

Explanatory notes to the consolidated financial statement of Herti JSC
For the period 01.01-30.09.2023

1. Important events, that took place in the period 01/01 – 30/09/2023

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. Herty received honors in all four categories through his Scout Team and Team Mentor for Most Active Company, Best Mentor and Interactive Project.

Herty becomes a partner and supports the project Fast Heroes 112 initiated by the "HEART TO HEART FOR BULGARIA" foundation. FAST HEROES 112 is a health education program where children ages 6 to 9 and their families will be taught how to recognize the symptoms of a stroke and how to act properly in an emergency if a loved one is at risk.

At the end of April, Herti received approval for another winning project funded by the Norwegian Financial Mechanism - Greenpress - for the purchase of a sheet press and die, which will lead to a reduction in energy costs and technological waste, as well as an increase in capacity. The contract with the Norwegian Financial Mechanism was signed on 19/05/2023. The project is worth 401,100 euros and will be completed by the end of April 2024. On the occasion of Herti's 30th anniversary, the company launched a social project-initiative for the restoration of the sports field in the town of Pliska. The project is worth 45 thousand

euros and will be completed in about 2 months. The project is financially supported by the company's partners.

In connection with Children's Day and the upcoming Herti holiday, an open day for the children of Herti was organized on June 3rd. For the second time, all our workers were given the opportunity to show their children the factory, how caps are made and what they work on. The winners of the organized drawing competition on the theme "Mom / dads work in Herti" were honored and awarded.

On June 27 and 29, the 30th anniversary of the company was celebrated with customers, suppliers and partners, as well as with all the company's employees.

On 28.06.2023, a regular general meeting of the shareholders of Herti AD was held. At it, a new auditor for 2023 was elected - the company "Svrakov and Milev" OOD, and a decision was made to distribute a dividend.

For the period 17-19 July 2023, Herti successfully passed the BRC Audit and gained again the Highest grade, A in High Hygiene.

Herti was part of the 20th annual ADI Craft Spirits Conference & Expo, held on August 23-24, 2023, at the Mirage in Las Vegas, Nevada. For a second year Herti had its own booth showing different screw caps and closures for spirits.

On 11.10.2023., the renovated sports play ground in the town of Pliska was officially opened. The renovation of the site was announced as Herti's social project in connection with the celebration of the company's 30th anniversary and was supported by its partners.

In the period 01.11-03.11.2023 Herti successfully passed an audit for ISO 14001 and ISO 45001. The issuing of the first certificate is in process.

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 fourth 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- 30.09.2023, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
Timshel OOD	Rent	78
Raifen OOD	Transport services received	819
IGM	Expenses	5

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 third quarter of 2023 gives a fair and complete view of the financial position of the company and the risks it faces.

Chief Executive Officer:

Zahari Zahariev

15 November 2023

HERTI JSC
Consolidated Income statement

For the third quarter of 2023

In thousands of BGN

	30.9.2023	30.9.2022
Revenue	60 694	67 240
Other income	934	3 998
Carrying amount of materials and goods sold	-134	-73
Increase/(decrease) of inventories of finished goods and work in progress	269	1 096
Capitalised expenses		
Expenses for materials	-31 989	-44 092
Hired services	-4 519	-5 995
Depreciation and amortisation	-3 691	-2 911
Personnel expenses	-13 718	-12 348
Other operating expenses	-665	-337
Finance expenses	-387	-33
Share of profit/loss in associated companies	0	3
Profit before tax	6 794	6 548
Income tax expense/income/		
Profit /Loss for the period	6 794	6 548
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	6 794	6 548

HERTI JSC
Consolidated Balance sheet

As at 30 September 2023

In thousands of BGN

	30.9.2023	31.12.2022
Assets		
Property, plant and equipment	23 555	25 627
Intangible assets	83	125
Investments	3	3
Assets connected with deferred taxes	0	12
Total non-current assets	23 641	25 767
Related parties receivables	4	0
Inventories	13 584	13 899
Trade and other receivables	11 194	13 629
Cash and cash equivalents	10 502	4 926
Total current assets	35 284	32 454
Total assets	58 925	58 221
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 737	1 216
Retained earnings	16 035	10 651
Total Equity	29 815	23 910
Liabilities		
Interest bearing loans and finance lease	9 633	11 014
Deferred tax liabilities	601	613
Other (earned income)	661	661
Financing	1 797	1 246
Total non- current liabilities	12 692	13 534
Related party payables	187	168
Interest bearing loans and finance lease	6 557	7 482
Trade and other payables	9 140	12 591
Financing	534	536
Total current liabilities	16 418	20 777
Total liabilities	29 110	34 311
Total equity and liabilities	58 925	58 221

HERTI JSC**Change in equity - consolidated**

For the period ended 30 September 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					12	12
Revaluation of investments in associates						0
Other transactions for the period			521		-521	0
Dividends paid					-901	-901
Current net profit/loss	-	-			6794	6794
Effect from differred tax liabilities						0
Balance at 30 September 2023	12 014	29	1355	382	16 035	29 815

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

	30.9.2023	30.9.2022
Cash flows from operating activities		
Cash receipts from customers	70 150	74 057
Cash paid to suppliers	-42 328	-54 019
Net cash flow for salaries and wages of personnel	-13 702	-11 840
Other payments from operating activities	-2985	-1553
Income taxes paid /received	-1413	-650
Cash from operating activities	9 722	5 995
Cash flows from investing activities		
Acquisition of property, plant and equipment	-1 487	-4 648
Proceeds from non-current assets	18	385
Other proceeds/ payments from investment activities	945	751
Cash from investing activities	-524	-3 512
Cash flows from financing activities		
Loans received	790	3 181
Repayment of borrowings	-3 096	-1 572
Other financial payments/received		
Payment of finance lease liabilities	0	-47
Interest paid	-415	-211
Other financial payments, dividends	-901	-481
Cash from financing activities	-3 622	870
Net increase in cash and cash equivalents	5 576	3 353
Cash and cash equivalents at 1 January	4926	3490
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	10 502	6843