

## **Explanatory notes to the Consolidated financial statement of Herti JSC** **For the period 01.01-31.12.2022**

### **1. Important events, that took place in the period 01/01 – 31/12/2022**

Herti continued to follow all precautionary measures against COVID 19 to protect our staff, as well as for ensuring uninterrupted service of our customers. Since the beginning of April 2022 all employees returned for work in the office and workers in Pliska started to use the free Business Transport instead their vehicles. Wearing masks in the working areas is recommended and nobody with a positive test can go back to work.

From the beginning of January Herti signed an agreement with Financial Market Service Ltd to meet the legal obligations for information disclosure through the information platform X3 News. X3 News also allows publication of other non-regulated information, advertisements, PR messages, etc.

At the end of December, the first interim report on the GALP project was submitted to the Norwegian Financial Mechanism. The first tranche of the financing in the amount of EUR 314,290 was received on February 28, 2022.

At the end of January, Herti participated in the largest exhibition for wine and winemaking in the United States - Unified Symposium in Sacramento. The exhibition was held live after a two-year break.

A Board of Directors meeting was held in February. A decision was made to apply for an investment loan from DSK Bank in the amount of EUR 800,000 for the purchase of new rolling and lining machines and a rotary press. The agenda and the date for convening a regular General Meeting of Shareholders were also determined.

This year Herti will support again UNICEF by joining the Benefactor Company program. After two year interruption due to COVID crisis the international Trade fair Prowein was held live in Dusseldorf from 15 to 17 of May 2022. Herti had a booth and presented its full production range.

At the end of June the Board of Directors of Herti decided to increase the limit for bank guarantees and custom clearance in Unicredit Bulbank from 200 to 600 thousand BGN due to the increased prices and quantities of raw materials and aluminum.

A General meeting of the shareholders was held on June 28<sup>th</sup> where a decision for payment of dividends for 2021 was taken. The payment of dividends started on 22.08.2022 through UBB.

In July Herti passed the annual recertification for the BRC/IOP standard with the highest degree "A".

In August the final payment for the equipment for the GALP project was made and till the end of the same month the machines were delivered. At the end of September the equipment was assembled and tested. During October the training of employees was completed and the Industry.4 part of the project was implemented by the partners together with Herti's experts. On December 11<sup>th</sup>, Herti presented the equipment and the project at a special informative event. The final report was send 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.

In September Herti participated in two international trade shows: Drinktec 2022 in Munich, Germany and ADI 2022 in Saint Loius USA.

On October 26th, at the International Mavrud Day, the Sales Director of Herti France, Mrs Valentina Dimova, presented the theme "Bottling and aging of red wines sealed with aluminum screw caps". The International Mavrud day is an annual event, initiated by the Bulgarian Association of Wine Professionals to promote Bulgarian wine and wine tourism among foreign and local consumers.

At the beginning of November Herti joined the campaign “A safety belt for children at the back seat of the car”. The campaign aims to educate small pupils about the safe way of travelling by car.

From 15<sup>th</sup> to 18<sup>th</sup> of November Herti presented its product portfolio at the international trade show SIMEI in Milan, Italy and at the end of November took part in another international wine fair SITEVI in Bordeaux, France.

## **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.

There is a cool down in the markets about the sufficiency and terms of delivery of materials. Yet there is still a volatility in prices and uncertainty for a long-term periods. The prices of main raw materials are still contracted for a quarter. The prices of energy resources stay at a high level.

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- 31.12.2022, 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	2
Raifen OOD	Service sales	2
Timshel OOD	Rent	104
Raifen OOD	Transport services received	1 272

## **4. There are no new considerable and important receivables or payables arisen for the period.**

The present consolidated report reflects the acquisition of 51% of the subsidiary company Herti Group Romania at the end of September and this company is consolidated as 100% owned by Herti AD according to the IFRS.

## **5. Responsibility of the Management**

The management confirms that the Consolidated Financial Statement for the fourth quarter of 2022 gives a fair and complete view of the financial position of the company and the risks it faces.

**Chief Executive Officer:**

27 February 2023

Zahari Zahariev

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

For the fourth quarter of 2022

*In thousands of BGN*

	31.12.2022	31.12.2021
Revenue	93 791	57 499
Other income	2 566	498
Carrying amount of materials and goods sold	-846	-416
Increase/(decrease) of inventories of finished goods and work in progress	-885	1 712
Capitalised expenses		
Expenses for materials	-56 838	-35 639
Hired services	-7 912	-5 384
Depreciation and amortisation	-4 048	-3 708
Personnel expenses	-17 666	-12 337
Other operating expenses	-617	-298
Finance expenses	-361	-163
Share of profit/loss in associated companies	0	15
<b>Profit before tax</b>	<b>7 184</b>	<b>1 779</b>
<b>Income tax expense/income/</b>	<b>-276</b>	<b>-238</b>
<b>Profit /Loss for the period</b>	<b>6 908</b>	<b>1 541</b>
<b>Transitions of financial statements of foreign companies</b>		31
<b>Revaluation of investments in foreign associates</b>		
<b>Total comprehensive income for the period</b>	<b>6 908</b>	<b>1 572</b>

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

As at 31 December 2022

*In thousands of BGN*

	31.12.2022	31.12.2021
<b>Assets</b>		
Property, plant and equipment	25 553	24 203
Intangible assets	198	41
Investments	3	124
Assets connected with deferred taxes		
<b>Total non-current assets</b>	<b>25 754</b>	<b>24 368</b>
Related parties receivables	0	829
Inventories	13 915	11 279
Trade and other receivables	14 112	10 517
Cash and cash equivalents	4 926	2 352
<b>Total current assets</b>	<b>32 953</b>	<b>24 977</b>
<b>Total assets</b>	<b>58 707</b>	<b>49 345</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 216	1 069
Retained earnings	11 303	5 184
<b>Total Equity</b>	<b>24 562</b>	<b>18 296</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	11 014	11 025
Deferred tax liabilities	745	756
Other ( earned income)	661	513
Financing	1 246	1 221
<b>Total non- current liabilities</b>	<b>13 666</b>	<b>13 515</b>
Related party payables	163	370
Interest bearing loans and finance lease	7 482	5 991
Trade and other payables	12 298	10 969
Financing	536	204
<b>Total current liabilities</b>	<b>20 479</b>	<b>17 534</b>
<b>Total liabilities</b>	<b>34 145</b>	<b>31 049</b>
<b>Total equity and liabilities</b>	<b>58 707</b>	<b>49 345</b>

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

For the period ended 31 December 2022

*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 2022	12 014	29	563	446	5 244	18 296
Translations of financial statements of foreign companies			5		34	39
Revaluation of investments in associates			3			3
Other transactions for the period			139		-263	-124
Dividends paid					-481	-481
Current net profit/loss	-	-			6908	6908
Effect from differred tax liabilities					-79	-79
Balance at 31 December 2022	12 014	29	710	446	11 363	24 562

**HERTI JSC**  
**consolidated Cash flow**  
For the fourth quarter of 2022  
*In thousands of BGN*

	31.12.2022	31.12.2021
<b>Cash flows from operating activities</b>		
Cash receipts from customers	93 049	61 929
Cash paid to suppliers	-66 787	-45 584
Net cash flow for salaries and wages of personnel	-16 821	-12 345
Other payments from operating activities	-1779	-1555
Income taxes paid /received	-1274	-146
<b>Cash from operating activities</b>	<b>6 388</b>	<b>2 299</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-5 594	-3 393
Proceeds from non-current assets	642	0
Other proceeds/ payments from investment activities	653	0
<b>Cash from investing activities</b>	<b>-4 299</b>	<b>-3 393</b>
<b>Cash flows from financing activities</b>		
Loans received	3 573	2 163
Repayment of borrowings	-2 228	-1 927
Other financial payments/received		
Payment of finance lease liabilities	-64	-62
Interest paid	-315	-257
Other financial payments, dividends	-481	39
<b>Cash from financing activities</b>	<b>485</b>	<b>-44</b>
Net increase in cash and cash equivalents	2 574	-1138
Cash and cash equivalents at 1 January	2352	3490
Effect of change of currency exchange rate		
<b>Cash and cash equivalents at the end of the period</b>	<b>4 926</b>	<b>2352</b>