---|---|
| **Assets** | | |
| Property,plant and equipment | 31 188 | 24 840 |
| Intangible assets | 18 | 30 |
| Investments | 486 | 486 |
| **Total non-current assets** | 31 692 | 25 356 |
| Related parties receivables | 5 480 | 6 200 |
| Inventories | 12 427 | 11 444 |
| Trade and other receivables | 6 084 | 3 946 |
| Cash and cash equivalents | 4 560 | 4 282 |
| **Total current assets** | 28 551 | 25 872 |
| **Total assets** | 60 243 | 51 228 |
| **Equity** | | |
| Issued capital | 12 014 | 12 014 |
| Premium of issued capital | 29 | 29 |
| Reserves | 1 664 | 1 664 |
| Retained earnings | 25 153 | 19 714 |
| **Total Equity** | 38 860 | 33 421 |
| **Liabilities** | | |
| Interest bearing loans and finance lease | 7 618 | 3 708 |
| Deferred tax liabilities | 410 | 410 |
| Other non- current liabilities | 787 | 657 |
| Financing | 805 | 1 389 |
| **Total non- current liabilities** | 9 620 | 6 164 |
| Related party payables | 104 | 102 |
| Interest bearing loans and finance lease | 1 655 | 1 102 |
| Taxes payable | 870 | 1 067 |
| Trade and other payables | 8 550 | 8 788 |
| Financing | 584 | 584 |
| **Total current liabilities** | 11 763 | 11 643 |
| **Total liabilities** | 21 383 | 17 807 |
| **Total equity and liabilities** | 60 243 | 51 228 |

**HERTI JSC**

**Change in equity**

For the period ended 31 December 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 | | | | | -1201 | -1201 |
| Current net profit/loss | | | | | 6780 | 6 780 |
| Effect from deffered taxes | | | | | | 0 |
| Other | | | | | -140 | -140 |
| Balance at 31 December 2025 | 12 014 | 29 | 1282 | 382 | 25153 | 38 860 |

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

| Cash flows from operating activities | 01.01-31.12.2025 | 01.01.-31.12.2024 |
|---|---|---|
| Cash receipts from customers | 81 113 | 73 218 |
| Cash paid to suppliers | -53 605 | -43 411 |
| Net cash flow for salaries and wages of personnel | -19 620 | -17 938 |
| Income taxes paid /received(excluding profit tax) | 2 068 | 1 378 |
| Profit tax | -845 | -736 |
| Interest for short term credits and bank taxes paid | -44 | -36 |
| Effect of change of currency exchange rate on cash held | -39 | 135 |
| Other income/ payment from operative activities | 14 | -18 |
| **Cash from operating activities** | 9 042 | 12 592 |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | -11 818 | -6 408 |
| Proceeds from non-current assets | 0 | 4 |
| Investment/ dividents in/from daughter companies | 0 | 587 |
| Other | 0 | 162 |
| **Cash from investing activities** | -11 818 | -5 655 |
| **Cash flows from financing activities** | | |
| Loans received | 5 602 | 9 635 |
| Repayment of borrowings | -1 139 | -20 450 |
| Payment of finance lease liabilities | 0 | 0 |
| Interest for investment credits paid | -248 | -351 |
| Transactions costs | | |
| Other financing activities - dividends paid | -1161 | -1417 |
| **Cash from financing activities** | 3 054 | -12 583 |
| Net increase in cash and cash equivalents | 278 | -5 646 |
| Cash and cash equivalents at 1 January | 4282 | 9928 |
| **Cash and cash equivalents at the end of the period** | 4560 | 4282 |