

Explanatory notes to the Consolidated Financial Statement of Herti JSC
For the period 01.01-30.09.2018

1. Important events, that took place in the period 01/01 – 30/09/2018

On January 12th, 2018, Herti signed a contract with the Ministry of Labor and Social Policy and its fund “Labor conditions” to realize a project for improving the health and safety working conditions in the factory.

In March Herti successfully passed the recertification audit for BRC/IOP, obtaining the higher grade “A”.

In March Herti took part in the Carrer days in Varna and Ruse and in the Career forum in London.

For the period herti attended several trade shows: Unified Wine&Grape Symposium in Sacramento, Vinaria in Plovdiv and Prowein in Dusseldorf.

A General meeting of the shareholders was held on June 26th. No decision was taken for dividends.

Herti marked its 25th anniversary on June 29th with several events attended by all employees and by domestic and foreign partners.

In September Herti passed its ISO recertification and will implement the rules of ISO 9001-2015. The certificate is issued by SGS and is valid till September 2021.

Herti started to operate a new warehouse at the production site in Pliska. The building, covering 2 500 sq.m., has four loading platforms. It is equipped with two wrapping machines, a reach truck and forklift trucks. The bar code readers and the software allow easy navigation and quick service. Beside the new warehouse the company invested in a water treatment plant. Herti is conscious of the environment and pays special attention to the effective use of natural recourses.

At the end of October Herti fulfilled the project for improving the health and safety working conditions in the factory. At the end of November the company received the financing from the Ministry of Labor and Social Policy.

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.

The main risk for the company is increasing the prices of aluminum and lowering the operating profit. Having in mind the volatility of the prices of raw materials 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- 30.09.2018, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	2 101
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
IGM Holding	Expenses	5
Timshel OOD	Rent	58
Raifen OOD	Transport services received	593

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 2018 gives a fair and complete view of the financial position of the company and the risks it faces.

28 November 2018

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Consolidated Income statement**

For the third quarter of 2018

In thousands of BGN

	30.9.2018	30.9.2017
Revenue	28 703	28 924
Other income	2 635	3 139
Carrying amount of materials and goods sold	-263	-2 111
Increase/(decrease) of inventories of finished goods and work in progress	824	3 226
Capitalised expenses		
Expenses for materials	-18 242	-19 577
Hired services	-2 663	-2 802
Depreciation and amortisation	-2 021	-1 871
Personnel expenses	-7 112	-6 119
Other operating expenses	-923	-1 623
Finance expenses	-403	-476
Share of profit/loss in associated companies	26	16
Profit before tax	561	726
Income tax expense/income/		
Profit /Loss for the period	561	726
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	561	726

HERTI JSC
Consolidated Balance sheet

As at 30 September 2018

In thousands of BGN

	30.9.2018	31.12.2017
Assets		
Property, plant and equipment	25 750	25 421
Intangible assets	270	385
Investments	134	134
Total non-current assets	26 154	25 940
Related parties receivables	857	754
Inventories	6 714	7 047
Trade and other receivables	9 364	8 974
Cash and cash equivalents	497	987
Total current assets	17 432	17 762
Total assets	43 586	43 702
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	814	743
Retained earnings	2 161	1 682
Total Equity	15 018	14 468
Liabilities		
Interest bearing loans and finance lease	12 325	12 838
Deferred tax liabilities	786	786
Other (earned income)	463	523
Financing	1 819	1 998
Total non- current liabilities	15 393	16 145
Related party payables	286	222
Interest bearing loans and finance lease	5 737	5 568
Trade and other payables	6 913	7 060
Financing	239	239
Total current liabilities	13 175	13 089
Total liabilities	28 568	29 234
Total equity and liabilities	43 586	43 702

HERTI JSC**Change in equity - consolidated**

For the period ended 30 September 2018

In thousands of BGN

	Authorised Capital	Premium of issued capital	Compulsory reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2017	12 014	29	292	382	1 024	13 741
Total recognised income and expenses	-	-			727	727
Revaluation of investments in associates						0
Translations of financial statements of foreign companies						0
Translations of reserves			69		-69	0
Balance at 31 December 2017	12 014	29	361	382	1 682	14 468
Balance at 1 January 2018	12 014	29	361	382	1 682	14 468
Translations of financial statements of foreign companies						0
Revaluation of investments in associates			-1		-10	-11
Other transactions for the period			68		-68	0
Current net profit/loss	-	-			561	561
Balance at 30 September 2018	12 014	29	428	382	2 165	15 018

HERTI JSC
consolidated Cash flow
For the third quarter of 2018
In thousands of BGN

	30.9.2018	30.9.2017
Cash flows from operating activities		
Cash receipts from customers	32 070	31 899
Cash paid to suppliers	-21 718	-21 890
Net cash flow for salaries and wages of personnel	-6 968	-6 333
Other payments from operating activities	-113	-115
Income taxes paid /received	-397	-490
Cash from operating activities	2 874	3 071
Cash flows from investing activities		
Acquisition of property, plant and equipment	-2 629	-5 296
Proceeds from non-current assets		
Other proceeds/ payments from investment activities	-54	
Cash from investing activities	-2 683	-5 296
Cash flows from financing activities		
Loans received	1 333	4 200
Repayment of borrowings	-1 565	-1 567
Other financial payments/received		
Payment of finance lease liabilities	-159	-191
Interest paid	-290	-282
Other financial payments	0	-17
Cash from financing activities	-681	2 143
Net increase in cash and cash equivalents	-490	-82
Cash and cash equivalents at 1 January	987	746
Effect of change of currency exchange rate		
Cash and cash equivalents at the end of the period	497	664