

Consolidated Explanatory notes to the financial statement of Herti JSC

For the period 01.01-31.12.2019

1. Important events, that took place in the period 01/01 – 31/12/2019

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.

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.

For the period Herti attended several trade shows: Unified Wine&Grape Symposium in Sacramento, Vinaria in Plovdiv, Prowein in Dusseldorf, Craft Spirits Expo in London, BrauBeviale in Nuremberg, SIMEI in Milan, SITEVI in Montpellier, Winzer Service Messe in Karlsruhe, Di Vino in Sofia and WIN Expo in Santa Rosa, California .

November 9th , was an open day for the children of Herti’s employees. More than 50 children aged 5 to 18 years old, visited the factory together with their parents and learned about the process of producing screw caps. Managers from different departments explained the role of each section for the development of the company.

The Board of Directors, at its Board meeting on November 20th, decided to prolong the dead line of the overdraft to Raiffeisen bank till 31.12.2023. It was decided that a new investment credit should be taken from Unicredit Bulbank to buy new machines necessary for increasing the capacity.

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- 31.12.2019, the Company has realized the following transactions with related parties:

Related party	Transaction	Amount (in thousand BGN)
Herti Group International	Sales of product	2 677
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
IGM Holding	Expenses	3
Timshel OOD	Rent	78
Raifen OOD	Transport services received	866

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 fourth quarter of 2019 gives a fair and complete view of the financial position of the company and the risks it faces.

26 February 2020

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Consolidated Income statement**

For the fourth quarter of 2019

In thousands of BGN

	31.12.2019	31.12.2018
Revenue	43 097	41 477
Other income	273	355
Carrying amount of materials and goods sold	-216	-226
Increase/(decrease) of inventories of finished goods and work in progress	736	593
Capitalised expenses		
Expenses for materials	-23 870	-24 012
Hired services	-3 977	-3 714
Depreciation and amortisation	-3 148	-2 768
Personnel expenses	-10 918	-9 893
Other operating expenses	-788	-564
Finance expenses	-398	-569
Share of profit/loss in associated companies	10	25
Profit before tax	801	704
Income tax expense/income/	-100	-82
Profit /Loss for the period	701	622
Transitions of financial statements of foreign companies		
Revaluation of investments in foreign associates		
Total comprehensive income for the period	701	622

HERTI JSC
Consolidated Balance sheet

As at 31 December 2019

In thousands of BGN

	31.12.2019	31.12.2018
Assets		
Property, plant and equipment	25 029	25 697
Intangible assets	135	262
Investments	116	133
Assets connected with deferred taxes	1	
Total non-current assets	25 281	26 092
Related parties receivables	781	623
Inventories	7 160	6 644
Trade and other receivables	9 185	8 376
Cash and cash equivalents	1 749	1 116
Total current assets	18 875	16 759
Total assets	44 156	42 851
Equity		
Issued capital	12 014	12 014
Raising of capital	29	29
Reserves	802	814
Retained earnings	2 829	2 222
Total Equity	15 674	15 079
Liabilities		
Interest bearing loans and finance lease	11 299	12 003
Deferred tax liabilities	813	809
Other (earned income)	416	437
Financing	1 607	1 816
Total non- current liabilities	14 135	15 065
Related party payables	302	267
Interest bearing loans and finance lease	5 975	5 854
Trade and other payables	7 860	6 340
Financing	210	246
Total current liabilities	14 347	12 707
Total liabilities	28 482	27 772
Total equity and liabilities	44 156	42 851

HERTI JSC**Change in equity - consolidated**

For the period ended 31 December 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			-10		8	-2
Other transactions for the period			69		-69	0
Deffered taxes effect			-71		-33	-104
Current net profit/loss	-	-			701	701
Balance at 31 December 2019	12 014	29	420	382	2 829	15 674

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

	31.12.2019	31.12.2018
Cash flows from operating activities		
Cash receipts from customers	47 171	44 172
Cash paid to suppliers	-31 231	-28 674
Net cash flow for salaries and wages of personnel	-10 490	-9 932
Other payments from operating activities	-111	-156
Income taxes paid /received	-1312	-1209
Cash from operating activities	4 027	4 201
Cash flows from investing activities		
Acquisition of property, plant and equipment	-2 508	-3 128
Proceeds from non-current assets		51
Other proceeds/ payments from investment activities	81	3
Cash from investing activities	-2 427	-3 074
Cash flows from financing activities		
Loans received	1 385	1 735
Repayment of borrowings	-1 955	-2 134
Other financial payments/received		
Payment of finance lease liabilities	-71	-225
Interest paid	-326	-374
Other financial payments	0	0
Cash from financing activities	-967	-998
Net increase in cash and cash equivalents	633	129
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	1 749	1116