

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:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	1 015
Herti UK	Sales of product	2 882
Herti France	Sales of product	3 466
Herti Germany	Sales of products	2 239
Herti US	Sales of products	257
TIHERT JSC	Services sales	37
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
TIHERT JSC	Purchase of spare parts	97
TIHERT JSC	Fixed assets manufacturing	87
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 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

28 of April 2022

HERTI JSC**Income statement**

For the first quarter of 2022

In thousands of BGN

	31.3.2022	31.3.2021
Revenue	22 842	11 667
Other income	265	51
Carrying amount of materials and goods sold	-7	-41
Increase/(decrease) of inventories of finished goods and work in progress	-328	41
Capitalised expenses	0	0
Expenses for materials	-14 154	-6 884
Hired services	-1 388	-957
Depreciation and amortisation	-913	-895
Personnel expenses	-4 784	-2 679
Other operating expenses	-133	-71
Finance income	10	131
Finance expenses	-91	-90
Profit before tax	1 319	273
Income tax expense		
Profit for the period	1 319	273

HERTI JSC**Balance sheet**

As at 31 March 2022

In thousands of BGN

	31.3.2022	31.12.2021
Assets		
Property, plant and equipment	25 145	24 782
Intangible assets	38	41
Investments	389	389
Long term receivables	0	0
Total non-current assets	25 572	25 212
Related parties receivables	7 807	6 405
Inventories	10 922	9 979
Trade and other receivables	7 422	5 564
Cash and cash equivalents	2 366	1 792
Total current assets	28 517	23 740
Total assets	54 089	48 952
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 004	1 004
Retained earnings	7 375	6 056
Total Equity	20 422	19 103
Liabilities		
Interest bearing loans and finance lease	11 121	11 025
Deferred tax liabilities	828	828
Other non- current liabilities	471	471
Financing	1 762	1 199
Total non- current liabilities	14 182	13 523
Related party payables	427	376
Interest bearing loans and finance lease	6 386	5 991
Taxes payable	288	197
Trade and other payables	12 180	9 558
Financing	204	204
Total current liabilities	19 485	16 326
Total liabilities	33 667	29 849
Total equity and liabilities	54 089	48 952

HERTI JSC**Change in equity**

For the period ended 31 March 2022

In thousands of BGN

	Authorised Capital	Premium of issued capital	Reserves	Additional Reserves	Retained Earnings	Profit/loss	Total
Balance at 31 December 2021	12 014	29	622	382	6056		19 103
Balance at 1 January 2022	12 014	29	622	382	6056		19 103
Transform of retained earnings- nondistributed	-						0
Current net profit/loss						1319	1 319
Effect from deffered taxes							0
Other							0
Balance at 31 March 2022	12 014	29	622	382	6056	1319	20 422

HERTI JSC**Cash flow**

For the first quarter of 2022

In thousands of BGN

	01.01-31.03.2022	01.01.-31.03.2021
Cash flows from operating activities		
Cash receipts from customers	20 000	10 846
Cash paid to suppliers	-16 273	-7 077
Net cash flow for salaries and wages of personnel	-3 306	-2 583
Income taxes paid /received(excluding profit tax)	264	162
Profit tax		
Interest for short term credits and bank taxes paid	-27	-25
Effect of change of currency exchange rate on cash held	29	39
Other income/ payment from operative activities	93	39
Cash from operating activities	780	1 401
Cash flows from investing activities		
Acquisition of property, plant and equipment	-1 247	-445
Proceeds from non-current assets	0	0
Investment/ dividends in/from daughter companies	0	
Other	615	-26
Cash from investing activities	-632	-471
Cash flows from financing activities		
Loans received	961	98
Repayment of borrowings	-470	-574
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-65	-62
Transactions costs		
Other financing activities		
Cash from financing activities	426	-538
Net increase in cash and cash equivalents	574	392
Cash and cash equivalents at 1 January	1792	2838
Cash and cash equivalents at the end of the period	2366	3230