

## **Explanatory notes to the financial statement of Herti JSC**

**For the period 01.01-31.12.2017**

### **1. Important events, that took place in the period 01/01 – 31/12/2017**

In January Herti took part in the exhibition Unified Wine&Grape Symposium in Sacramento California for the first time.

Traditionally Herti exhibited its products at the international trade show Vinaria (Plovdiv) in February and at the world trade show Prowein in Germany in March.

The regular participations in different exhibitions acknowledge the trade mark HL and attracts new customers.

In May Herti successfully passed the recertification audit for BRC/IOP, obtaining the higher grade "A".

Observing the rules of the standards and currently updating the certificates give confidence and trust to our existing customers and helps to attract new clients.

In May Herti applied for Financing from the European funds a program for Improving the Energy Efficiency in the Company.

Following its policy for organic growth Herti established a new daughter company Herti US in California.

A General meeting of the shareholders was held on June, 27<sup>th</sup> where no decision for dividends was taken.

In July Herti signed an investment loan contract with RBB for one million EUR for financing new production equipment.

An Extraordinary General Meeting of the shareholders was held on 21.09.2017 where a new Audit committee was elected.

On November 3<sup>rd</sup>, Herti registered its LEI code.

At the end of November Herti attended through its daughter companies three different exhibitions: SITEVI in France, Winegrowers fair in Germany and WIN Expo in California-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.

Having in mind the volatility of the prices of raw materials, specifically of the aluminium, 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- 31.12.2017, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	2 526
Herti UK	Sales of product	3 610
Herti France	Sales of product	6 577
Herti Germany	Sales of products	2 308
Herti US	Sales of products	139
TIHERT JSC	Services sales	110
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
IGM Holding	Expenses	4
Herti UK	Transport and commission services	25
Herti France	Expenses	2
Herti Germany	Commission services	3
Timshel OOD	Rent	78
TIHERT JSC	Purchase of spare parts	446
TIHERT JSC	Fixed assets manufacturing	715
TIHERT JSC	Maintaining services	248
Raifen OOD	Transport services received	713

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 fourth quarter of 2017 gives a fair and complete view of the financial position of the company and the risks it faces.

17 January 2017

**Chief Executive Officer:**

Zahari Zahariev

**HERTI JSC****Income statement**

For the fourth quarter of 2017

*In thousands of BGN*

	<b>31.12.2017</b>	<b>31.12.2016</b>
Revenue	37 022	32 838
Other income	4 217	3 488
Carrying amount of materials and goods sold	-585	-1 370
Increase/(decrease) of inventories of finished goods and work in progress	747	-205
Capitalised expenses		
Expenses for materials	-25 676	-20 773
Hired services	-3 029	-2 721
Depreciation and amortisation	-2 428	-2 244
Personnel expenses	-7 471	-6 160
Other operating expenses	-1 406	-1 289
Finance income	0	0
Finance expenses	-625	-833
<b>Profit before tax</b>	<b>766</b>	<b>731</b>
<b>Income tax expense</b>		<b>-53</b>
<b>Profit for the period</b>	<b>766</b>	<b>678</b>

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

As at 31 December 2017

*In thousands of BGN*

	31.12.2017	31.12.2016
<b>Assets</b>		
Property, plant and equipment	25 087	21 879
Intangible assets	362	480
Investments	389	336
Related parties receivables	17	
<b>Total non-current assets</b>	<b>25 855</b>	<b>22 695</b>
Related parties receivables	3 711	3 248
Inventories	6 315	5 829
Trade and other receivables	6 768	7 125
Cash and cash equivalents	614	532
<b>Total current assets</b>	<b>17 408</b>	<b>16 734</b>
<b>Total assets</b>	<b>43 263</b>	<b>39 429</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	677	609
Retained earnings	2 624	1 926
<b>Total Equity</b>	<b>15 344</b>	<b>14 578</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	9 088	10 514
Deferred tax liabilities	869	869
Other non-current liabilities	228	228
Financing	1 998	2 237
<b>Total non-current liabilities</b>	<b>12 183</b>	<b>13 848</b>
Related party payables	388	292
Interest bearing loans and finance lease	9 332	5 417
Taxes payable	138	121
Trade and other payables	5 639	4 934
Financing	239	239
<b>Total current liabilities</b>	<b>15 736</b>	<b>11 003</b>
<b>Total liabilities</b>	<b>27 919</b>	<b>24 851</b>
<b>Total equity and liabilities</b>	<b>43 263</b>	<b>39 429</b>

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

For the period ended 31 December 2017

*In thousands of BGN*

	<b>Authorised Capital</b>	<b>Reserves</b>	<b>Additional Reserves</b>	<b>Premium of issued capital</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at 1 January 2016	12 014	167	382	29	1 311	13 903
Current net profit/loss	-				678	678
Transform of liabilities to reserves		60			-63	-3
Other income						
Balance at 31 December 2016	12 014	227	382	29	1 926	14 578
Balance at 1 January 2017	12 014	227	382	29	1 926	14 578
Current net profit/loss	-		-		766	766
Retained earnings						0
Other changes/ reserves		68			-68	0
Balance at 31 December 2017	12 014	295	382	29	2 624	15 344

**HERTI JSC****Cash flow**

For the fourth quarter of 2017

*In thousands of BGN*

	01.01-31.12.2017	01.01.-31.12.2016
<b>Cash flows from operating activities</b>		
Cash receipts from customers	40 845	36 418
Cash paid to suppliers	-30 186	-27 770
Net cash flow for salaries and wages of personnel	-7 604	-6 224
Income taxes paid /received	1 144	1000
Other income/payments	-137	-253
<b>Cash from operating activities</b>	<b>4 062</b>	<b>3 171</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-6 010	-4 337
Proceeds from non-current assets	0	88
Investment in daughter companies	-53	0
Dividends from investments		43
Other income/ payments from investment activity	-17	
<b>Cash from investing activities</b>	<b>-6 080</b>	<b>-4 206</b>
<b>Cash flows from financing activities</b>		
Loans received	5 325	3 931
Repayment of borrowings	-2 623	-2 034
Payment of finance lease liabilities	-229	-280
Interest paid	-373	-353
Transactions costs		
<b>Cash from financing activities</b>	<b>2 100</b>	<b>1 264</b>
Net increase in cash and cash equivalents	82	229
Cash and cash equivalents at 1 January	532	303
Effect of change of currency exchange rate on cash held		
<b>Cash and cash equivalents at the end of the period</b>	<b>614</b>	<b>532</b>