

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 will be completed and the Industry.4 part of the project will be finished by the partners together with Herti's experts. The final report for the project will be presented to the Norwegian Financial Mechanism not later than December 15th 2022.

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

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
Herti UK	Sales of product	7 469
Herti France	Sales of product	10 853
Herti Germany	Sales of products	7 662
Herti US	Sales of products	1 092
TIHERT JSC	Services sales	118
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
TIHERT JSC	Purchase of spare parts and materials	540
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.

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:

25 of October 2022

Zahari Zahariev

HERTI JSC**Income statement**

For the third quarter of 2022

In thousands of BGN

	30.9.2022	30.9.2021
Revenue	65 916	38 604
Other income	2 465	365
Carrying amount of materials and goods sold	-29	-263
Increase/(decrease) of inventories of finished goods and work in progress	623	976
Capitalised expenses	0	0
Expenses for materials	-43 605	-24 083
Hired services	-5 318	-3 457
Depreciation and amortisation	-2 837	-2 689
Personnel expenses	-11 400	-8 224
Other operating expenses	-338	-277
Finance income	195	130
Finance expenses	-291	-277
Profit before tax	5 381	805
Income tax expense		
Profit for the period	5 381	805

HERTI JSC**Balance sheet**

As at 30 September 2022

In thousands of BGN

	30.9.2022	31.12.2021
Assets		
Property, plant and equipment	27 105	24 782
Intangible assets	32	41
Investments	486	389
Long term receivables		
Total non-current assets	27 623	25 212
Related parties receivables	8 435	6 405
Inventories	12 099	9 979
Trade and other receivables	6 946	5 564
Cash and cash equivalents	4 568	1 792
Total current assets	32 048	23 740
Total assets	59 671	48 952
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	1 143	1 004
Retained earnings	10 817	6 056
Total Equity	24 003	19 103
Liabilities		
Interest bearing loans and finance lease	12 246	11 025
Deferred tax liabilities	828	828
Other non- current liabilities	471	471
Financing	1 660	1 199
Total non- current liabilities	15 205	13 523
Related party payables	284	376
Interest bearing loans and finance lease	6 513	5 991
Taxes payable	600	576
Trade and other payables	12 862	9 179
Financing	204	204
Total current liabilities	20 463	16 326
Total liabilities	35 668	29 849
Total equity and liabilities	59 671	48 952

HERTI JSC**Change in equity**

For the period ended 30 September 2022

In thousands of BGN

	Authorised Capital	Premium of issued capital	Reserves	Additional Reserves	Retained Earnings	Profit/loss	Total
Balance at 1 January 2021	12 014	29	507	382	3709	1152	17 793
Transform of retained earnings- nondistributed	-		115		1037	-1152	0
Current net profit/loss					-83	1393	1 310
Other							0
Balance at 31 December 2021	12 014	29	622	382	4663	1393	19 103
Balance at 1 January 2022	12 014	29	622	382	4663	1393	19 103
Transform of retained earnings- nondistributed	-						0
Dividends paid					-481		-481
Current net profit/loss						5381	5 381
Effect from deffered taxes							0
Other			139		-139		0
Balance at 30 September 2022	12 014	29	761	382	4043	6774	24 003

HERTI JSC**Cash flow**

For the third quarter of 2022

In thousands of BGN

	01.01-30.09.2022	01.01.-30.09.2021
Cash flows from operating activities		
Cash receipts from customers	67 805	37 709
Cash paid to suppliers	-52 169	-29 073
Net cash flow for salaries and wages of personnel	-11 154	-7 981
Income taxes paid /received(excluding profit tax)	1 342	651
Profit tax	-121	-26
Interest for short term credits and bank taxes paid	-89	-75
Effect of change of currency exchange rate on cash held	108	83
Other income/ payment from operative activities	-92	-60
Cash from operating activities	5 630	1 228
Cash flows from investing activities		
Acquisition of property, plant and equipment	-4 620	-2 733
Proceeds from non-current assets	-49	0
Investment/ dividends in/from daughter companies	10	0
Other	751	-26
Cash from investing activities	-3 908	-2 759
Cash flows from financing activities		
Loans received	3 316	1 847
Repayment of borrowings	-1 572	-1 467
Payment of finance lease liabilities	0	0
Interest for investment credits paid	-209	-193
Transactions costs		
Other financing activities - dividends paid	-481	
Cash from financing activities	1 054	187
Net increase in cash and cash equivalents	2 776	-1 344
Cash and cash equivalents at 1 January	1792	2838
Cash and cash equivalents at the end of the period	4568	1494