

## 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*

|   | <b>31.3.2019</b> | <b>31.3.2018</b> |
|---|------------------|------------------|
| 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             |
| <b>Profit before tax</b>  | <b>157</b>       | <b>152</b>       |
| <b>Income tax expense</b>   |                  |                  |
| <b>Profit for the period</b>  | <b>157</b>       | <b>152</b>       |

**HERTI JSC****Balance sheet**

As at 31 March 2019

*In thousands of BGN*

|  | 31.3.2019     | 31.12.2018    |
|--|---------------|---------------|
| <b>Assets</b>                            |               |               |
| Property, plant and equipment            | 25 167        | 25 636        |
| Intangible assets                        | 230           | 258           |
| Investments                              | 389           | 389           |
| Long term receivables                    | 112           | 112           |
| <b>Total non-current assets</b>          | <b>25 898</b> | <b>26 395</b> |
| 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           |
| <b>Total current assets</b>              | <b>17 871</b> | <b>16 230</b> |
| <b>Total assets</b>                      | <b>43 769</b> | <b>42 625</b> |
| <b>Equity</b>                            |               |               |
| Issued capital                           | 12 014        | 12 014        |
| Premium of issued capital                | 29            | 29            |
| Reserves                                 | 747           | 747           |
| Retained earnings                        | 3 328         | 3 171         |
| <b>Total Equity</b>                      | <b>16 118</b> | <b>15 961</b> |
| <b>Liabilities</b>                       |               |               |
| 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         |
| <b>Total non-current liabilities</b>     | <b>14 424</b> | <b>14 946</b> |
| 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           |
| <b>Total current liabilities</b>         | <b>13 227</b> | <b>11 718</b> |
| <b>Total liabilities</b>                 | <b>27 651</b> | <b>26 664</b> |
| <b>Total equity and liabilities</b>      | <b>43 769</b> | <b>42 625</b> |

**HERTI JSC****Change in equity**

For the period ended 31 March 2019

*In thousands of BGN*

|   | <b>Authorised<br/>Capital</b> | <b>Reserves</b> | <b>Additional<br/>Reserves</b> | <b>Premium of<br/>issued capital</b> | <b>Retained<br/>Earnings</b> | <b>Total</b> |
|---|-------------------------------|-----------------|--------------------------------|--------------------------------------|------------------------------|--------------|
| Balance at 1 January 2018                         | 12 014                        | 295             | 382                            | 29                                   | 2567                         | 15 287       |
| Current net profit/loss                           | -                             |                 |                                |                                      | 682                          | 682          |
| Transform of retained earnings-<br>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 |
|---|------------------|-------------------|
| <b>Cash flows from operating activities</b>               |                  |                   |
| 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                 |
| <b>Cash from operating activities</b>                     | <b>369</b>       | <b>417</b>        |
| <b>Cash flows from investing activities</b>               |                  |                   |
| 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               |
| <b>Cash from investing activities</b>                     | <b>-355</b>      | <b>-891</b>       |
| <b>Cash flows from financing activities</b>               |                  |                   |
| 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                 |
| <b>Cash from financing activities</b>                     | <b>-600</b>      | <b>-3</b>         |
| Net increase in cash and cash equivalents                 | -586             | -477              |
| Cash and cash equivalents at 1 January                    | 664              | 609               |
| <b>Cash and cash equivalents at the end of the period</b> | <b>78</b>        | <b>132</b>        |