

Explanatory notes to the Consolidated Financial Statement of Herti JSC

For the period 01.01-31.03.2018

1. Important events, that took place in the period 01/01 – 31/03/2018

On January 12th, 2018, Herti signed a contract with the Ministry of Labor and Social Policy and its fund “Labor conditions” to realize a project for improving the health and safety working conditions in the factory.

In March Herti successfully passed the recertification audit for BRC/IOP, obtaining the higher grade “A”.

In March Herti took part in the Career days in Varna and Ruse and in the Career forum in London.

For the period Herti attended several trade shows: Unified Wine&Grape Symposium in Sacramento, Vinaria in Plovdiv and Prowein in Dusseldorf.

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.

Having in mind the volatility of the prices of raw materials, specifically of aluminum, and the risk to the operating profit, the management works for increasing incomes and controls strictly the expenses and the cash flows and tries to optimize them.

3. Information on the transactions between the Company and related parties

For the period 01.01- 31.03.2018, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	511
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
IGM Holding	Expenses	1
Timshel OOD	Rent	20
Raifen OOD	Transport services	209

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 2018 gives a fair and complete view of the financial position of the group and the risks it faces.

28 May 2018

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Income statement**

For the first quarter of 2018

In thousands of BGN

	31.3.2018	31.3.2017
Revenue	9 482	9 117
Other income	785	922
Carrying amount of materials and goods sold	-1 054	-788
Increase/(decrease) of inventories of finished goods and work in progress	1 636	1 084
Capitalised expenses		
Expenses for materials	-6 380	-6 065
Hired services	-822	-787
Depreciation and amortisation	-656	-611
Personnel expenses	-2 379	-1 934
Other operating expenses	-235	-520
Finance expenses	-139	-146
Share of profit/loss in associated companies	3	3
Profit before tax	241	275
Income tax expense/income/		
Profit /Loss for the period	241	275
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	241	275

HERTI JSC**Balance sheet**

As at 31 March 2018

In thousands of BGN

	31.3.2018	31.12.2017
Assets		
Property, plant and equipment	25 701	25 421
Intangible assets	347	385
Investments	129	134
Total non-current assets	26 177	25 940
Related parties receivables	605	754
Inventories	7 260	7 047
Trade and other receivables	10 548	8 974
Cash and cash equivalents	315	987
Total current assets	18 728	17 762
Total assets	44 905	43 702
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	743	743
Retained earnings	1 923	1 682
Total Equity	14 709	14 468
Liabilities		
Interest bearing loans and finance lease	12 705	12 838
Deferred tax liabilities	786	786
Other (earned income)	495	523
Financing	1 938	1 998
Total non- current liabilities	15 924	16 145
Related party payables	234	222
Interest bearing loans and finance lease	5 819	5 568
Trade and other payables	7 980	7 060
Financing	239	239
Total current liabilities	14 272	13 089
Total liabilities	30 196	29 234
Total equity and liabilities	44 905	43 702

HERTI JSC**Change in equity**

For the period ended 31 March 2018

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2017	12 014	29	292	382	1 024	13 741
Total recognised income and expenses	-	-			727	727
Revaluation of investments in associates						0
Translations of financial statements of foreign companies						0
Translations of reserves			69		-69	0
Balance at 31 December 2017	12 014	29	361	382	1 682	14 468
Balance at 1 January 2018	12 014	29	361	382	1 682	14 468
Translations of financial statements of foreign companies					241	241
Revaluation of investments in associates						0
Other transactions for the period						0
Current net profit/loss	-	-				0
Balance at 31 March 2018	12 014	29	361	382	1 923	14 709

HERTI JSC**Cash flow**

For the first quarter of 2018

In thousands of BGN

	31.3.2018	31.3.2017
Cash flows from operating activities		
Cash receipts from customers	10 140	10 204
Cash paid to suppliers	-7 094	-7 247
Net cash flow for salaries and wages of personnel	-2 559	-2 104
Other payments from operating activities	-39	-32
Income taxes paid /received	-216	-184
Cash from operating activities	232	637
Cash flows from investing activities		
Acquisition of property, plant and equipment	-878	-898
Proceeds from non-current assets		
Other proceeds/ payments from investment activities	-6	
Cash from investing activities	-884	-898
Cash flows from financing activities		
Loans received	634	546
Repayment of borrowings	-481	-407
Other financial payments/received		
Payment of finance lease liabilities	-66	-73
Interest paid	-107	-94
Other financial payments	0	
Cash from financing activities	-20	-28
Net increase in cash and cash equivalents	-672	-289
Cash and cash equivalents at 1 January	987	746
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	315	457