

Explanatory notes to the Consolidated financial statement of Herti JSC **For the period 01.01-31.03.2023**

1. Important events, that took place in the period 01/01 – 31/03/2023

The year started very good with enough production orders and working organization. At the end of 2022 and the beginning of 2023 several new machines were put into production. On December 11th, Herti presented the GALP project for the innovative printing technology Printalab Led at a special informative event. The final report was sent on December 15th to the Norwegian Financial Mechanism. The second transfer with the final payment of the financing at the amount of 485 800 EUR was received by Herti on January 18th, 2023 and the sum was used to partially pay back of the investment loan to UBB bank.

At the end of January, Herti participated in the largest exhibition for wine and winemaking in the United States - Unified Symposium in Sacramento.

From 14th till 17th of February the company took part in the largest trade show for food and drinks in Norway UMAMI ARENA. Herti was part of the Bulgarian booth together with a delegation of 10 companies. The event was organized and sponsored by the Norwegian Bulgarian Business Group. Herti made a presentation at a special workshop attended by the Bulgarian Ambassador in Norway and the representatives of the Norwegian Financial Mechanism.

A Board of Directors meeting was held on 28th of February, where the board members approved the individual audited financial report of the company for 2022. The Board took a decision to participate with a project for building a Solar panel system in the factory in Pliska for financing by the European Recovery Funds. The Board of Directors decided to convene a regular general meeting of shareholders on 28.06.2023 and set the agenda. A decision was made to increase the limit for bank guarantees in Unicredit Bulbank to one million BGN and to extend the term of the revolving credit line in DSK Bank by 12 months starting from 08.03.2023.

The leading wine and spirits trade fair ProWein took place from March 19 to 21 in Düsseldorf, where Herti was one of the exhibitors on a joint stand with Closures group and presented its full range of products for both the alcohol and wine industries.

On 04/07/2023, the German-Bulgarian Chamber of Commerce held a special event dedicated to 5 years since the start of the Young Energy Europe (YEE) project in Bulgaria, at which the best teams, projects, mentors and companies were awarded. Herti received honors in all four categories through his Scout Team and Team Mentor for Most Active Company, Best Mentor and Interactive Project.

On April 26th, Herti received confirmation about the new project Greenpress, which will be partially financed by Innovation Norway and will be finished in the next 12 months.

2. Risk reduction and 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.

From the beginning of 2023 all suppliers of aluminum increased the conversion prices and this impacted directly the production costs. Prices of other raw materials like varnishes, inks and liners were also increased.

At the end of the reporting period there is a calm down of all prices and we expect that the second quarter will be better with stable prices of materials.

The situation with the supply chain is improving and this helps the company for better planning and forecasting of the necessary raw materials. The clients' orders could be produced on time without any delays.

The management monitors the situation on a daily basis and has identified certain stabilization measures, through the implementation of which it expects the negative financial consequences to be mitigated to the extent that they do not have a significant negative impact on future viability and the company's ability to continue operations.

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

For the period 01.01- 31.03.2023, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Timshel OOD	Rent	26
Raifen OOD	Transport services received	310
IGM Holding	Expenses	1

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

5. Responsibility of the Management

The management confirms that the Consolidated Financial Statement for the first quarter of 2023 gives a fair and complete view of the financial position of the company and all companies in the group and the risks it faces.

29 March 2023

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Consolidated Income statement**

For the first quarter of 2023

In thousands of BGN

	31.3.2023	31.3.2022
Revenue	23 792	21 985
Other income	311	1 537
Carrying amount of materials and goods sold	-649	-77
Increase/(decrease) of inventories of finished goods and work in progress	1 711	204
Capitalised expenses		
Expenses for materials	-13 637	-14 310
Hired services	-1 505	-1 508
Depreciation and amortisation	-1 257	-942
Personnel expenses	-5 429	-5 078
Other operating expenses	-246	-129
Finance expenses	-172	-82
Share of profit/loss in associated companies	0	16
Profit before tax	2 919	1 616
Income tax expense/income/		
Profit /Loss for the period	2 919	1 616
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	2 919	1 616

HERTI JSC**Consolidated Balance sheet**

As at 31 March 2023

In thousands of BGN

	31.3.2023	31.12.2022
Assets		
Property, plant and equipment	25 039	25 627
Intangible assets	111	125
Investments	3	3
Assets connected with deferred taxes	12	12
Total non-current assets	25 165	25 767
Related parties receivables	2	0
Inventories	14 773	13 899
Trade and other receivables	14 206	13 629
Cash and cash equivalents	8 142	4 926
Total current assets	37 123	32 454
Total assets	62 288	58 221
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 216	1 216
Retained earnings	13 569	10 651
Total Equity	26 828	23 910
Liabilities		
Interest bearing loans and finance lease	14 620	11 014
Deferred tax liabilities	613	613
Other (earned income)	661	661
Financing	2 063	1 246
Total non- current liabilities	17 957	13 534
Related party payables	155	168
Interest bearing loans and finance lease	2 664	7 482
Trade and other payables	14 149	12 591
Financing	535	536
Total current liabilities	17 503	20 777
Total liabilities	35 460	34 311
Total equity and liabilities	62 288	58 221

HERTI JSC**Change in equity - consolidated**

For the period ended 31 March 2023

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2023	12 014	29	834	382	10 651	23 910
Translations of financial statements of foreign companies					-1	-1
Revaluation of investments in associates						0
Other transactions for the period						0
Dividends paid						0
Current net profit/loss	-	-			2919	2919
Effect from differed tax liabilities						0
Balance at 31 March 2023	12 014	29	834	382	13 569	26 828

HERTI JSC
consolidated Cash flow
For the first quarter of 2023
In thousands of BGN

	31.3.2023	31.3.2022
Cash flows from operating activities		
Cash receipts from customers	26 435	27 460
Cash paid to suppliers	-16 027	-20 879
Net cash flow for salaries and wages of personnel	-4 727	-3 690
Other payments from operating activities	-1021	-1499
Income taxes paid /received	-244	-105
Cash from operating activities	4 416	1 287
Cash flows from investing activities		
Acquisition of property, plant and equipment	-804	-1 249
Proceeds from non-current assets		0
Other proceeds/ payments from investment activities	950	641
Cash from investing activities	146	-608
Cash flows from financing activities		
Loans received	497	935
Repayment of borrowings	-1 712	-470
Other financial payments/received		
Payment of finance lease liabilities	0	-16
Interest paid	-131	-65
Other financial payments, dividends		
Cash from financing activities	-1 346	384
Net increase in cash and cash equivalents	3 216	1 063
Cash and cash equivalents at 1 January	4926	2352
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	8 142	3415