

Explanatory notes to the Consolidated Financial Statement of Herti JSC

For the period 01.01-30.09.2019

1. Important events, that took place in the period 01/01 – 30/09/2019

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”.

A general meeting of the shareholders was held on June 5th, where no decision for dividends was taken.

In June Herti took part in the regional forum “The power of business for good” organized by Global UN agreement.

In August Herti got its certificate from Ecopack for recycled materials and saved carbon footprint emissions.

On September 26th and 27th Herti exhibited its product at Craft Distilling Expo in London.

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. A possible risk for the company could be the operations of the daughter company Herti UK after Brexit.

3. Information on the transactions between the Company and related parties

For the period 01.01- 30.09.2019, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	1 998
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2

IGM Holding	Expenses	2
Timshel OOD	Rent	59
Raifen OOD	Transport services received	655

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 third quarter of 2019 gives a fair and complete view of the financial position of the company and its daughter companies and the risks the group faces.

18 November 2019

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Consolidated Income statement**

For the third quarter of 2019

In thousands of BGN

	30.9.2019	30.9.2018
Revenue	32 024	28 703
Other income	2 506	2 635
Carrying amount of materials and goods sold	-122	-263
Increase/(decrease) of inventories of finished goods and work in progress	404	824
Capitalised expenses		
Expenses for materials	-19 989	-18 242
Hired services	-2 953	-2 663
Depreciation and amortisation	-2 360	-2 021
Personnel expenses	-7 939	-7 112
Other operating expenses	-646	-923
Finance expenses	-313	-403
Share of profit/loss in associated companies	5	26
Profit before tax	617	561
Income tax expense/income/		
Profit /Loss for the period	617	561
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	617	561

HERTI JSC
Consolidated Balance sheet

As at 30September 2019

In thousands of BGN

	30.9.2019	31.12.2018
Assets		
Property, plant and equipment	24 327	25 697
Intangible assets	163	262
Investments	112	133
Total non-current assets	24 602	26 092
Related parties receivables	713	623
Inventories	6 294	6 644
Trade and other receivables	9 987	8 376
Cash and cash equivalents	1 518	1 116
Total current assets	18 512	16 759
Total assets	43 114	42 851
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	882	814
Retained earnings	2 756	2 222
Total Equity	15 681	15 079
Liabilities		
Interest bearing loans and finance lease	10 706	12 003
Deferred tax liabilities	808	809
Other (earned income)	389	437
Financing	1 632	1 816
Total non- current liabilities	13 535	15 065
Related party payables	260	267
Interest bearing loans and finance lease	5 813	5 854
Trade and other payables	7 579	6 340
Financing	246	246
Total current liabilities	13 898	12 707
Total liabilities	27 433	27 772
Total equity and liabilities	43 114	42 851

HERTI JSC**Change in equity - consolidated**

For the period ended 30 September 2019

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2019	12 014	29	432	382	2 222	15 079
Translations of financial statements of foreign companies						0
Revaluation of investments in associates			-1		-14	-15
Other transactions for the period			69		-69	0
Current net profit/loss	-	-			617	617
Balance at 30 September 2019	12 014	29	500	382	2 756	15 681

HERTI JSC
consolidated Cash flow
For the third quarter of 2019
In thousands of BGN

	30.9.2019	30.9.2018
Cash flows from operating activities		
Cash receipts from customers	34 358	32 070
Cash paid to suppliers	-22 662	-21 718
Net cash flow for salaries and wages of personnel	-7 454	-6 968
Other payments from operating activities	-96	-113
Income taxes paid /received	-1116	-397
Cash from operating activities	3 030	2 874
Cash flows from investing activities		
Acquisition of property, plant and equipment	-1 029	-2 629
Proceeds from non-current assets		11
Other proceeds/ payments from investment activities	44	-65
Cash from investing activities	-985	-2 683
Cash flows from financing activities		
Loans received	145	1 333
Repayment of borrowings	-1 471	-1 565
Other financial payments/received		
Payment of finance lease liabilities	-57	-159
Interest paid	-260	-290
Other financial payments	0	0
Cash from financing activities	-1 643	-681
Net increase in cash and cash equivalents	402	-490
Cash and cash equivalents at 1 January	1116	987
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	1 518	497