

Explanatory notes to the 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 Carrer 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
Herti UK	Sales of product	797
Herti France	Sales of product	2 657
Herti Germany	Sales of products	919
TIHERT JSC	Services sales	30
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
IGM Holding	Expenses	1
Herti UK	Transport and commission services	6

TIHERT JSC	Purchase of spare parts	70
TIHERT JSC	Fixed assets manufacturing	313
TIHERT JSC	Maintaining services	65
Timshel OOD	Rent	20
Raifen OOD	Transport services received	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 financial statement for the first quarter of 2018 gives a fair and complete view of the financial position of the company and the risks it faces.

23 April 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	9 423	8 929
Other income	1 029	903
Carrying amount of materials and goods sold	-35	-159
Increase/(decrease) of inventories of finished goods and work in progress	-103	239
Capitalised expenses		
Expenses for materials	-6 387	-6 064
Hired services	-800	-817
Depreciation and amortisation	-638	-598
Personnel expenses	-1 981	-1 668
Other operating expenses	-229	-431
Finance income	7	0
Finance expenses	-134	-142
Profit before tax	152	192
Income tax expense		
Profit for the period	152	192

HERTI JSC**Balance sheet**

As at 31 March 2018

In thousands of BGN

	31.3.2018	31.12.2017
Assets		
Property, plant and equipment	25 735	25 268
Intangible assets	329	362
Investments	389	389
Related parties receivables	40	17
Total non-current assets	26 493	26 036
Related parties receivables	4 861	3 718
Inventories	6 209	6 313
Trade and other receivables	7 079	6 548
Cash and cash equivalents	132	609
Total current assets	18 281	17 188
Total assets	44 774	43 224
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	677	677
Retained earnings	2 719	2 567
Total Equity	15 439	15 287
Liabilities		
Interest bearing loans and finance lease	12 705	12 838
Deferred tax liabilities	861	861
Other non-current liabilities	253	265
Financing	1 938	1 998
Total non-current liabilities	15 757	15 962
Related party payables	572	388
Interest bearing loans and finance lease	5 819	5 568
Taxes payable	92	147
Trade and other payables	6 856	5 633
Financing	239	239
Total current liabilities	13 578	11 975
Total liabilities	29 335	27 937
Total equity and liabilities	44 774	43 224

HERTI JSC**Change in equity**

For the period ended 31 March 2018

In thousands of BGN

	Authorised Capital	Reserves	Additional Reserves	Premium of issued capital	Retained Earnings	Total
Balance at 1 January 2017	12 014	227	382	29	1 926	14 578
Current net profit/loss	-				709	709
Transform of liabilities to reserves						0
Other income		68			-68	
Balance at 31 December 2017	12 014	295	382	29	2 567	15 287
Balance at 1 January 2018	12 014	295	382	29	2 567	15 287
Current net profit/loss	-		-		152	152
Retained earnings						0
Other changes/ reserves						0
Balance at 31 March 2018	12 014	295	382	29	2 719	15 439

HERTI JSC**Cash flow**

For the first quarter of 2018

In thousands of BGN

	01.01-31.03.2018	01.01.-31.03.2017
Cash flows from operating activities		
Cash receipts from customers	9 006	8 791
Cash paid to suppliers	-6 540	-6 346
Net cash flow for salaries and wages of personnel	-2 145	-1 764
Income taxes paid /received	126	77
Other income/payments	-30	-26
Cash from operating activities	417	732
Cash flows from investing activities		
Acquisition of property, plant and equipment	-878	-898
Proceeds from non-current assets	10	
Other income/ payments from investment activity	-23	
Cash from investing activities	-891	-898
Cash flows from financing activities		
Loans received	634	546
Repayment of borrowings	-481	-407
Payment of finance lease liabilities	-51	-66
Interest paid	-105	-94
Transactions costs		
Cash from financing activities	-3	-21
Net increase in cash and cash equivalents	-477	-187
Cash and cash equivalents at 1 January	609	532
Effect of change of currency exchange rate on cash held		
Cash and cash equivalents at the end of the period	132	345