

## **Explanatory notes to the financial statement of Herti JSC**

### **For the period 01.01-31.03.2023**

#### **1. Important events, that took place in the period 01/01 – 31/03/2023**

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 11<sup>th</sup>, Herti presented the GALP project for the innovative printing technology Printalab Led at a special informative event. The final report was sent on December 15<sup>th</sup> 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 18<sup>th</sup>, 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 14<sup>th</sup> till 17<sup>th</sup> 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 28<sup>th</sup> 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. Herti received honors in all four categories through his Scout Team and Team Mentor for Most Active Company, Best Mentor and Interactive Project.

#### **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 second 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 produced 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 the transactions between the Company and related parties**

For the period 01.01- 31.03.2023, the Company has realized the following transactions with related parties:

<b>Related party</b>	<b>Transaction</b>	<b>Amount (in thousand BGN)</b>
Herti Group International	Sales of product	541
Herti UK	Sales of product	2 451
Herti France	Sales of product	4 490
Herti Germany	Sales of products	3 409
Herti US	Sales of products	289
TIHERT JSC	Services sales	28
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
TIHERT JSC	Purchase of spare parts and materials	7
Timshel OOD	Rent	26
Raifen OOD	Transport services received	31
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 2023 gives a fair and complete view of the financial position of the company and the risks it faces.

**Chief Executive Officer:**

Zahari Zahariev

26 April 2023

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

For the first quarter of 2022

*In thousands of BGN*

	31.3.2023	31.3.2022
Revenue	23 108	21 523
Other income (including financing)	288	1 584
Carrying amount of materials and goods sold	-5	-7
Increase/(decrease) of inventories of finished goods and work in progress	636	-328
Capitalised expenses	0	0
Expenses for materials	-13 471	-14 154
Hired services	-1 360	-1 388
Depreciation and amortisation	-1 222	-913
Personnel expenses	-4 998	-4 784
Other operating expenses	-246	-133
Finance income	0	10
Finance expenses	-170	-91
<b>Profit before tax</b>	<b>2 560</b>	<b>1 319</b>
<b>Income tax expense</b>		
<b>Profit for the period</b>	<b>2 560</b>	<b>1 319</b>

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

As at 31 March 2023

*In thousands of BGN*

	31.3.2023	31.12.2022
<b>Assets</b>		
Property, plant and equipment	26 224	26 688
Intangible assets	111	125
Investments	486	486
Long term receivables		
<b>Total non-current assets</b>	<b>26 821</b>	<b>27 299</b>
Related parties receivables	7 578	6 430
Inventories	12 418	12 293
Trade and other receivables	6 105	6 444
Cash and cash equivalents	7 233	4 105
<b>Total current assets</b>	<b>33 334</b>	<b>29 272</b>
<b>Total assets</b>	<b>60 155</b>	<b>56 571</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 143	1 143
Retained earnings	13 138	10 578
<b>Total Equity</b>	<b>26 324</b>	<b>23 764</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	14 620	11 014
Deferred tax liabilities	698	698
Other non- current liabilities	618	618
Financing	2 044	1 227
<b>Total non- current liabilities</b>	<b>17 980</b>	<b>13 557</b>
Related party payables	151	170
Interest bearing loans and finance lease	2 661	7 482
Taxes payable	1 037	906
Trade and other payables	11 469	10 159
Financing	533	533
<b>Total current liabilities</b>	<b>15 851</b>	<b>19 250</b>
<b>Total liabilities</b>	<b>33 831</b>	<b>32 807</b>
<b>Total equity and liabilities</b>	<b>60 155</b>	<b>56 571</b>

**HERTI JSC****Change in equity**

For the period ended 31 March 2023

*In thousands of BGN*

	<b>Authorised Capital</b>	<b>Premium of issued capital</b>	<b>Reserves</b>	<b>Additional Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
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	-					0
Dividends paid					2560	2560
Current net profit/loss						0
Effect from deffered taxes						0
Other						0
Balance at 31 March 2023	12 014	29	761	382	13138	26 324

**HERTI JSC****Cash flow**

For the first quarter of 2023

*In thousands of BGN*

	01.01-31.03.2023	01.01.-31.03.2022
<b>Cash flows from operating activities</b>		
Cash receipts from customers	23 775	20 000
Cash paid to suppliers	-15 358	-16 273
Net cash flow for salaries and wages of personnel	-4 334	-3 306
Income taxes paid /received(excluding profit tax)	280	264
Profit tax	0	0
Interest for short term credits and bank taxes paid	-38	-27
Effect of change of currency exchange rate on cash held	0	29
Other income/ payment from operative activities	3	93
<b>Cash from operating activities</b>	<b>4 328</b>	<b>780</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-804	-1 247
Proceeds from non-current assets	0	0
Investment/ dividends in/from daughter companies	0	0
Other	950	615
<b>Cash from investing activities</b>	<b>146</b>	<b>-632</b>
<b>Cash flows from financing activities</b>		
Loans received	497	961
Repayment of borrowings	-1 712	-470
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-131	-65
Transactions costs		
Other financing activities - dividends paid	0	
<b>Cash from financing activities</b>	<b>-1 346</b>	<b>426</b>
Net increase in cash and cash equivalents	3 128	574
Cash and cash equivalents at 1 January	4105	1792
<b>Cash and cash equivalents at the end of the period</b>	<b>7233</b>	<b>2366</b>