

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
Herti UK	Sales of product	3 480
Herti France	Sales of product	7 596
Herti Germany	Sales of products	4 379
Herti US	Sales of products	291
TIHERT JSC	Services sales	71
Timshel OOD	Service sales	2
Raifen OOD	Service sales	2
TIHERT JSC	Purchase of spare parts	96
TIHERT JSC	Fixed assets manufacturing	831
TIHERT JSC	Maintaining services	363
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 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.

27 January 2020

Chief Executive Officer:

Zahari Zahariev

HERTI JSC**Income statement**

For the fourth quarter of 2019

In thousands of BGN

	31.12.2019	31.12.2018
Revenue	39 412	36 204
Other income	3 730	3 843
Carrying amount of materials and goods sold	-56	-106
Increase/(decrease) of inventories of finished goods and work in progress	313	-155
Capitalised expenses	0	0
Expenses for materials	-26 096	-24 260
Hired services	-3 200	-2 979
Depreciation and amortisation	-2 962	-2 647
Personnel expenses	-9 277	-8 164
Other operating expenses	-723	-469
Finance income	106	11
Finance expenses	-461	-545
Profit before tax	786	733
Income tax expense		-51
Profit for the period	786	682

HERTI JSC**Balance sheet**

As at 31 December 2019

In thousands of BGN

	31.12.2019	31.12.2018
Assets		
Property, plant and equipment	25 143	25 636
Intangible assets	135	258
Investments	389	389
Long term receivables	40	112
Total non-current assets	25 707	26 395
Related parties receivables	4 246	3 555
Inventories	5 985	5 713
Trade and other receivables	6 363	6 298
Cash and cash equivalents	1 327	664
Total current assets	17 921	16 230
Total assets	43 628	42 625
Equity		
Issued capital	12 014	12 014
Premium of issued capital	29	29
Reserves	816	747
Retained earnings	3 851	3 171
Total Equity	16 710	15 961
Liabilities		
Interest bearing loans and finance lease	11 299	12 003
Deferred tax liabilities	883	883
Other non- current liabilities	287	244
Financing	1 607	1 816
Total non- current liabilities	14 076	14 946
Related party payables	371	396
Interest bearing loans and finance lease	5 975	5 854
Taxes payable	533	405
Trade and other payables	5 753	4 817
Financing	210	246
Total current liabilities	12 842	11 718
Total liabilities	26 918	26 664
Total equity and liabilities	43 628	42 625

HERTI JSC**Change in equity**

For the period ended 31 December 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	-		-		786	786
Retained earnings						
Effect from deffered taxes					-37	-37
Other changes/ reserves		69			-69	0
Balance at 31 December 2019	12 014	434	382	29	3851	16 710

HERTI JSC**Cash flow**

For the fourth quarter of 2019

In thousands of BGN

	01.01-31.12.2019	01.01.-31.12.2018
Cash flows from operating activities		
Cash receipts from customers	42 977	40 369
Cash paid to suppliers	-30 745	-28 737
Net cash flow for salaries and wages of personnel	-8 931	-8 221
Income taxes paid /received(excluding profit tax)	761	764
Profit tax	-42	-33
Interest for short term credits and bank taxes paid	-151	-145
Effect of change of currency exchange rate on cash held	69	14
Cash from operating activities	3 938	4 011
Cash flows from investing activities		
Acquisition of property, plant and equipment	-2 470	-3 090
Proceeds from non-current assets	0	61
Investment in daughter companies	23	11
Other	81	3
Cash from investing activities	-2 366	-3 015
Cash flows from financing activities		
Loans received	1 385	1 735
Repayment of borrowings	-1 955	-2 134
Payment of finance lease liabilities	-13	-168
Interest for investment credits paid	-326	-374
Transactions costs		
Other financing activities		
Cash from financing activities	-909	-941
Net increase in cash and cash equivalents	663	55
Cash and cash equivalents at 1 January	664	609
Cash and cash equivalents at the end of the period	1327	664