

Explanatory notes to the 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 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.

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:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	742
Herti UK	Sales of product	3 683
Herti France	Sales of product	2 181
Herti Germany	Sales of products	2 200
Herti US	Sales of products	270
TIHERT JSC	Services sales	25
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
TIHERT JSC	Purchase of spare parts and materials	1
Timshel OOD	Rent	26
Raifen OOD	Transport services received	267
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 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.

Chief Executive Officer:

16 April 2024

Zahari Zahariev

HERTI JSC**Income statement**

For the first quarter of 2024

In thousands of BGN

	31.3.2024	31.3.2023
Revenue	17 355	23 108
Other income (including financing)	236	288
Carrying amount of materials and goods sold	-3	-5
Increase/(decrease) of inventories of finished goods and work in progress	-135	636
Capitalised expenses	0	0
Expenses for materials	-8 988	-13 471
Hired services	-1 268	-1 360
Depreciation and amortisation	-1 200	-1 222
Personnel expenses	-4 272	-4 998
Other operating expenses	-58	-246
Finance income	664	0
Finance expenses	-118	-170
Profit before tax	2 213	2 560
Income tax expense		
Profit for the period	2 213	2 560

HERTI JSC**Balance sheet**

As at 31 March 2024

In thousands of BGN

	31.3.2024	31.12.2023
Assets		
Property, plant and equipment	23 185	23 714
Intangible assets	55	69
Investments	486	486
Total non-current assets	23 726	24 269
Related parties receivables	6 284	4 996
Inventories	10 385	12 069
Trade and other receivables	4 994	3 362
Cash and cash equivalents	12 628	9 928
Total current assets	34 291	30 355
Total assets	58 017	54 624
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 664	1 664
Retained earnings	16 738	14 525
Total Equity	30 445	28 232
Liabilities		
Interest bearing loans and finance lease	9 067	5 580
Deferred tax liabilities	565	565
Other non-current liabilities	527	527
Financing	1 833	1 876
Total non-current liabilities	11 992	8 548
Related party payables	146	136
Interest bearing loans and finance lease	6 543	10 045
Taxes payable	487	347
Trade and other payables	7 808	6 785
Financing	596	531
Total current liabilities	15 580	17 844
Total liabilities	27 572	26 392
Total equity and liabilities	58 017	54 624

HERTI JSC**Change in equity**

For the period ended 31 March 2024

In thousands of BGN

	Authorised Capital	Premium of issued capital	Reserves	Additional Reserves	Retained Earnings	Total
Balance at 1 January 2024	12 014	29	1282	382	14525	28 232
Transform of retained earnings- nondistributed						
Dividends paid						
Current net profit/loss					2213	2 213
Effect from deffered taxes						
Other						
Balance at 31 March 2024	12 014	29	1282	382	16738	30 445

HERTI JSC**Cash flow**

For the first quarter of 2024

In thousands of BGN

	01.01-31.03.2024	01.01.-31.03.2023
Cash flows from operating activities		
Cash receipts from customers	15 641	23 775
Cash paid to suppliers	-9 021	-15 358
Net cash flow for salaries and wages of personnel	-4 102	-4 334
Income taxes paid /received(excluding profit tax)	194	280
Profit tax	0	0
Interest for short term credits and bank taxes paid	-8	-38
Effect of change of currency exchange rate on cash held	39	0
Other income/ payment from operative activities	2	3
Cash from operating activities	2 745	4 328
Cash flows from investing activities		
Acquisition of property, plant and equipment	-662	-804
Proceeds from non-current assets	0	0
Dividends in/from daughter companies	587	0
Investment	0	0
Other	162	950
Cash from investing activities	87	146
Cash flows from financing activities		
Loans received	6 160	497
Repayment of borrowings	-6 175	-1 712
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-117	-131
Transactions costs		
Other financing activities - dividends paid	0	0
Cash from financing activities	-132	-1 346
Net increase in cash and cash equivalents	2 700	3 128
Cash and cash equivalents at 1 January	9928	4105
Cash and cash equivalents at the end of the period	12628	7233