

Explanatory notes to the consolidated financial statement of Herti JSC
For the period 01.01-30.09.2024

1. Important events, that took place in the period 01/01 – 30/09/2024

During the period the company and all subsidiaries has been working normally. The tendency for lower demand continues, but there are enough orders and positive signals.

At the end of April 2023, Herti received approval for the "GREENPRESS" project for the purchase of a sheet press and a die with the financial support of the Norwegian Financial Mechanism 2014-2021, in the frame of the "Business Development, Innovation and SMEs", Bulgaria. The introduction of innovative technologies aim to reduce the consumption of energy and the carbon emissions of the production of "Herti". The installed Automatic sheet feed press and Pressure cutting machine have a total value of 401,100.00 euros, and the grant represents 49.86% of the eligible costs of the project. The activities of the project are in line with the Environmental Protection Policy of the company, as well as with the goals of introducing more green production models. The project was completed in February 2024, and the final report was submitted. The grant for financing in the amount of 200,000 euros was received in March 2024.

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

A Board of Directors meeting was held on 29th of February, where the board members approved the individual audited financial report of the company for 2023. The Board of Directors decided to convene a regular general meeting of shareholders on 27.06.2024 and set the agenda. A decision was made to extend the term of the revolving credit line in DSK Bank by 12 months.

The leading wine and spirits trade fair ProWein took place from March 10 to 12 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 April 16, 2024, a workshop organized by the Norwegian Financial Mechanism took place at the Millennium Sofia Hotel, in which Herti took part.

The seminar provided an opportunity to exchange good practices, challenges and lessons learned from the implementation of the Program for Business Development, Innovation and SMEs in Bulgaria. Also included were sessions on the fundamental principles of applying AI to business activities, ESG reporting (environmental, social, governance), stress management, and hands-on communication and publicity training.

Herti has two projects, implemented with the support of the Norwegian Financial Mechanism 2014-2021 within the framework of the "Business Development, Innovations and SMEs in Bulgaria" program. The total value of the grant being 1 million euros.

On 06/03/24, Herti was recertified with the highest A+ level of the BRC/IOP version 6 standard after successfully passing an unannounced audit. Herti applies the requirements of the Global Standard for Packaging and Packaging Materials since 2010. The BRC standard is a guarantee for the hygiene and safety of Herti products.

This year, Herti joined a different and interesting initiative on the occasion of Children's Day - June 1. In the city garden of Shumen, a Science, Technology and Arts Fair was organized with workshops on interests, in which children of our employees participated.

Herti also supported the Assembly of Talented Children, held on 16.06.24 in the town of Pliska.

On 27.06.2024, a Board of Directors' meeting and the General Meeting of Shareholders of Herti was held. The Board of Directors decided to apply for an investment loan from Unicredit Bulbank up to BGN 11 million for the construction of a new production building. A new Environmental Policy and Supplier Conduct Rules were also adopted. The general meeting of shareholders decided to distribute a dividend from the profit for 2023.

At the beginning of July, the periodic Survey of the energy efficiency of Herti's industrial system was carried out by an independent external organization. The achieved results of introduced measures to increase energy efficiency for the period 2019-2023 were reported, as well as measures and goals for the next 4 years were identified.

As a result of the investments made for the past 4 years, a reduction in the used primary energy has been achieved, as the saving is 5160, 937 MWh for 2023 compared to 2019. The emissions saved in 2023 compared to 2019 are 1017.62 tons of CO₂, and the energy consumption per unit output is reduced from 0.0052 kWh/ pc. at 0.0045 kWh/ pc.

Measures and investments for the next few years in the amount of BGN 6 million have been identified, the implementation of which is expected to achieve annual energy savings in the amount of 1048.65 MWh and saved emissions in the amount of 235.6 tons of CO₂ per year.

In connection with the set goals for reducing energy costs and using green energy, from 01.07.2024 Herti concluded a contract for the supply of 100% green energy from solar, wind and water plants, for which it will receive a guarantee of origin from the Agency for sustainable energy development.

At the beginning of September, on the territory of the production base in the town of Pliska, the construction of a new production building with a built-up area of 6 thousand square meters began.

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.

At the end of 2023, stabilization of the prices of the main raw materials for our products was observed. From the beginning of 2024 all aluminum suppliers adjusted prices downwards, which reflected in a decrease of direct production costs. Herti also took action to reduce selling prices to its customers.

At the end of the reporting period a trend of a slight increase in the prices of basic materials began, which will be reflected in the last quarter of 2024. Our expectations are that there will be a slight increase in prices.

The observed supply chain improvement at the end of 2023, which in turn improves the planning and forecasting of the supply of raw materials, was hampered by the outbreak of military conflict in the Middle East. This led to disruptions in the supply chain, which in turn sent sea freight rates soaring. At the moment, deliveries are rhythmic, but the deadline has almost doubled. All this leads to an increase in production costs. The good liquidity of Herti, gives an opportunity to maintain larger stocks of raw materials and to avoid disruption of the production process, giving the possibility for Herti AD to normally fulfill the orders requested by customers.

The management monitors the situation on a daily basis and has identified certain stabilization measures to mitigate the negative financial impact.

3. Information on transactions between the Company and related parties

For the period 01.01- 30.09.2024, 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	714
IGM	Expenses	55

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 2024 gives a fair and complete view of the financial position of the companies in the group and the risks it faces.

Chief Executive Officer:

24 October 2024

Zahari Zahariev

HERTI JSC
Consolidated Income statement

For the third quarter of 2024

In thousands of BGN

	30.9.2024	30.9.2023
Revenue	58 077	60 694
Other income	765	934
Carrying amount of materials and goods sold	-55	-134
Increase/(decrease) of inventories of finished goods and work in progress	-1 192	269
Capitalised expenses		
Expenses for materials	-27 591	-31 989
Hired services	-5 273	-4 519
Depreciation and amortisation	-3 635	-3 691
Personnel expenses	-14 209	-13 718
Other operating expenses	-300	-665
Finance expenses	-256	-387
Share of profit/loss in associated companies	0	0
Profit before tax	6 331	6 794
Income tax expense/income/	-85	
Profit /Loss for the period	6 246	6 794
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	6 246	6 794

HERTI JSC
Consolidated Balance sheet
As at 30 September 2024

In thousands of BGN

	30.9.2024	31.12.2023
Assets		
Property, plant and equipment	21 743	22 674
Intangible assets	27	69
Investments	3	3
Assets connected with deferred taxes	0	18
Total non-current assets	21 773	22 764
Related parties receivables	4	0
Inventories	12 696	13 825
Trade and other receivables	12 038	9 209
Cash and cash equivalents	12 934	11 348
Total current assets	37 672	34 382
Total assets	59 445	57 146
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 770	1 737
Retained earnings	20 437	15 668
Total Equity	34 250	29 448
Liabilities		
Interest bearing loans and finance lease	6 553	5 580
Deferred tax liabilities	565	565
Other (earned income)	553	571
Financing	1 543	1 893
Total non- current liabilities	9 214	8 609
Related party payables	134	140
Interest bearing loans and finance lease	5 099	10 045
Trade and other payables	10 149	8 370
Financing	599	534
Total current liabilities	15 981	19 089
Total liabilities	25 195	27 698
Total equity and liabilities	59 445	57 146

HERTI JSC**Change in equity - consolidated**

For the period ended 30 September 2024

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2024	12 014	29	1355	382	15 668	29 448
Translations of financial statements of foreign companies					22	22
Revaluation of investments in associates						0
Other transactions for the period			33		-33	0
Dividends paid					-1 466	-1 466
Current net profit/loss	-	-			6246	6246
Effect from differred tax liabilities						0
Balance at 30 September 2024	12 014	29	1388	382	20 437	34 250

HERTI JSC
consolidated Cash flow
For the third quarter of 2024
In thousands of BGN

	30.9.2024	30.9.2023
Cash flows from operating activities		
Cash receipts from customers	18 068	26 435
Cash paid to suppliers	-9 223	-16 027
Net cash flow for salaries and wages of personnel	-4 487	-4 727
Other payments from operating activities	-956	-1021
Income taxes paid /received	-303	-244
Cash from operating activities	3 099	4 416
Cash flows from investing activities		
Acquisition of property, plant and equipment	-668	-804
Proceeds from non-current assets	0	0
Other proceeds/ payments from investment activities	162	950
Cash from investing activities	-506	146
Cash flows from financing activities		
Loans received	6 160	497
Repayment of borrowings	-6 175	-1 712
Other financial payments/received		
Payment of finance lease liabilities	0	0
Interest paid	-117	-131
Other financial payments, dividends	0	0
Cash from financing activities	-132	-1 346
Net increase in cash and cash equivalents	2 461	3 216
Cash and cash equivalents at 1 January	11 348	4 926
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	13 809	8 142