

**Consolidated Explanatory notes to the financial statement of Herti JSC**  
**For the period 01.01-31.03.2022**

**1. Important events, that took place in the period 01/01 – 31/03/2022**

During the first three months 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.

**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- 31.03.2022, 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	1 015
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
Timshel OOD	Rent	26
Raifen OOD	Transport services received	286

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 Consolidated Financial Statement for the first quarter of 2022 gives a fair and complete view of the financial position of the company and the risks it faces.

**Chief Executive Officer:**

Zahari Zahariev

27 of May 2022

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

For the first quarter of 2022

*In thousands of BGN*

	31.3.2022	31.3.2021
Revenue	23 256	11 534
Other income	266	51
Carrying amount of materials and goods sold	-77	35
Increase/(decrease) of inventories of finished goods and work in progress	204	-8
Capitalised expenses		
Expenses for materials	-14 310	-6 376
Hired services	-1 508	-930
Depreciation and amortisation	-942	-920
Personnel expenses	-5 078	-3 077
Other operating expenses	-129	-71
Finance expenses	-82	39
Share of profit/loss in associated companies	16	-1
<b>Profit before tax</b>	<b>1 616</b>	<b>276</b>
<b>Income tax expense/income/</b>		
<b>Profit /Loss for the period</b>	<b>1 616</b>	<b>276</b>
<b>Transitions of financial statements of foreign companies</b>		
<b>Revaluation of investments in foreign associates</b>		
<b>Total comprehensive income for the period</b>	<b>1 616</b>	<b>276</b>

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

As at 31 March 2022

*In thousands of BGN*

	31.3.2022	31.12.2021
<b>Assets</b>		
Property, plant and equipment	24 468	24 203
Intangible assets	38	41
Investments	139	124
Assets connected with deferred taxes	1	
<b>Total non-current assets</b>	<b>24 646</b>	<b>24 368</b>
Related parties receivables	977	829
Inventories	12 930	11 279
Trade and other receivables	12 723	10 517
Cash and cash equivalents	3 415	2 352
<b>Total current assets</b>	<b>30 045</b>	<b>24 977</b>
<b>Total assets</b>	<b>54 691</b>	<b>49 345</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	1 069	1 069
Retained earnings	6 831	5 184
<b>Total Equity</b>	<b>19 943</b>	<b>18 296</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	11 121	11 025
Deferred tax liabilities	756	756
Other ( earned income)	513	513
Financing	1 786	1 224
<b>Total non- current liabilities</b>	<b>14 176</b>	<b>13 518</b>
Related party payables	399	370
Interest bearing loans and finance lease	6 386	5 991
Trade and other payables	13 583	10 966
Financing	204	204
<b>Total current liabilities</b>	<b>20 572</b>	<b>17 531</b>
<b>Total liabilities</b>	<b>34 748</b>	<b>31 049</b>
<b>Total equity and liabilities</b>	<b>54 691</b>	<b>49 345</b>

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

For the period ended 31 March 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	687	382	5 184	18 296
Translations of financial statements of foreign companies						0
Revaluation of investments in associates					17	17
Other transactions for the period						0
Deffered taxes effect						0
Current net profit/loss	-	-			1616	1616
Balance at 31 March 2022	<u>12 014</u>	<u>29</u>	<u>687</u>	<u>382</u>	<u>6 817</u>	<u>19 929</u>

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

	31.3.2022	31.3.2021
<b>Cash flows from operating activities</b>		
Cash receipts from customers	27 460	13 834
Cash paid to suppliers	-20 879	-8 939
Net cash flow for salaries and wages of personnel	-3 690	-3 094
Other payments from operating activities	72	46
Income taxes paid /received	-1676	-691
<b>Cash from operating activities</b>	<b>1 287</b>	<b>1 156</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-1 249	-445
Proceeds from non-current assets	0	0
Other proceeds/ payments from investment activities	641	-26
<b>Cash from investing activities</b>	<b>-608</b>	<b>-471</b>
<b>Cash flows from financing activities</b>		
Loans received	935	98
Repayment of borrowings	-470	-574
Other financial payments/received		
Payment of finance lease liabilities	-16	-15
Interest paid	-65	-62
Other financial payments		
<b>Cash from financing activities</b>	<b>384</b>	<b>-553</b>
Net increase in cash and cash equivalents	1 063	132
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>3 415</b>	<b>3622</b>