

Explanatory notes to the Consolidated financial statement of Herti JSC

For the period 01.01-31.03.2017

1. Important events, that took place in the period 01/01 – 31/03/2017

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 acknowledges the trade mark HL and attracts new customers.

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

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

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- 31.03.2017, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	577
Timshel	Service sales	1
Raifen OOD	Service sales	1
IGM Holding	Expenses	1
Timshel OOD	Rent Services	20
Raifen OOD	Transport Services	187

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

30 May 2017

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Income statement**

For the first quarter of 2017

In thousands of BGN

	31.3.2017	31.3.2016
Revenue	8 806	7 687
Other income	1 233	1 138
Carrying amount of materials and goods sold	-788	-616
Increase/(decrease) of inventories of finished goods and work in progress	1 084	385
Capitalised expenses		
Expenses for materials	-6 065	-5 012
Hired services	-787	-669
Depreciation and amortisation	-611	-538
Personnel expenses	-1 934	-1 603
Other operating expenses	-520	-327
Finance expenses	-146	-282
Share of profit/loss in associated companies	3	0
Profit before tax	275	163
Income tax expense/income/		
Profit /Loss for the period	275	163
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	275	163

HERTI JSC**Balance sheet**

As at 31 March 2017

In thousands of BGN

	31.3.2017	31.12.2016
Assets		
Property, plant and equipment	21 913	21 666
Intangible assets	474	514
Investments	128	126
Total non-current assets	22 515	22 306
Related parties receivables	608	707
Inventories	6 218	6 607
Trade and other receivables	10 366	8 858
Cash and cash equivalents	457	746
Total current assets	17 649	16 918
Total assets	40 164	39 224
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	676	674
Retained earnings	1 318	1 024
Total Equity	14 037	13 741
Liabilities		
Interest bearing loans and finance lease	10 626	10 514
Deferred tax liabilities	796	796
Other (earned income)	239	244
Financing	2 177	2 237
Total non- current liabilities	13 838	13 791
Related party payables	187	166
Interest bearing loans and finance lease	5 383	5 435
Trade and other payables	6 480	5 852
Financing	239	239
Total current liabilities	12 289	11 692
Total liabilities	26 127	25 483
Total equity and liabilities	40 164	39 224

HERTI JSC**Change in equity**

For the period ended 31 March 2017

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2016	12 014	29	168	446	321	12 978
Total recognised income and expenses	-	-			720	720
Revaluation of investments in associates						0
Translations of financial statements of foreign companies					25	25
Translations of reserves			60		-63	-3
Balance at 31 December 2016	12 014	29	228	446	1 003	13 720
Balance at 1 January 2017	12 014	29	228	446	1 003	13 720
Translations of financial statements of foreign companies						0
Revaluation of investments in associates						0
Other transactions for the period			2		20	22
Current net profit/loss	-	-			295	295
Balance at 31 March 2017	12 014	29	230	446	1 318	14 037

HERTI JSC**Cash flow**

For the first quarter of 2017

In thousands of BGN

	31.3.2017	31.3.2016
Cash flows from operating activities		
Cash receipts from customers	10 204	8 563
Cash paid to suppliers	-7 247	-6 816
Net cash flow for salaries and wages of personnel	-2 104	-1 661
Other payments from operating activities	-32	-70
Income taxes paid /received	-184	33
Cash from operating activities	637	49
Cash flows from investing activities		
Acquisition of property, plant and equipment	-898	-223
Proceeds from non-current assets	0	78
Other proceeds/ payments from investment activities		
Cash from investing activities	-898	-145
Cash flows from financing activities		
Loans received	546	1 022
Repayment of borrowings	-407	-654
Other financial payments/received		
Payment of finance lease liabilities	-73	-72
Interest paid	-94	-90
Other financial payments		
Cash from financing activities	-28	206
Net increase in cash and cash equivalents	-289	110
Cash and cash equivalents at 1 January	746	494
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	457	604