

## **Explanatory notes to the consolidated financial statement of Herti JSC** **For the period 01.01-31.03.2024**

### **1. Important events, that took place in the period 01/01 – 31/03/2024**

In the first quarter of 2024, the company is operating normally. The tendency for a lower production is maintained, but there are orders and positive signals for development.

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 29<sup>th</sup> 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.

Herti took part in a bilateral workshop, organized by Innovation Norway took place on 16 April 2024 in Sofia at [Hotel Millennium Sofia](#).

The workshop gave opportunity to exchange best practices, challenges, and lessons learned from the implementation of the Business Development Innovation and SMEs Programme in Bulgaria. In addition, there were sessions on the main principles of applying AI in the business activities, ESG reporting (Environmental, Social, Governance), stress management and a practical training on communication and publicity.

"Herti" has completed two projects, implemented with the grant 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.

## 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 second 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 the transactions between the Company and related parties

For the period 01.01- 31.03.2024, the Company has realized the following transactions with related parties:

<b>Related party</b>	<b>Transaction</b>	<b>Amount (in thousand BGN)</b>
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Timshel OOD	Rent	26
Raifen OOD	Transport services received	276
IGM	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 2024 gives a fair and complete view of the financial position of the company and the risks it faces.

23 April 2024

**Chief Executive Officer:**

Zahari Zahariev

**HERTI JSC**  
**Consolidated Income statement**

For the first quarter of 2024

*In thousands of BGN*

	31.3.2024	31.3.2023
Revenue	17 949	23 792
Other income	309	311
Carrying amount of materials and goods sold	-51	-649
Increase/(decrease) of inventories of finished goods and work in progress	365	1 711
Capitalised expenses		
Expenses for materials	-9 203	-13 637
Hired services	-1 644	-1 505
Depreciation and amortisation	-1 202	-1 257
Personnel expenses	-4 700	-5 429
Other operating expenses	-60	-246
Finance expenses	-46	-172
Share of profit/loss in associated companies	0	0
<b>Profit before tax</b>	<b>1 717</b>	<b>2 919</b>
<b>Income tax expense/income/</b>	<b>-23</b>	
<b>Profit /Loss for the period</b>	<b>1 694</b>	<b>2 919</b>
<b>Transitions of financial statements of foreign companies</b>		
<b>Revaluation of investments in foreign associates</b>		
<b>Total comprehensive income for the period</b>	<b>1 694</b>	<b>2 919</b>

**HERTI JSC**  
**Consolidated Balance sheet**

As at 31 March 2024

*In thousands of BGN*

	31.3.2024	31.12.2023
<b>Assets</b>		
Property, plant and equipment	22 243	22 674
Intangible assets	55	69
Investments	3	3
Assets connected with deferred taxes	18	18
<b>Total non-current assets</b>	<b>22 319</b>	<b>22 764</b>
Related parties receivables	2	0
Inventories	12 833	13 825
Trade and other receivables	11 361	9 209
Cash and cash equivalents	13 809	11 348
<b>Total current assets</b>	<b>38 005</b>	<b>34 382</b>
<b>Total assets</b>	<b>60 324</b>	<b>57 146</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 765	1 737
Retained earnings	17 324	15 668
<b>Total Equity</b>	<b>31 132</b>	<b>29 448</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	9 067	5 580
Deferred tax liabilities	565	565
Other ( earned income)	571	571
Financing	1 850	1 893
<b>Total non- current liabilities</b>	<b>12 053</b>	<b>8 609</b>
Related party payables	149	140
Interest bearing loans and finance lease	6 552	10 045
Trade and other payables	9 840	8 370
Financing	598	534
<b>Total current liabilities</b>	<b>17 139</b>	<b>19 089</b>
<b>Total liabilities</b>	<b>29 192</b>	<b>27 698</b>
<b>Total equity and liabilities</b>	<b>60 324</b>	<b>57 146</b>

**HERTI JSC****Change in equity - consolidated**

For the period ended 31 March 2024

*In thousands of BGN*

	<b>Authorised Capital</b>	<b>Premium of issued capital</b>	<b>Compulsory reserves</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at 1 January 2024	12 014	29	1355	382	15 668	29 448
Translations of financial statements of foreign companies					-10	-10
Revaluation of investments in associates						0
Other transactions for the period			28		-28	0
Dividends paid					0	0
Current net profit/loss	-	-			1694	1694
Effect from deferred tax liabilities						0
Balance at 31 March 2024	12 014	29	1383	382	17 324	31 132

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

	31.3.2024	31.3.2023
<b>Cash flows from operating activities</b>		
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
<b>Cash from operating activities</b>	<b>3 099</b>	<b>4 416</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-668	-804
Proceeds from non-current assets	0	0
Other proceeds/ payments from investment activities	162	950
<b>Cash from investing activities</b>	<b>-506</b>	<b>146</b>
<b>Cash flows from financing activities</b>		
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
<b>Cash from financing activities</b>	<b>-132</b>	<b>-1 346</b>
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		
<b>Cash and cash equivalents at the end of the period</b>	<b>13 809</b>	<b>8 142</b>