

Explanatory notes to the 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
Herti UK	Sales of product	2 711

Herti France	Sales of product	6 247
Herti Germany	Sales of products	3 044
Herti US	Sales of products	187
TIHERT JSC	Services sales	51
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
TIHERT JSC	Purchase of spare parts	48
TIHERT JSC	Fixed assets manufacturing	308
TIHERT JSC	Maintaining services	330
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 financial statement for the third quarter of 2019 gives a fair and complete view of the financial position of the company and the risks it faces.

21 October 2019

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Income statement**

For the third quarter of 2019

In thousands of BGN

	30.9.2019	30.9.2018
Revenue	29 702	27 570
Other income	2 719	2 862
Carrying amount of materials and goods sold	-52	-76
Increase/(decrease) of inventories of finished goods and work in progress	172	-87
Capitalised expenses	0	0
Expenses for materials	-19 734	-18 641
Hired services	-2 400	-2 117
Depreciation and amortisation	-2 222	-1 937
Personnel expenses	-6 749	-5 854
Other operating expenses	-596	-860
Finance income	71	19
Finance expenses	-347	-404
Profit before tax	564	475
Income tax expense		
Profit for the period	564	475

HERTI JSC**Balance sheet**

As at 30 September 2019

In thousands of BGN

	30.9.2019	31.12.2018
Assets		
Property, plant and equipment	24 381	25 636
Intangible assets	163	258
Investments	389	389
Long term receivables	77	112
Total non-current assets	25 010	26 395
Related parties receivables	4 039	3 555
Inventories	5 524	5 713
Trade and other receivables	6 829	6 298
Cash and cash equivalents	1 367	664
Total current assets	17 759	16 230
Total assets	42 769	42 625
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	816	747
Retained earnings	3 666	3 171
Total Equity	16 525	15 961
Liabilities		
Interest bearing loans and finance lease	10 706	12 003
Deferred tax liabilities	883	883
Other non- current liabilities	244	244
Financing	1 632	1 816
Total non- current liabilities	13 465	14 946
Related party payables	350	396
Interest bearing loans and finance lease	5 813	5 854
Taxes payable	392	405
Trade and other payables	5 978	4 817
Financing	246	246
Total current liabilities	12 779	11 718
Total liabilities	26 244	26 664
Total equity and liabilities	42 769	42 625

HERTI JSC**Change in equity**

For the period ended 30 September 2019

In thousands of BGN

	Authorised Capital	Reserves	Additional Reserves	Premium of issued capital	Retained Earnings	Total
Balance at 1 January 2018	12 014	295	382	29	2567	15 287
Current net profit/loss	-				682	682
Transform of retained earnings- nondistributed					-8	-8
Other income		70			-70	0
Balance at 31 December 2018	12 014	365	382	29	3171	15 961
Balance at 1 January 2019	12 014	365	382	29	3171	15 961
Current net profit/loss	-		-		564	564
Retained earnings						
Other changes/ reserves		69			-69	0
Balance at 30 September 2019	12 014	434	382	29	3666	16 525

HERTI JSC**Cash flow**

For the third quarter of 2019

In thousands of BGN

	01.01-30.09.2019	01.01.-30.09.2018
Cash flows from operating activities		
Cash receipts from customers	31 935	30 280
Cash paid to suppliers	-22 797	-21 580
Net cash flow for salaries and wages of personnel	-6 293	-6 019
Income taxes paid /received(excluding profit tax)	491	512
Profit tax	-22	-27
Interest for short term credits and bank taxes paid	-104	-110
Effect of change of currency exchange rate on cash held	22	5
Cash from operating activities	3 232	3 061
Cash flows from investing activities		
Acquisition of property, plant and equipment	-997	-2 619
Proceeds from non-current assets	0	10
Investment in daughter companies	23	11
Loans given/received	44	-82
Cash from investing activities	-930	-2 680
Cash flows from financing activities		
Loans received	145	1 333
Repayment of borrowings	-1 471	-1 565
Payment of finance lease liabilities	-13	-130
Interest for investment credits paid	-260	-288
Transactions costs		
Other financing activities		
Cash from financing activities	-1 599	-650
Net increase in cash and cash equivalents	703	-269
Cash and cash equivalents at 1 January	664	609
Cash and cash equivalents at the end of the period	1367	340