

Explanatory notes to the financial statement of Herti JSC

For the period 01.01-31.03.2019

1. Important events, that took place in the period 01/01 – 31/03/2019

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

In March Herti took part in the Carrer days in Varna and Ruse.

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

Herti participated in a large campaign for informing pupils in the primary school about the importance of wearing seat belts and sitting in special chairs at the back seats of the cars. Volunteers from the company made presentations before the children in classes and conferred on them the title “Inspectors on the seat belts”.

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- 31.03.2019, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	528
Herti UK	Sales of product	1 015
Herti France	Sales of product	2 382
Herti Germany	Sales of products	1 044
IGM Holding	Expenses	1
TIHERT JSC	Services sales	16
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1
TIHERT JSC	Purchase of spare parts	10

TIHERT JSC	Fixed assets manufacturing	158
TIHERT JSC	Maintaining services	90
Timshel OOD	Rent	20
Raifen OOD	Transport services received	208

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 2019 gives a fair and complete view of the financial position of the company and the risks it faces.

22 April 2019

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Income statement**

For the first quarter of 2019

In thousands of BGN

	31.3.2019	31.3.2018
Revenue	9 561	9 423
Other income	836	1 029
Carrying amount of materials and goods sold	-11	-35
Increase/(decrease) of inventories of finished goods and work in progress	70	-103
Capitalised expenses		
Expenses for materials	-6 547	-6 387
Hired services	-793	-800
Depreciation and amortisation	-736	-638
Personnel expenses	-2 080	-1 981
Other operating expenses	-89	-229
Finance income	60	7
Finance expenses	-114	-134
Profit before tax	157	152
Income tax expense		
Profit for the period	157	152

HERTI JSC**Balance sheet**

As at 31 March 2019

In thousands of BGN

	31.3.2019	31.12.2018
Assets		
Property, plant and equipment	25 167	25 636
Intangible assets	230	258
Investments	389	389
Long term receivables	112	112
Total non-current assets	25 898	26 395
Related parties receivables	5 284	3 555
Inventories	5 661	5 713
Trade and other receivables	6 848	6 298
Cash and cash equivalents	78	664
Total current assets	17 871	16 230
Total assets	43 769	42 625
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	747	747
Retained earnings	3 328	3 171
Total Equity	16 118	15 961
Liabilities		
Interest bearing loans and finance lease	11 537	12 003
Deferred tax liabilities	883	883
Other non-current liabilities	244	244
Financing	1 760	1 816
Total non-current liabilities	14 424	14 946
Related party payables	356	396
Interest bearing loans and finance lease	5 805	5 854
Taxes payable	298	405
Trade and other payables	6 527	4 817
Financing	241	246
Total current liabilities	13 227	11 718
Total liabilities	27 651	26 664
Total equity and liabilities	43 769	42 625

HERTI JSC**Change in equity**

For the period ended 31 March 2019

In thousands of BGN

	Authorised Capital	Reserves	Additional Reserves	Premium of issued capital	Retained Earnings	Total
Balance at 1 January 2018	12 014	295	382	29	2567	15 287
Current net profit/loss	-				682	682
Transform of retained earnings- nondistributed					-8	-8
Other income		70			-70	0
Balance at 31 December 2018	12 014	365	382	29	3171	15 961
Balance at 1 January 2019	12 014	365	382	29	3171	15 961
Current net profit/loss	-		-		157	157
Retained earnings						0
Other changes/ reserves						0
Balance at 31 March 2019	12 014	365	382	29	3328	16 118

HERTI JSC**Cash flow**

For the first quarter of 2019

In thousands of BGN

	01.01-31.03.2019	01.01.-31.03.2018
Cash flows from operating activities		
Cash receipts from customers	8 428	9 006
Cash paid to suppliers	-6 106	-6 540
Net cash flow for salaries and wages of personnel	-2 051	-2 145
Income taxes paid /received(excluding profit tax)	123	135
Profit tax	-4	-9
Interest for short term credits and bank taxes paid	-32	-35
Effect of change of currency exchange rate on cash held	11	5
Cash from operating activities	369	417
Cash flows from investing activities		
Acquisition of property, plant and equipment	-355	-878
Proceeds from non-current assets	0	10
Investment in daughter companies	0	0
Other investment activities	0	-23
Cash from investing activities	-355	-891
Cash flows from financing activities		
Loans received	0	634
Repayment of borrowings	-502	-481
Payment of finance lease liabilities	-13	-51
Interest for investment credits paid	-85	-105
Transactions costs	0	0
Other financing activities	0	0
Cash from financing activities	-600	-3
Net increase in cash and cash equivalents	-586	-477
Cash and cash equivalents at 1 January	664	609
Cash and cash equivalents at the end of the period	78	132