

# Consolidated Explanatory notes to the financial statement of Herti JSC

For the period 01.01-31.03.2021

## 1. Important events, that took place in the period 01/01 – 31/03/2021

In order to protect the life and health of Bulgarian citizens from the threat of COVID-19 in the whole world, the Government announced a State of emergency in the whole country from March 13<sup>th</sup> 2020. The management of Herti immediately took all precautionary measures and placed a contingency plan for our staff, as well as for ensuring uninterrupted service of our customers. The company responsible for the cleaning of the production premises should use special disinfectant to clean all handles and water taps minimum 3 times per sheet. Additionally to the usual standard thorough washing of hands all employees should use many times special hand disinfectant from the devices installed in every production and working area. We have changed the organization of movement in the factory in a way that does not allow crossing the paths of different shifts and carry out full disinfection of the production and sanitary premises between the shifts. We have secured protective masks for all workers. Business trips and visits as well as regular operative meetings are cancelled and communication is made on-line. Part of the administration is working from home. Whenever possible, people use their own vehicles to go to work to avoid travelling with public transport.

From the middle of October some additional precautionary measures were taken to answer the increased COVID 19 cases in the country and in the factory. All employees who have even mild symptoms are tested with PCR tests and stay at home. Nobody with a positive test can go back to work. All these measures are made to protect the staff and ensure the supply chain of products.

The first 3 months of this year show decrease in sales compared to the same periods of last year. Herti applied for the financial support by the Government 60/40 for one of these months and was approved.

Due to the restrictions of COVID 19 pandemic, the recertification procedure for BRC/IOP standard was held as a discussion to prolong the certificate for another 6 months. According to the situation after that period an on-line or on-site audit will be conducted.

Since the beginning of this year Herti put into action a new CTP machine, which removes an extra step from the process by eliminating the need for films used to transfer images to a printing plate. CTP reduces quality errors which often occur with films such as scratches and underexposure/overexposure. In addition it improves quality and reduces not only the time for production but also the costs of used films, related chemicals, transport and produces far less waste.

Several more optimizations were made in the production process to put machines in a line which helps to shorten the production time and decrease costs.

For the first time the 2021 Unified&Grape Symposium was held virtual at the end of January. Herti took part in the event and intends to join other on-line trade shows. The virtual events cannot replace the live ones, but still they give chance for the company to get publicity and present its products before potential and existing customers.

Since January Herti started a campaign for organizing and financing the process of donating reconvalescent plasma for treating patients with Corona Virus disease in the Hospital of Shumen.

Herti embraced the idea of SOS children's settlements and supported financially young people from Central Bulgaria to start their self dependent life. This year again Herti is going to be a partner of UNICEF and support their causes.

## 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.

The measures took from the Government in relation with the State of emergency which apply to all persons and companies, could possibly lead to decreased sales and income and as a sequence lack of cash flow. Since January most of the raw materials have increased prices which may lead to other measures for decreasing expenditure. The management is implemented certain stabilizing measures to soften the negative impact of the corona virus crisis and let the company continue its functioning and serving clients in the best way possible

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

For the period 01.01- 31.03.2021, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
<b>Sales</b>		
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
<b>Purchases</b>		
Timshel OOD	Rent	20
Raifen OOD	Transport services received	266

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 2021 gives a fair and complete view of the financial position of the company and the risks it faces.

27 May 2021

**Chief Executive Officer:**

Zahari Zahariev

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

For the first quarter of 2021

*In thousands of BGN*

	<b>31.3.2021</b>	<b>31.3.2020</b>
Revenue	11 516	12 401
Other income	69	95
Carrying amount of materials and goods sold	35	-97
Increase/(decrease) of inventories of finished goods and work in progress	-8	203
Capitalised expenses		
Expenses for materials	-6 376	-7 868
Hired services	-930	-796
Depreciation and amortisation	-920	-783
Personnel expenses	-3 077	-2 637
Other operating expenses	-71	-89
Finance expenses	39	-57
Share of profit/loss in associated companies	-1	1
<b>Profit before tax</b>	<b>276</b>	<b>373</b>
<b>Income tax expense/income/</b>		
<b>Profit /Loss for the period</b>	<b>276</b>	<b>373</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>276</b>	<b>373</b>

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

As at 31 March 2021

*In thousands of BGN*

	31.3.2021	31.12.2020
<b>Assets</b>		
Property, plant and equipment	23 870	24 470
Intangible assets	52	53
Investments	199	111
Assets connected with deferred taxes		
<b>Total non-current assets</b>	<b>24 121</b>	<b>24 634</b>
Related parties receivables	827	630
Inventories	7 765	7 763
Trade and other receivables	8 350	7 167
Cash and cash equivalents	3 622	3 490
<b>Total current assets</b>	<b>20 564</b>	<b>19 050</b>
<b>Total assets</b>	<b>44 685</b>	<b>43 684</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	955	955
Retained earnings	4 074	3 792
<b>Total Equity</b>	<b>17 072</b>	<b>16 790</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	7 159	7 488
Deferred tax liabilities	795	795
Other ( earned income)	439	464
Financing	1 352	1 403
<b>Total non- current liabilities</b>	<b>9 745</b>	<b>10 150</b>
Related party payables	421	394
Interest bearing loans and finance lease	9 143	9 290
Trade and other payables	8 100	6 856
Financing	204	204
<b>Total current liabilities</b>	<b>17 868</b>	<b>16 744</b>
<b>Total liabilities</b>	<b>27 613</b>	<b>26 894</b>
<b>Total equity and liabilities</b>	<b>44 685</b>	<b>43 684</b>

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

For the period ended 31 March 2021

*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 2021	12 014	29	573	382	3 792	16 790
Translations of financial statements of foreign companies						0
Revaluation of investments in associates					6	6
Other transactions for the period						0
Deffered taxes effect						0
Current net profit/loss	-	-			276	276
Balance at 31 March 2021	12 014	29	573	382	4 074	17 072

**HERTI JSC**  
**consolidated Cash flow**  
For the first quarter of 2021  
*In thousands of BGN*

	31.3.2021	31.3.2020
<b>Cash flows from operating activities</b>		
Cash receipts from customers	13 834	13 276
Cash paid to suppliers	-8 939	-9 502
Net cash flow for salaries and wages of personnel	-3 094	-3 013
Other payments from operating activities	46	8
Income taxes paid /received	-691	-56
<b>Cash from operating activities</b>	<b>1 156</b>	<b>713</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-445	-799
Proceeds from non-current assets	0	0
Other proceeds/ payments from investment activities	-26	19
<b>Cash from investing activities</b>	<b>-471</b>	<b>-780</b>
<b>Cash flows from financing activities</b>		
Loans received	98	620
Repayment of borrowings	-574	-494
Other financial payments/received		
Payment of finance lease liabilities	-15	-15
Interest paid	-62	-75
Other financial payments	0	0
<b>Cash from financing activities</b>	<b>-553</b>	<b>36</b>
Net increase in cash and cash equivalents	132	-31
Cash and cash equivalents at 1 January	3490	1749
Effect of change of currency exchange rate		
<b>Cash and cash equivalents at the end of the period</b>	<b>3 622</b>	<b>1718</b>