

Explanatory notes to the 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 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.

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 produces 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 t he 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)
Herti Group International	Sales of product	1 939
Herti UK	Sales of product	9 019

Herti France	Sales of product	8 851
Herti Germany	Sales of products	6 659
Herti US	Sales of products	835
TIHERT JSC	Services sales	82
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
TIHERT JSC	Purchase of spare parts and materials	7
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 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

17 October 2023

HERTI JSC**Income statement**

For the third quarter of 2023

In thousands of BGN

	30.9.2023	30.9.2022
Revenue	57 515	65 911
Other income (including financing)	778	2 470
Carrying amount of materials and goods sold	-13	-29
Increase/(decrease) of inventories of finished goods and work in progress	167	623
Capitalised expenses	0	0
Expenses for materials	-31 400	-43 605
Hired services	-3 965	-5 318
Depreciation and amortisation	-3 696	-2 837
Personnel expenses	-12 494	-11 400
Other operating expenses	-661	-338
Finance income	80	195
Finance expenses	-500	-291
Profit before tax	5 811	5 381
Income tax expense		
Profit for the period	5 811	5 381

HERTI JSC**Balance sheet**

As at 30 September 2023

In thousands of BGN

	30.9.2023	31.12.2022
Assets		
Property, plant and equipment	24 628	26 688
Intangible assets	83	125
Investments	486	486
Total non-current assets	25 197	27 299
Related parties receivables	5 947	6 430
Inventories	11 764	12 293
Trade and other receivables	4 742	6 444
Cash and cash equivalents	8 749	4 105
Total current assets	31 202	29 272
Total assets	56 399	56 571
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 664	1 143
Retained earnings	14 967	10 578
Total Equity	28 674	23 764
Liabilities		
Interest bearing loans and finance lease	9 633	11 014
Deferred tax liabilities	698	698
Other non-current liabilities	618	618
Financing	1 778	1 227
Total non-current liabilities	12 727	13 557
Related party payables	183	170
Interest bearing loans and finance lease	6 557	7 482
Taxes payable	562	906
Trade and other payables	7 163	10 159
Financing	533	533
Total current liabilities	14 998	19 250
Total liabilities	27 725	32 807
Total equity and liabilities	56 399	56 571

HERTI JSC**Change in equity**

For the period ended 30 September 2023

In thousands of BGN

	Authorised Capital	Premium of issued capital	Reserves	Additional Reserves	Retained Earnings	Total
Balance at 1 January 2022	12 014	29	761	382	10578	23 764
Transform of retained earnings- nondistributed	-					0
Current net profit/loss						0
Other						0
Balance at 31 December 2022	12 014	29	761	382	10578	23 764
Balance at 1 January 2023	12 014	29	761	382	10578	23 764
Transform of retained earnings- nondistributed	-			521	-521	0
Dividends paid					-901	-901
Current net profit/loss					5811	5 811
Effect from deffered taxes						0
Other						0
Balance at 30 September 2023	12 014	29	761	903	14967	28 674

HERTI JSC**Cash flow**

For the third quarter of 2023

In thousands of BGN

	01.01-30.09.2023	01.01.-30.09.2022
Cash flows from operating activities		
Cash receipts from customers	63 045	67 805
Cash paid to suppliers	-41 778	-52 169
Net cash flow for salaries and wages of personnel	-12 643	-11 154
Income taxes paid /received(excluding profit tax)	422	1 342
Profit tax	-443	-121
Interest for short term credits and bank taxes paid	-83	-89
Effect of change of currency exchange rate on cash held	73	108
Other income/ payment from operative activities	174	-92
Cash from operating activities	8 767	5 630
Cash flows from investing activities		
Acquisition of property, plant and equipment	-1 464	-4 620
Proceeds from non-current assets	18	0
Dividends in/from daughter companies	0	10
Investment	0	-49
Other	945	751
Cash from investing activities	-501	-3 908
Cash flows from financing activities		
Loans received	790	3 316
Repayment of borrowings	-3 096	-1 572
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-415	-209
Transactions costs		
Other financing activities - dividends paid	-901	-481
Cash from financing activities	-3 622	1 054
Net increase in cash and cash equivalents	4 644	2 776
Cash and cash equivalents at 1 January	4105	1792
Cash and cash equivalents at the end of the period	8749	4568