

HERTI JSC**Consolidated Income statement**

For the Period 01 January 2008 - 30 September 2008

In thousands of BGN

	30.09.2008	30.09.2007
Revenue	21 937	19 579
Other income	1 258	1 491
Carrying amount of materials and goods sold	-1 821	-277
Increase/(decrease) of inventories of finished goods and work in progress	-860	-156
Capitalised expenses	1 322	272
Others (materials from own production)		179
Expenses for materials	-14 577	-15 460
Hired services	-2 059	-1 989
Depreciation and amortisation	-1 064	-710
Personnel expenses	-3 374	-1 728
Other operating expenses	-290	-368
Share of profit of equity accounted investees	56	
Finance cost(net)	-779	-451
Profit before tax	-251	382
Income tax expense		
Profit for the period	-251	382

*Shumen, 30 November 2008**Chief Financial Officer**Marcellin Yovogan, Ph.D.**Executive Director**Eng. Rumen Kostov*

HERTI JSC
Consolidated Balance sheet

As at 30 September 2008

In thousands of BGN

	30,09,2008	31,12,2007
Assets		
Property, plant and equipment	18 374	18 030
Intangible assets	200	186
Investments	209	116
Long term related parties receivables	0	
Total non-current assets	18 783	18 332
Related parties receivables	716	554
Inventories	4 736	4 282
Trade and other receivables	7 355	7 673
Cash and cash equivalents	163	550
Total current assets	12 970	13 059
Total assets	31 753	31 391
Equity		
Issued capital	12 014	12 000
Reserves	684	106
Retained earnings	-227	496
Total Equity	12 471	12 602
Liabilities		
Interest bearing loans and finance lease	5 736	3 341
Deferred tax liabilities	887	887
Other non- current liabilities	17	15
Total non- current liabilities	6 640	4 243
Related party payables	796	925
Interest bearing loans and finance lease	6 120	7 274
Trade and other payables	5 726	6 347
Total current liabilities	12 642	14 546
Total liabilities	19 282	18 789
Total equity and liabilities	31 753	31 391

Shumen, 30 November 2008

Chief Financial Officer

Marcellin Yovogan, Ph.D.

Executive Director

Eng. Rumen Kostov

HERTI JSC**Consolidated Statement of Change in Shareholder's equity**

For the Period 01 January 2008 - 30 September 2008

In thousands of BGN

	Authorised Capital	Additional Reserves	Retained Earnings	Total
Balance at 1 January 2007	2 500	90	4 230	6 820
Current net profit/loss	-	-	-720	-720
Dividends paid		-6	1	-5
Revaluation of assets	7 230			7 230
Deferred tax recognized in equity	-	-	-723	-723
Raise of capital	2 270		-2 270	0
Balance at 31 December 2007	12 000	84	518	12 602
Balance at 1 January 2008	12 000	84	518	12 602
Raising of capital	14	29		43
Total recognised income and expense	-	-	-251	-251
Allocation of retained earnings	-	571	-494	77
Balance at 30 September 2008	12 014	684	-227	12 471

*Shumen, 30 November 2008**Chief Financial Officer**Marcellin Yovogan, Ph.D.**Executive Director**Eng. Rumen Kostov*

HERTI JSC**Consolidated Statement of Cash flow**

For the Period 01 January 2008 - 30 September 2008

In thousands of BGN

	01.01-30.09.2008	31.12.2007
Cash flows from operating activities		
Cash receipts from customers	20 741	26 426
Cash paid to suppliers	-17 699	-25 992
Net cash flow for salaries and wages of personnel	-2 962	-2 957
Other proceeds from operating activities		1 636
Other payments from operating activities	-234	-31
Net cash flow from interest, dividends, commissions and other fees	-1	
Income taxes paid /received	278	-55
Cash from operating activities	-8	-37
	115	-1 010
Cash flows from investing activities		
Acquisition of property, plant and equipment	-1021	-5 018
Others	37	-22
Cash from investing activities	-984	-5 040
Cash flows from financing activities		
Loans received	7 825	8 192
Repayment of borrowings	-6 538	-1 585
Other financing received	43	-212
Payment of finance lease liabilities	-182	
Interest paid	-563	-561
Other proceeds/payments from financing activities	-103	206
Cash from financing activities	482	6040
Net increase in cash and cash equivalents	-387	-10
Cash and cash equivalents at 1 January	550	560
Effect of change of currency exchange rate on cash held		
Cash and cash equivalents at the end of the period	163	550

*Shumen, 30 November 2008**Chief Financial Officer**Marcellin Yovogan, Ph.D.**Executive Director**Eng. Rumen Kostov*

Third Quarter management report of Herti JSC for the period 01.01-30.09.2008

Introduction

The following report has been prepared, based on the third quarter consolidated financial statements of Herti JSC as at 30 September 2008.

1. Current state and development of the Group.

■ General information and management.

Herti JSC is a public limited a group of companies with one stage management system and headquarter situated in Shumen, Bulgaria. The group has been registered under the law suit № 567/2007 by Shumen district court according to the Bulgarian Commercial law.

Address of the headquarters: 38 Antim 1st Str., 9700 Shumen, Bulgaria

The management of the group is conducted by a Board of directors, consisted of five members.

Members of the Board of directors:

Zahari Ganev Zahariev – Chief Executive Officer;

Roumen Stoichev Kostov – Executive Director

Alexander Blagoev Yulianov – Chairman of the Board of directors

Dipl. Eng. Josef Mayer – Member of the Board of directors

Julieta Nikolaeva Mandazhieva - Member of the Board of directors

The Board of directors hasn't authorized a procurator or any other representative.

■ Group's assets management

The Group is represented separately by Zahari Ganev Zahariev – CEO, Roumen Stoichev Kostov - Executive Director, Alexander Blagoev Yulianov – Chairman of the Board of directors for business transactions up to 15 000 (fifteen thousand) BGN. For transactions with amount over 15 000 BGN the Group is represented, as follows – by the Executive Director, **together** with any one of the other two representatives (the Chief Executive Officer or the Chairman of the Board of directors), or by the Chairman of the Board of directors **together** with the Chief Executive Officer.

■ The capital structure

The registered capital of the Group consists of 12 013 797 ordinary , voting shares with nominal value of 1 BGN each.

Main shareholders	Number of shares	Amount (in thousands)
Mayer Export-Import	4 080 000	4 080
Alexander Blagoev Yulianov	3 960 803	3 961
Zahari Ganev Zahariev	3 001 007	3 001
Elena Zaharieva	960 000	960
Others	11 987	12

2. Financial result

The net revenue for the period covered by the report is 23 195 thousands of BGN, representing an improvement of total of 9,16% compared to 2007.

The operational consolidated profit is 472 000 BGN, but the group generated a loss before taxation of 251 000 BGN, mainly due to the net finance costs.

The management is expecting an increase of the sales in the last quarter of the year, which would improve the annual financial result. The part of the sales in E.U countries and Turkey has increased compared to those in Russia and other countries of the former Sovietic bloc. There are sales in Africa and Latin America, mainly in South Africa, Senegal and Argentine.

There are no substantial business transactions with related parties, which could affect the financial result for the period.

3. Future development strategy

One of the main goals of the Group is to be among the Top 5 Caps producers in the next 10 years. To accomplish such a goal, the shareholders will rely on the management team and the investment policy.

In the short-term, the Board of directors on its meeting of 28 October 2008 set a goal of 10% increase of the sales in 2009 budget.

4. Research and Development activities

The Group is developing innovative methodologies, procedures and technological means for increasing the quality of the products and maintaining its sustainable competitive advantage.

As most of the firms on the market, the Group needs highly trained professional specialists. Conscious of the importance of immaterial capital for the development of any organization the Group is developing a program for personnel professional education and driving them to a culture of involvement in the added value generated by the group.

■ Important events, that took place in the period 01.07 – 30.09.2008

- In July the Group acquired 99 % of the shares of HERTI UK with the purpose of increasing the control of management and achieving better financial results.

- In the beginning of July started the trading of the group's shares on the Bulgarian Stock Exchange in the market segment "A".
- On 31.07.2008, the Board of Directors decided to extend for one year the credit line of the group with Piraeus bank.

5. Influence of the above events on the financial results of the Group.

The above events have no substantial influence on the financial results for the current period.

6. Post balance sheet events .

On 28.10.2008, the Board of Directors decided to extend for one year the credit Facility of the group with Citibank N.A. – Sofia Branch

7. Board of directors remunerations and reacquired owned shares.

As at the date of the following report, the Group didn't reacquire any of it's own shares as for clause 187 of the Bulgarian Commercial law.

The total remuneration amount for the members of the Board of directors for the first nine months of 2008 is 296 000 BGN.

8. Subsidiaries and associated companies as at 30.09.2008

Group	Herti JSC share in the group	Headquarters
TIHERT JSCo	100%	Shumen - Bulgaria
Herti UK	99 %	England
Herti Group International	49%	Rumania
Herti France	33,33%	France

9. Risk reduction and Financial instruments

The functional currency of the Group is BGN. Most of the deals on the external market are conducted in euros, which minimizes the currency risk. The contracted terms with the clients and suppliers give the Group the possibility not to be dependent on financial instruments such as hedging.

There is no particular risk that could affect the normal functioning of the Group till the end of the financial year, except the normal risks rising from the economic environment in which it operates.

10. Information on major transactions with related parties.

The transactions with related parties are in the usual rates.

11. Information on the transactions between the Group and related parties

According to Bulgarian law, it is of the responsibility of the Management to prepare the consolidated annual and interim financial statements, and a management report presenting accurately the financial position of the group. The financial statements are prepared under the principles of the International financial reporting standards and the International Accounting Standards (IFRS/IAS) actually applied in European Union.

The Management confirms that, the standards has been respected and that the information in the statements is accurate and any kind of mistake has been avoided, while preparing them.

30 November 2008

Executive Director

Roumen Kostov