

Consolidated Explanatory notes to the financial statement of Herti JSC
For the period 01.01-30.09.2022

1. Important events, that took place in the period 01/01 – 30/09/2022

Herti continued to follow all precautionary measures against COVID 19 to protect our staff, as well as for ensuring uninterrupted service of our customers. Most of the communications were made on-line. Part of the administration was working from home. Whenever possible, people used their own vehicles to go to work to avoid travelling with public transport. Since the beginning of April 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 400 thousand BGN due to the increased prices and quantities of raw materials and aluminum.

A General meeting of the shareholders was held on June 28th where a decision for payment of dividends for 2021 was taken. The dividends will be paid 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 finished with the partners in October and November. On November 10th, 2022 a presentation of the project GALP Greener Aluminum Cap was held at the production base of "Herti" AD. More than 20 participants - representatives of local and regional media, trade partners, employees of the company - learned more about "Herti" AD and the specific goals and results of the project. Industry 4.0 developed together with the Norwegian project partner ICB Digital AS was also presented. In addition, the working equipment was demonstrated by employees of "Herti" AD. The value of the entire project is EUR 1,703,540, with the grant amount of EUR 800,000 representing 46.96% of the eligible costs of the project.

The deadline for reporting the project is 15.12.2022.

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

From November 15 to 18, 2022, Herti took part with its stand in the SIMEI International Winemaking and Bottling Equipment Exhibition in Milan.

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 2021 Herti feels the increase of raw material prices and in the third quarter the price of aluminum was 60% higher. Other raw materials also had increased prices as well as the gas and energy costs and also the transport and Logistic expenses. There is a delay in the supply chain and we suffer from delayed materials and production equipment connected with new investments. The prices for aluminium were negotiated for the first quarter and were higher than the last quarter of 2021 and in lower quantities. At the end of march new higher prices for the aluminium were agreed for the second quarter of 2022 and we expect to have more stability in the second half of the year. At this moment we have the necessary quantities of materials to ensure the production program of the company.

Price adjustments to customers have also been made. In connection with the war in Ukraine and the sanctions imposed by the EU against Russia, it is possible that gas supplies will be disrupted. The management is working on an option for an alternative supply of propane butane, so as not to disrupt the production process. 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- 30.09.2022, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	3 167
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
Timshel OOD	Rent	78
Raifen OOD	Transport services received	961

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 third quarter of 2022 gives a fair and complete view of the financial position of the company and the risks it faces.

Chief Executive Officer:

28 of November 2022

Zahari Zahariev

HERTI JSC
Consolidated Income statement

For the third quarter of 2022

In thousands of BGN

	30.9.2022	30.9.2021
Revenue	69 158	41 333
Other income	2 080	166
Carrying amount of materials and goods sold	-73	-99
Increase/(decrease) of inventories of finished goods and work in progress	1 096	148
Capitalised expenses		
Expenses for materials	-44 092	-24 398
Hired services	-5 995	-3 790
Depreciation and amortisation	-2 911	-2 778
Personnel expenses	-12 348	-9 060
Other operating expenses	-337	-279
Finance expenses	-33	-147
Share of profit/loss in associated companies	0	3
Profit before tax	6 545	1 099
Income tax expense/income/		
Profit /Loss for the period	6 545	1 099
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	6 545	1 099

HERTI JSC
Consolidated Balance sheet

As at 30 September 2022

In thousands of BGN

	30.9.2022	31.12.2021
Assets		
Property, plant and equipment	26 032	24 203
Intangible assets	107	41
Investments	3	124
Assets connected with deferred taxes		
Total non-current assets	26 142	24 368
Related parties receivables	6	829
Inventories	14 730	11 279
Trade and other receivables	14 712	10 517
Cash and cash equivalents	5 705	2 352
Total current assets	35 153	24 977
Total assets	61 295	49 345
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 216	1 069
Retained earnings	10 966	5 184
Total Equity	24 225	18 296
Liabilities		
Interest bearing loans and finance lease	12 246	11 025
Deferred tax liabilities	751	756
Other (earned income)	513	513
Financing	1 679	1 221
Total non- current liabilities	15 189	13 515
Related party payables	277	370
Interest bearing loans and finance lease	6 513	5 991
Trade and other payables	14 884	10 969
Financing	207	204
Total current liabilities	21 881	17 534
Total liabilities	37 070	31 049
Total equity and liabilities	61 295	49 345

HERTI JSC**Change in equity - consolidated**

For the period ended 30 September 2022

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2022	12 014	29	563	446	5 244	18 296
Translations of financial statements of foreign companies						0
Revaluation of investments in associates			8		-19	-11
Other transactions for the period			139		-263	-124
Dividends paid					-481	-481
Current net profit/loss	-	-			6545	6545
Balance at 30 September 2022	12 014	29	710	446	11 026	24 225

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

	30.9.2022	30.9.2021
Cash flows from operating activities		
Cash receipts from customers	74 057	40 078
Cash paid to suppliers	-54 019	-28 765
Net cash flow for salaries and wages of personnel	-11 840	-8 932
Other payments from operating activities	-102	-59
Income taxes paid /received	-2101	-901
Cash from operating activities	5 995	1 421
Cash flows from investing activities		
Acquisition of property, plant and equipment	-4 648	-2 733
Proceeds from non-current assets	385	0
Other proceeds/ payments from investment activities	751	0
Cash from investing activities	-3 512	-2 733
Cash flows from financing activities		
Loans received	3 181	1 847
Repayment of borrowings	-1 572	-1 467
Other financial payments/received		
Payment of finance lease liabilities	-47	-46
Interest paid	-211	-193
Other financial payments, dividends	-481	39
Cash from financing activities	870	180
Net increase in cash and cash equivalents	3 353	-1132
Cash and cash equivalents at 1 January	2352	3490
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	5 705	2358