

## Explanatory notes to the 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
Herti UK	Sales of product	755
Herti France	Sales of product	1 780
Herti Germany	Sales of products	580
TIHERT JSC	Services sales	29
Timshel OOD	Service sales	1
Raifen OOD	Service sales	1

Herti UK	Transport and commission services	6
IGM Holding	Expenses	1
Timshel OOD	Rent	20
TIHERT JSC	Purchase of spare parts	82
TIHERT JSC	Fixed assets manufacturing	336
TIHERT JSC	Maintaining services	59
Raifen OOD	Transport services received	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 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.

24 April 2017

**Chief Executive Officer:**

Zahari Zahariev

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

For the first quarter of 2017

*In thousands of BGN*

	<b>31.3.2017</b>	<b>31.3.2016</b>
Revenue	8 929	7 933
Other income	903	789
Carrying amount of materials and goods sold	-159	-364
Increase/(decrease) of inventories of finished goods and work in progress	239	-121
Capitalised expenses		
Expenses for materials	-6 064	-4 948
Hired services	-817	-691
Depreciation and amortisation	-598	-545
Personnel expenses	-1 593	-1 312
Other operating expenses	-506	-318
Finance income	0	0
Finance expenses	-142	-276
<b>Profit before tax</b>	<b>192</b>	<b>147</b>
<b>Income tax expense</b>		
<b>Profit for the period</b>	<b>192</b>	<b>147</b>

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

As at 31 March 2017

*In thousands of BGN*

	31.3.2017	31.12.2016
<b>Assets</b>		
Property, plant and equipment	22 189	21 879
Intangible assets	448	480
Investments	336	336
<b>Total non-current assets</b>	<b>22 973</b>	<b>22 695</b>
Related parties receivables	3 944	3 248
Inventories	5 568	5 829
Trade and other receivables	7 530	7 125
Cash and cash equivalents	345	532
<b>Total current assets</b>	<b>17 387</b>	<b>16 734</b>
<b>Total assets</b>	<b>40 360</b>	<b>39 429</b>
<b>Equity</b>		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	609	609
Retained earnings	2 118	1 926
<b>Total Equity</b>	<b>14 770</b>	<b>14 578</b>
<b>Liabilities</b>		
Interest bearing loans and finance lease	10 626	10 514
Deferred tax liabilities	869	869
Other non-current liabilities	228	228
Financing	2 177	2 237
<b>Total non-current liabilities</b>	<b>13 900</b>	<b>13 848</b>
Related party payables	453	292
Interest bearing loans and finance lease	5 383	5 417
Taxes payable	106	121
Trade and other payables	5 509	4 934
Financing	239	239
<b>Total current liabilities</b>	<b>11 690</b>	<b>11 003</b>
<b>Total liabilities</b>	<b>25 590</b>	<b>24 851</b>
<b>Total equity and liabilities</b>	<b>40 360</b>	<b>39 429</b>

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

For the period ended 31 March 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	-		-		192	192
Retained earnings						0
Other changes/ reserves						0
Balance at 31 March 2017	12 014	227	382	29	2 118	14 770

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

For the first quarter of 2017

*In thousands of BGN*

	01.01-31.03.2017	01.01.-31.03.2016
<b>Cash flows from operating activities</b>		
Cash receipts from customers	8 791	8 254
Cash paid to suppliers	-6 346	-6 519
Net cash flow for salaries and wages of personnel	-1 764	-1 377
Income taxes paid /received	77	218
Other income/payment from operating activities	-26	-70
<b>Cash from operating activities</b>	<b>732</b>	<b>506</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	-898	-656
Proceeds from non-current assets	0	78
Investment in daughter companies	0	0
Cash receipts from financing	0	0
<b>Cash from investing activities</b>	<b>-898</b>	<b>-578</b>
<b>Cash flows from financing activities</b>		
Loans received	546	1 022
Repayment of borrowings	-407	-654
Payment of finance lease liabilities	-66	-72
Interest paid	-94	-90
Transactions costs		
Other financing activities		
<b>Cash from financing activities</b>	<b>-21</b>	<b>206</b>
Net increase in cash and cash equivalents	-187	134
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>345</b>	<b>437</b>