SOFIA MED AD

ANNUAL MANAGEMENT REPORT AND
FINANCIAL STATEMENTS
For the year ended 31 December 2014

Content

General overview. Goals and prospects

Throughout the year of 2014 recovery in the Eurozone remained anaemic as most countries are coping with high unemployment and deflationary fears. Especially during the second quarter, GDP growth rates in Europe were close to zero.

Metal prices showed significant differentiation in 2014, with Copper being negatively affected by the difficult macroeconomic environment, especially in developed markets, and lack of liquidity in the international financial markets, while Zinc was positively affected by its fundamentals of supply and demand. Thus, the average price of copper was lower by 6.2% at Euro 5,174 per ton compared to Euro 5,514 per ton, while the average price of zinc was higher by 13.6% at Euro 1,632 per ton compared to Euro 1,437 per ton.

In 2014 SOFIA MED AD proceeded with implementation of its investment program in order to expand the production range and increase the competitiveness of the Company.

The total amount of non-current assets acquired during the year is BGN 18,275 thousand.

In 2015 the Company will continue to focus its efforts on expanding the product range, including the development of industrial products. The Company will continue its efforts to optimise costs of production. Main priority for 2015 will remain the optimisation of the working capital.

Current period results and financial position overview

Financial highlights

In thousand BGN	*2014*	*2013*
Sales revenue	**623,299**	**676,546**
Result from operating activities	**(8,130)**	**(13,608)**
EBITDA	**10,655**	**3,903**
EBITDA / Sales	*1.71 %*	*0.58 %*
EBIT	**(8,130)**	**(13,608)**
EBT	**(24,060)**	**(27,270)**
ROCE	**-2.2 %**	**-3.6 %**
Working capital excluding cash and cash equivalents	**72,079**	**55,272**
Working capital excluding cash and cash equivalents / Sales	*11.6 %*	*8.2 %*
Debt / Equity	**1.13**	**1.05**

In terms of volume of products and merchandise sales decreased by 3.4% and reached 64.5 Kilo-tonnes.

Operating loss was BGN 8,130 thousand, while in 2013 operating loss was at the amount of BGN 13,608 thousand.

Current period results and financial position overview (continued)

The financial expenses in 2014 are BGN 15,961 thousand, and in 2013 – BGN 13,708 thousand.

Efforts in optimisation of working capital were focused mainly on trade receivables and inventory. Days of sales have been increased from 17 in 2013 to 18 days in 2014. The working capital excluding cash and cash equivalents as at the end of the year 2014 amounted to BGN 72,079 thousand (end of 2013: BGN 55,272 thousand).

Deferred income tax benefit recognised in the financial result for 2014 was BGN 1,254 thousand (2013: BGN 202 thousand). The increase in income tax benefits is mainly due to the change in the amount of deferred tax assets on tax losses.

Corporate responsibility and sustainable development

SOFIA MED is committed to sustainable development and corporate social responsibility by a number of ongoing activities related to its employees, the local community, the environment, and its customers. Such activities include improving the Health and Safety standards, investments in improving working conditions and facilities, training of personnel in a variety of topics, as well as investments in technology that allow a larger usage of recycled material and further reduction of direct emissions.

Employees

The Company invests in its people and offers training and career opportunities to all employees equally. SOFIA MED also ensures that it offers a rewarding working environment, respecting human rights, diversity and equal opportunities for all employees. Every year the company involves the employees and their families in a series of social events and educational campaigns. Some of these are:

- May – The Month of Health, Safety and Environment
- Annual summer children's camp
- Annual children's Christmas party
- Annual prophylactic medical check for all employees.

SOFIA MED also offers its employees additional healthcare insurance as part of its social policy, as well as a medical center, located on the territory of the company.

Occupational Health and Safety

The continuous improvement in occupational Health and Safety conditions is a major focus for the company management. The company commitment in this regard is clearly stated in its Health and Safety Policy. To achieve this, the company implements a BS OHSAS 18001:2007-certified Health and Safety Management System. For SOFIA MED occupational Health and Safety is a priority of outstanding importance, and a guiding factor in its operations and in the decisions it takes when investing in new technologies and in growth and development in general.

Enhanced Customer Service

Customer satisfaction is a top priority for SOFIA MED which has a comprehensive Quality Management System. Systematically implementing it, the company can guarantee the very high quality standards are met and the specific customer requirements are achieved.

Implementation of the company ISO 9001:2008-compliant Quality Management System is based on its Quality Policy.

The company business is the manufacturing of copper, copper alloys and zinc products. The Quality Policy states the following objectives:

Corporate responsibility and sustainable development (continued)

***Enhanced Customer Service* (continued)**

• Continuous improvement in the level of customer satisfaction

• High quality products to meet customer requirements and remain highly effective

• Maintaining the company reputation for quality, customer service and reliability, as well as improving it further

• Constantly adapting to new market needs

• Collaborating with customers to develop tailor-made products and solutions that match their needs.

Environment

The environmental protection is a high priority of the company management which means that it has a primary importance among the industrial and other public needs and cannot be a subject of compromises. SOFIA MED has an Environmental Management System, certified according to the international standard ISO 14001:2004. In the recent years, a number of investments in various technologies have allowed the company to increase further the use of recycled materials. Management's strategic objective is to reduce SOFIA MED's environmental footprint and increase the environmentally-friendly initiatives and actions implemented by the company, and to expand environmental awareness among employees.

Society

As a responsible company SOFIA MED seeks to be there for the local communities in which it operates and to communicate with all stakeholders. The company supports local communities, building a spirit of cooperation with local bodies and attempts to meet different needs that arise by providing sponsorship and support for social programs. It also collaborates with various public sector bodies, technical schools and universities and provides vocational training to university students and graduates.

Subsequent events

As at 31 March 2015 the company did not meet one of the financial covenants under a secured loan agreement. The Company received a waiver from the Bank on 27 April 2015 for the period ended 31 March 2015. No other events have occurred after the reporting date, which require additional adjustments and/or disclosures in the financial statements of the Company for the year ended 31 December 2014.

Research and development activities

The Company does not have any research and development activities as defined in accounting legislation.

Information under art. 187e and art. 247 of the Commercial Act

In 2014 the Company has not redeemed any treasury shares, and as at 31 December 2014 it does not hold any redeemed treasury shares. The members of the Board of Directors do not hold any share options or bonds of the Company. The members of the Board of Directors have not declared that they or any parties related to them have contracts concluded with the Company which fall beyond its ordinary course of business or significantly depart from the market conditions.

Financial instruments used by the Company

The Company holds derivative financial instruments such as forward contracts for purchases and sales of inventory, to hedge the risks related to fluctuations of raw materials prices. These derivative financial instruments are measured at fair value. The fair value of forward contracts for purchase and sale is calculated by reference to prices quoted at the commodities exchange for contracts with similar profiles.

Financial instruments used by the Company (continued)

The Company concludes forward contracts for purchase and sale of inventory to hedge its exposure to the fluctuations of cash flows (1) which is due to the price risk related to changes in prices of copper and zinc and (2) which may influence the profit or loss. This hedging relationship is designated as a cash flow hedge.

If the cash flow hedge related to commitments, meets the strict criteria for applying hedge accounting, the portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognised in equity, and the ineffective portion is recognised in profit or loss. Gains or losses that have been recognised in equity are reclassified into profit or loss in the same period in which the hedged commitment affects profit or loss.

The Company also concludes forward contracts for purchase and sale of inventory to hedge its exposure to the fluctuations of the fair value of its permanent metal stock, (1) which is due to the price risk related to the changes in the prices of copper and zinc and (2) which may influence the profit or loss. When the Company concludes such contracts hedging relationships are designated as fair value hedge.

For derivatives which do not meet the strict criteria for hedge accounting, all gains or losses due to changes in fair value are taken directly to profit or loss.

As a result of the purchasing of raw materials at prices denominated in currencies other than the Bulgarian lev and EUR, the operating results of the Company may be affected by the volatility of the exchange rates against BGN. The Company hedges this risk.
The Company also has sales in currencies other than the Bulgarian lev and EUR, and therefore it is exposed to currency risk. For sales in EUR, there is no currency risk, as the exchange rate EUR/BGN is fixed as a result of the operation of the Currency Board in Bulgaria. Approximately 24% of the Company's sales are denominated in currencies other than the Bulgarian lev or the euro. The Company hedges the foreign currency risk through withdrawing loans in the same currency as the currency of the sales. Part of the sales denominated in currencies other than the Bulgarian lev and the euro are hedged by forward sales contracts at a fixed exchange rate for the respective amount of foreign currency for the date, the receivable is expected to be collected.
The Company's risk related to doubtful debt is immaterial. The Company's policy in respect of sales is to work with approved commercial intermediaries, including the parent company.
The Company has a policy to insure receivables from export sales to customers which are not related parties.
The Company is exposed to significant risk due to the volatility of prices of copper and zinc, which are the major raw materials for the production. The Company has a policy to hedge this risk. It negotiates the buy and sell prices based on the quotes at the London Metal Exchange (LME) on certain dates. The Company concludes a forward contract for sale at LME for each purchase order, as well as forward contract for purchase for each customer order accepted. Forward contracts are concluded for the same quantities as the purchase customer orders and are concluded at approximately the same dates, at which the buy and sell prices are fixed. The effect from the price difference realised by the Company in a certain sale as a result of the movement of prices of metals between the date of purchase of raw materials and the date in respect of which the sell price is fixed, are offset by the gain or loss on the respective buy and sell forward contracts.

Responsibilities of the management

According to the Bulgarian legislation the management of the Company has to prepare an annual report for the activities of the Company and financial statements, presenting true and fair view of the Company's financial position, financial results and cash flows for the year, in accordance with the applicable financial reporting framework. For the purpose of reporting in accordance with the Bulgarian legislation the Company applies the International Financial Reporting Standards (IFRS) as adopted by the EU.

The responsibilities of the management include designing and implementing effectively an internal control system that will ensure preparation of financial statements that are free from material misstatements, due to fraud or error, selection and application of appropriate accounting policies and assessment of significant accounting estimates that are reasonable in the respective circumstances.

The management confirms that it has fulfilled its responsibilities and that the financial statements are prepared in compliance with IFRS as adopted by the EU.
The management also confirms that this management report presents true and fairly the activities of the Company and the developments in the business as well as the main risks for the Company.

The management approves for issue the management report and the financial statements of the Company for 2014.

Important transactions with related parties

Transactions with affiliated parties mainly concern purchases, sales and processing of copper and zinc products (finished and semi-finished) and raw materials. Through such transactions, the companies take advantage of the Group's size and attain economies of scale.

Transactions between affiliated parties within the meaning of IAS 24 are broken down as follows:

In thousands of BGN

Company	Sales of Goods, Services & Fixed assets	Purchases of Goods, Services & Fixed assets	Receivables	Payables
Etem Bulgaria	2,784	3	384	4
Metal Agencies	34,329	8	-	7
Steelmet Romania	5,987	35	-	13
Halcor	5,608	56,238	1	39,314
MKC Metall Kunden Center	58,168	94	1,381	22
Teprometal Germany	5,198	921	-	323
Fitco	4,916	2,794	304	-
Genecos	5,949	923	2,027	296
Hellenic Cables	4,242	1,570	324	3
Metalvalius	14,103	171,552	-	1,746
CPW America Co.	2,145	-	1,050	-
Steelmet Cyprus	-	757	-	-
Fulgor	127	1,364	4	242
Others	404	2,290	50	180
Total	**143,960**	**238,549**	**5,525**	**42,150**

SOFIA MED sells to Etem Bulgaria finished goods and merchandise.

Metal Agencies trades SOFIA MED's products in the market of Great Britain.

Steelmet Romania trades SOFIA MED's products in the Romanian market.

SOFIA MED sells to Halcor raw materials, finished goods and tolling services. Halcor provides SOFIA MED with raw materials, merchandise, fixed assets, technical, administrative and commercial support services.

MKC Metall Kunden Center trades SOFIA MED products in the German market.

Teprometal Germany trades SOFIA MED products in the German market and represent the latter in the German, Dutch, Belgian, Russian and Asian markets.

SOFIA MED sells to Fitco finished goods and raw materials. Fitco provides SOFIA MED with merchandise, raw materials and tolling services.

Genecos trades SOFIA MED products and represent the latter in the French market.

SOFIA MED sells to Hellenic Cables finished goods and raw materials. Hellenic Cables provides SOFIA MED with raw materials.

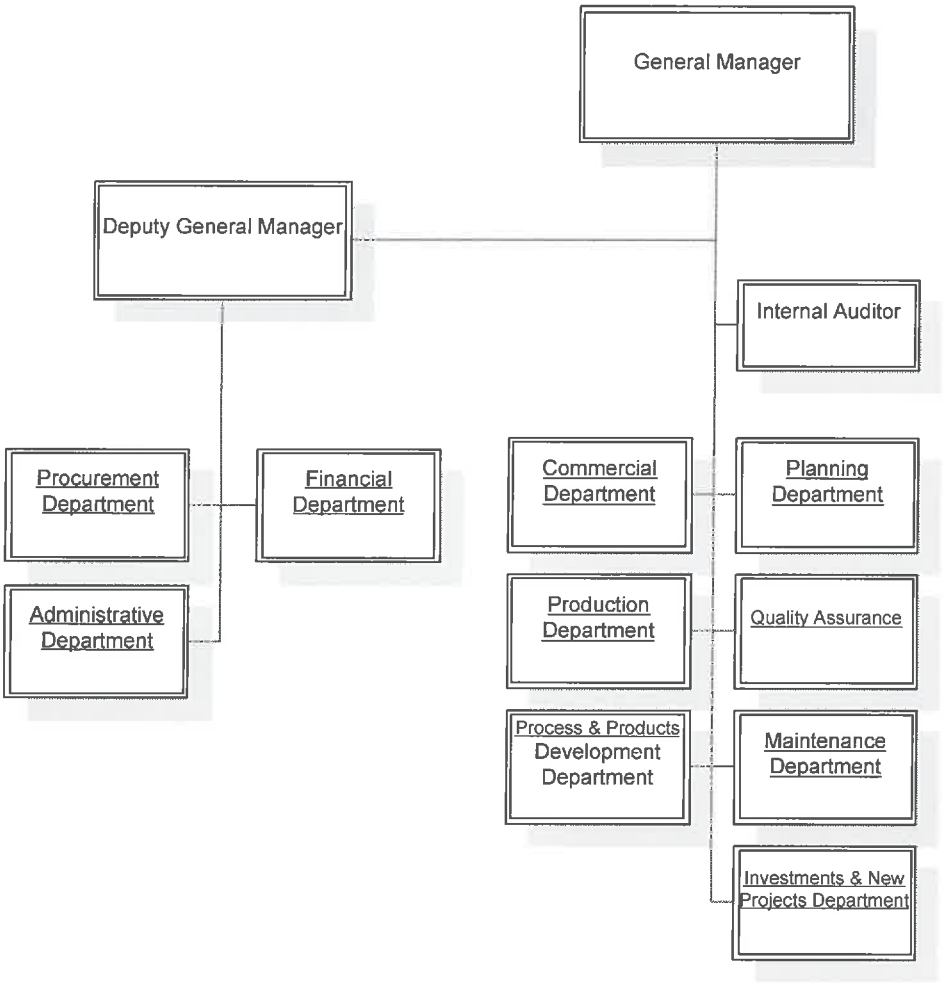
Metalvalius mainly sell to SOFIA MED significant amounts of scrap copper and brass, but also buy raw materials from SOFIA MED. SOFIA MED rents to Metalvalius some premises and equipment. Metalvalius renders to SOFIA MED services related to scrap purchasing and sorting.

CPW America Co. trades SOFIA MED products in the American market.

Steelmet Cyprus provides SOFIA MED with commercial consultancy services.

Fulgor provides SOFIA MED with raw materials.

Organisational structure



Composition of the Board of Directors

The existing Board of Directors of the Company consists of 9 members of whom:

- 5 are executive members (Chairman, Vice-Chairman & 3 Members)
- 4 are non-executive members (Other Members)

The current Board of Directors of SOFIA MED AD consists of the following:

- Efstratios Evangelos Stratigis, Chairman, executive member
- Angel Petrov Ganev, Vice Chairman, executive member
- Ioannis Papadimitriou, executive member;
- Stylianos Theodosiou, executive member;
- Spyridon Kokkolis, executive member;
- Periklis Sapountzis, non-executive member;
- Lidia Atanasova Gerdjikova, non-executive member;
- Athanassios Athanassopoulos, non-executive member;
- Dimitrios Dimitriadis, non-executive member.

Curriculum vitae of the Board members

Efstratios Evangelos Stratigis, Chairman, executive member

Mr. Stratigis' academic and professional education is obtained in Switzerland (Doctor of Laws, Basel University, December 1956) and the UK (Commercial and Admiralty Law at LSE and internships with insurance companies and law firms 1961 and 1962). Practices law since 1963 before the Courts of Athens and Piraeus specialising in company, commercial, maritime, insurance and banking law and international finance. He was until recently the Senior Partner of one of the leading law firms in Greece, established by his father the late Evangelos Stratigis in 1922, "Law Office E.Stratigis & Partners" involved in some of the biggest initial and secondary IPO's and privatisations in Greece, as well as in bond issues of the Hellenic Rebublic as advisers to international underwriters. He speaks English, German and French.

Angel Petrov Ganev, Vice Chairman, executive member

Mr. Ganev is a graduate of University of National and World Economy – Sofia and has specialization in the Foreign Trade Academy in Moscow, Russia. He has gained his professional experience as Managing Director of production and commercial companies, Senior officer in Ministry of foreign trade of Bulgaria, Commercial agent in Greece, Deputy Mayor of Sofia and Municipal councilor of Sofia. He speaks Russian, Greek and French.

Ioannis Papadimitriou, executive member

Dr. Ioannis Papadimitriou has graduated from the Technical University of Hanover, Electrical Engineering faculty. From 1986 to 1991 he was a research associate at the "Institute of Production Engineering and Machine Tools Technology " of the same University. In 1991 he acquired the title of Doctor of the Technical University in Hanover. He joined Halcor in 1992. From June 2006 to August 2013 he was Director of the Tube mill. As of September 2013 he is the General Manager of SOFIA MED.

Stylianos Theodosiou, executive member

Mr. Theodosiou is a Mechanical & Electrical Engineer, graduated from the Technical University of Athens in 1966. He commenced his career in 1968 as the Rolling Department Manager in Halcor's Piraeus Plant and in 1971 he became the Production Director for Casting -Rolling and Extrusion at the same plant. In 1981 he was promoted to Technical Director of all Halcor's Installations in Greece for Casting, Rolling and Extrusion of copper and copper alloys. From 2004 onwards he is the General Technical Director of Halcor S.A. and Fitco S.A. in Greece and SOFIA MED in Bulgaria.

Spyridon Kokkolis, executive member

Mr. Kokkolis is the Chief Financial Officer of Halcor group. He graduated from the Athens University of Economics, department of Business administration in 1991. He joined the Viohalco group of companies in the end of 1993, serving for 2 years in the Internal Auditing department of the group as an auditor. In 1996, he joined Halcor S.A. as Financial Controller, became Financial Manager in 2002, and Group CFO in 2004.

Periklis Sapountzis, non-executive member

Mr. Sapountzis is a chemical Engineer, graduate of the Technical University of Munich, holder of a doctor's degree(TUM). He has been one of Viohalco executives since 1995. After a successful career in Marketing and Sales of Industrial products in Germany he became the General Manager of Icme Ecab S.A. in 2000 and in 2004 the General Manager of Helenic Cables S.A. From 2008 until today he is the General Manager of Halcor S.A.

Lidia Atanasova Gerdjikova, non-executive member

Ms. Gerdjikova is a graduate of University of National and World Economy – Sofia. She has occupied positions of senior expert in commercial company, expert in an audit company, chief accountant and Investor Relations Director. She speaks English, Greek, and Russian.

Athanassios Athanassopoulos, non-executive member

Mr. Athanassopoulos is a graduate of the Athens University of Economics and Business (former A.S.O.E.E. School of Economics & Commerce) and has specialized in Costing, in Marketing and Financial Management. He began his business career in Viohalco in 1964 in the financial department and has until this day served in several companies of the group in senior staff positions of General Manager, Member of the Board of Directors, Managing Director and President of the Board of Directors of many companies. He also holds the same positions in the subsidiaries of the Group in Bulgaria. He is a member of professional and social unions such as the Economic Chamber of Greece, Union of A.S.O.E.E. graduates, Tegean Association, founding member of the Greek Center of European Studies and Research

Dimitrios Dimitriadis, non-executive member

Mr. Dimitriadis is a professional mining and metallurgical engineer graduated in 1979 from the NTUA. He has extensive experience in process development, process engineering and project development in mining and metallurgical industry. He was until 2002 Development Manager of TVX Gold. From 2002 until 2004 he was General Manager of ELMIN a bauxite producing mining company. In 2004 he joined as Business Development Manager of Hellas Gold S.A. In 2006 he has joined as VP Projects Development of European Goldfields, a Canadian Mining Company listed on TSX and AIM. From 2012 he joined as Senior Manager Engineering of Eldorado Gold.

SOFIA MED AD

Financial Statements

For the year ended 31 December 2014

With Independent Auditors' Report thereon

KPMG Bulgaria OOD
45/A, Bulgaria Boulevard
Sofia 1404
Bulgaria

Telephone +359 (2) 9697 300
Telefax +359 (2) 9805 340
E-mail bg-office@kpmg.com
Internet www.kpmg.bg

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Sofia Med AD

Report on the Financial Statements

We have audited the accompanying financial statements of Sofia Med AD ("the Company"), which comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Company prepared in accordance with the requirements of article 33 of the Accountancy Act

As required under the Accountancy Act, we report that the historical financial information disclosed in the annual report of the activities of the Company, prepared by Management as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the financial information disclosed in the audited financial statements of the Company as of and for the year ended 31 December 2014. Management is responsible for the preparation of the annual report of the activities of the Company which was approved by the Board of Directors of the Company on 23 April 2015.

Maria Peneva
Director

KPMG Bulgaria OOD

Sofia, 29 April 2015

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Dobrina Kaloyanova
Registered auditor

SOFIA MED AD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME

For the year ended 31 December 2014

In thousands of BGN	*Notes*	*2014*	*2013*
Revenue	3.1	623,299	676,546
Cost of sales	3.2	(621,583)	(680,380)
Gross profit/(loss)		**1,716**	**(3,834)**
Selling and distribution expenses	3.2	(3,768)	(2,700)
Administrative expenses	3.2	(5,832)	(6,608)
Other expenses, net	3.3	(246)	(466)
Result from operating activities		**(8,130)**	**(13,608)**
Finance income	3.4	31	46
Finance expenses	3.4	(15,961)	(13,708)
Net finance cost		(15,930)	(13,662)
Loss before income tax		**(24,060)**	**(27,270)**
Income tax benefit	4	1,254	202
Loss for the year		**(22,806)**	**(27,068)**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of land and buildings	5	-	8,575
Revaluation of machinery and technical installations	5	10,240	-
Related tax	4	(1,024)	(857)
		9,216	7,718
Items that are or may be reclassified to profit or loss:			
Effective portion of changes in fair value of cash flow hedge contracts	3.5	380	(573)
Related tax	4	(38)	57
		342	(516)
Other comprehensive income for the period, net of income tax		**9,558**	**7,202**
Total comprehensive income for the period		**(13,248)**	**(19,866)**

The financial statements are authorized for issue with a resolution of the Board of Directors on 23 April 2015.

The notes from page 8 to page 43 are integral part of these financial statements.

Ioannis Papadimitriou
General Manager and Representative
Member of Board of Directors

Sergey Vlaykov
Deputy General Manager and
Chief Financial Officer

Petar Sabev
Preparer,
Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Director
KPMG Bulgaria OOD

Dobrina Kaloyanova
Registered Auditor

SOFIA MED S.A. SOFIA BULGARIA

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №045 "КПМГ - България" ООД

SOFIA MED AD

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

In thousands of BGN	*Notes*	***2014***	***2013***
ASSETS			
Non-current assets			
Property, plant and equipment	5	278,912	270,462
Intangible assets	6	2,682	1,402
Deferred tax assets	4	3,238	3,046
		284,832	**274,910**
Current assets			
Inventories	7	99,508	84,134
Trade and other receivables	8	30,320	31,591
Derivative financial instruments	9	845	217
Cash and cash equivalents	10	8,620	48,388
		139,293	**164,330**
TOTAL ASSETS		**424,125**	**439,240**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	180,157	180,157
Share premium	11	44,491	44,491
Other reserves	12	100,645	91,087
Retained earnings		(153,713)	(130,907)
		171,580	**184,828**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans	13	175,767	192,614
Retirement benefit liabilities	15	352	390
		176,119	**193,004**
Current liabilities			
Trade and other liabilities	16	58,594	60,670
Interest-bearing loans	13	17,832	738
		76,426	**61,408**
TOTAL LIABILITIES		**252,545**	**254,412**
TOTAL EQUITY AND LIABILITIES		**424,125**	**439,240**

SOFIA MED S.A. SOFIA BULGARIA

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Ioannis Papadimitriou	Sergey Vlaykov	Petar Sabev
General Manager and Representative Member of Board of Directors	*Deputy General Manager and Chief Financial Officer*	*Preparer, Chief Accountant*

In accordance with an Auditor's Report:

Maria Peneva	Dobrina Kaloyanova
Director	*Registered Auditor*
KPMG Bulgaria OOD	

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №045 "КПМГ - България" ООД

SOFIA MED AD

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

In thousands of BGN	*Notes*	*Share capital*	*Share premium*	*Revaluation reserve*	*Hedging reserve*	*Retained earnings*	*Total equity*
Balance as at 1 January 2013		**150,820**	**15,154**	**83,134**	**751**	**(103,839)**	**146,020**
Comprehensive income for the period							
Loss for the period		-	-	-	-	(27,068)	**(27,068)**
Other comprehensive income							
Net loss from cash flow hedge, net of deferred tax	3.5	-	-	-	(516)	-	**(516)**
Revaluation of land and buildings, net of deferred tax	12	-	-	7,718	-	-	**7,718**
Total comprehensive income for the period		-	-	7,718	(516)	(27,068)	**(19,866)**
Transactions with owners, recognised directly in equity							
Issue of shares	11	29,337	29,337	-	-	-	58,674
Total transactions with owners		29,337	29,337	-	-	-	**58,674**
Balance as at 31 December 2013		**180,157**	**44,491**	**90,852**	**235**	**(130,907)**	**184,828**

SOFIA MED S.A. SOFIA BULGARIA

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Ioannis Papadimitriou
General Manager and Representative Member of Board of Directors

Sergey Vlaykov
Deputy General Manager and Chief Financial Officer

Petar Sabev
Preparer, Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Director
KPMG Bulgaria OOD

Dobrina Kaloyanova
Registered Auditor

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №045 "КПМГ - България" ООД

In thousands of BGN	*Notes*	*Share capital*	*Share premium*	*Revaluation reserve*	*Hedging reserve*	*Retained earnings*	*Total equity*
Balance as at 1 January 2014		**180,157**	**44,491**	**90,852**	**235**	**(130,907)**	**184,828**
Comprehensive income for the period							
Loss for the year		-	-	-	-	(22,806)	**(22,806)**
Other comprehensive income							
Net loss from cash flow hedge, net of deferred tax	3.5	-	-	-	342	-	**342**
Revaluation of land and buildings, net of deferred tax	12	-	-	9,216	-	-	**9,216**
Total comprehensive income for the period		-	-	9,216	342	(22,806)	**(13,248)**
Transactions with owners, recognised directly in equity		-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-
Balance as at 31 December 2014		**180,157**	**44,491**	**100,068**	**577**	**(153,713)**	**171,580**

SOFIA MED S.A. SOFIA BULGARIA

The financial statements are authorized for issue with a resolution of the Board of Directors on 23 April 2015.

The notes from page 8 to page 43 are integral part of these financial statements.

Ioannis Papadimitriou
General Manager and Representative
Member of Board of Directors

Sergey Vlaykov
Deputy General Manager and
Chief Financial Officer

Petar Sabev
Preparer,
Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Director
KPMG Bulgaria OOD

Dobrina Kaloyanova
Registered Auditor

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №045 "КПМГ - България" ООД

SOFIA MED AD

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

In thousands of BGN	*Notes*	*2014*	*2013*
Cash flows from operating activity			
Loss for the year		(22,806)	(27,068)
Adjustments for:			
Income tax		(1,254)	(202)
Depreciation of property, plant and equipment		18,430	17,153
Amortisation of intangible assets		355	358
Increase/(Decrease) in impairment		(3,060)	2,165
Non-current assets scrapped		-	8
Change in retirement benefit liability		(38)	26
Interest income		(31)	(46)
Net realised (gains)/losses from cash flow hedge		1,504	(1,385)
Finance costs		15,961	13,708
		9,061	4,717
Changes in:			
- inventories		(12,314)	24,724
- trade and other receivables		1,271	14,708
- trade and other payables		(4,248)	22,867
		(15,291)	62,299
Cash flows generated from operating activity		**(6,230)**	**67,016**
Interest paid		(13,071)	(11,582)
Interest received		26	5
Net cash flow from hedging activity and bank commissions		(1,133)	3,738
Net cash flows generated from operating activities		**(20,408)**	**59,177**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(18,058)	(12,062)
Acquisition of intangible assets		(382)	(365)
Net cash used in investing activities		**(18,440)**	**(12,427)**
Cash flows from financing activities			
Proceeds from borrowings		-	78,233
Repayment of borrowings		(920)	(77,511)
Net cash flows from financing activities		**(920)**	**722**
Net change in cash and cash equivalents		**(39,768)**	**47,472**
Cash and cash equivalents as at 1 January		48,388	916
Cash and cash equivalents as at 31 December	10	**8,620**	**48,388**

SOFIA MED S.A. SOFIA BULGARIA

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Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Director
KPMG Bulgaria OOD

Специализирано одиторско предприятие София Рег. №045 "КПМГ - България" ООД

Dobrina Kaloyanova
Registered Auditor

1. Reporting entity

Incorporation

SOFIA MED AD (the Company) is a joint-stock company incorporated in 1999 in Bulgaria. The address of the Company's registered office is: 4 Dimitar Peshev Str., Gara Iskar, Sofia, Bulgaria.

Shareholders

As at 31 December 2014 the share capital of the Company is held by Halcor S.A. Metal Works (Halcor S.A.), Greece – 99.99995% and Fitco S.A. Metal Works (Fitco S.A.), Greece – 0.00005%. The latter is also part of the Group of Viohalco S.A.,(traded on the EURONEXT stock exchange in Belgium) which is the ultimate parent of SOFIA MED AD.

Operating activity

The operating activity of the Company is manufacturing of metal products, including rods, bars, wire and profiles, from alloys containing copper, zinc and lead. In 2000, the Company finished a thorough reconstruction of the processing lines in the extrusion workshop. The Company started its processing activity in late 2000. From 2001 to 2014 the Company has been engaged in a major reconstruction of the foundry and the rolling workshop for which considerable investments have been planned and made.

The Company operates only in Sofia. As at 31December 2014 the number of employees is 556 (2013: 599).

The financial statements are authorized for issue with a resolution of the Board of Directors on 23 April 2015.

2.1 Basis of preparation

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments, which are measured at fair value;
- land and buildings which are measured at revalued amount;
- machinery and technical installations; and
- retirement benefit liabilities recognised at the present value of the defined benefit obligation.

Functional and presentation currency

These financial statements are presented in Bulgarian lev (BGN), which is the Company's functional currency. All financial information presented in BGN has been rounded to the nearest thousand unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Going concern

These financial statements have been prepared applying the assumption that the Company is a going concern and will continue to operate in the foreseeable future. The validity of the going concern assumption depends on the active financial support of the shareholders.

As at 31 December 2014 the Company realized a loss of BGN 22,806 thousand (2013 - loss of BGN 27,068 thousand) due to negative effects caused by the main markets on which the Company operates. The management has developed a plan and undertaken actions to improve the financial position of the Company. The plan consists of but is not limited to the optimization of the company portfolio toward more profitable products and markets as well as optimization of working capital and cash flow.

The management estimates that the existing capital resources and sources of funding (cash flows from operating activities and access to bank loans) will be adequate for its liquidity needs in 2015.

2.2 Changes in accounting policies and disclosures

The Company has applied consistently all accounting policies in the accounting periods presented in these financial statements, except the following:

2.2 Changes in accounting policies and disclosures (continued)

In order to achieve more fair presentation of financial statements and following the changes in Halcor S.A. accounting policy the Company adopted at the end of 2014 the revaluation model for part of its plant and equipment (machinery and technical installations).

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- IFRIC 21 Levies
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Agreements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011), and IAS 28 Investments in Associates and Joint Ventures (2011)

Amendments to IAS 36

Changes in IAS 36 do not require any additional disclosures in the financial statements.

IFRIC 21 – Levies

This change in the accounting policy did not have significant effects on the financial statements of the Company.

Amendments to IAS 32

The changes in IAS do not have material effect on the financial statements as the Company does not compensate significant financial assets and liabilities and does not have global agreements for compensation.

New set of standards for consolidation

The company applied IFRS 10 Consolidated financial statements, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 *Separate Financial Statements* (2011), and IAS 28 *Investments in Associates and Joint Ventures* (2011) as of 1 January 2014.

The application of these new / revised standards did not have effect on the financial statements, as the Company does not exercise control over other companies and has no investments in associates or joint ventures.

2.3 New standards and interpretations, not yet adopted

A number of new standards, amendments to standards and interpretations, endorsed by the EC, are available for early adoption in the annual period ended 31 December 2014, although they are not yet mandatory until a later period. These changes to IFRS have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC:

- Annual improvements to IFRSs *2010-2012 and 2011-2013 Cycles*. The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. None of these amendments are expected to have a significant impact on the financial statements of the Entity;
- Amendments to IAS 19 – *Defined benefit plans: Employee contributions*. The entity does not expect the Amendments to have any impact on the financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

IASB/IFRIC documents not yet endorsed by EC:

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European Commission, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

2.3 New standards and interpretations, not yet adopted (continued)

- IFRS 9 Financial instrument (issued 24 July 2014);
- IFRS 14 Regulatory Deferral Accounts (issued 30 January 2014);
- IFRS 15 Revenue from contracts with customers (issued 28 May 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on 18 December 2014);
- Amendments to IAS 1 Disclosure initiative (issued 18 December 2014);
- Annual improvements to IFRSs 2012-2014 Cycle (issued 25 September 2014)
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associated or jointly controlled investee (issued 11 September 2014);
- Amendments to IAS 27 – Equity method in separate financial statements (issued 12 August 2014);
- Amendments to IAS 16 and IAS 41 – Bearer plants (issued 30 June 2014);
- Amendments to IAS 16 and IAS 38 – Clarification for acceptable methods of depreciation and amortization (issued 12 May 2014);
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations (issued 6 May 2014).

As at the date of preparation of these financial statements, Management believes that the new or revised standards, new interpretations and amendments to current standards will not have a significant impact on the financial statement after having been approved by the European Commission.

2.4 Estimates and assumptions

The preparation of the financial statements requires management to apply accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosed contingent liabilities at the balance sheet date, as well as on the income and expenses for the period. Uncertainties related to these assumptions and estimates may lead to actual results that require material adjustments in the carrying amounts of the respective assets or liabilities in the forthcoming reporting periods.

The key assumptions concerning future and other key sources of uncertainty in estimates as at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the following reporting period, are discussed below:

Retirement benefit liabilities

The amount recognised as long-term retirement employee benefits is the present value of the obligation to repay such benefits as at the financial statements date. The major assumptions used in the computation of the liability are as follows: discount rate of 5.5%, expected salary increase rate of 6% and employee turnover rate of 11%. The retirement employee benefits liability is not based on actuarial valuation, but on a calculation model developed by the Company. The management believes that the amount of the obligation as at the financial statements date would not differ significantly from the actuarial valuation, as all requirements of IAS 19 *Employee Benefits* have been taken into consideration in developing the calculation model used by the Company. Due to the long-term nature of retirement employee benefits such assumptions are subject to significant uncertainty. As at 31 December 2014 the retirement employee benefits liability of the Company amounts to BGN 352 thousand (2013: BGN 390 thousand). Further details related to employee retirement benefits are provided in Note 15.

Revaluation of property, plant and equipment

The Company's land, buildings and machinery and technical installations are carried at revalued amounts. The determination of the assets' fair values involves estimates. Further details for the applied methods and assumptions are presented in note 5

Useful life of property, plant and equipment and intangible assets

Financial reporting of property, plant and equipment and intangible assets involves using estimates as to their expected useful lives and residual values, based on management judgement. Further details as to the useful lives are presented in the Company's accounting policies (note 2.4).

2.4 Estimates and assumptions (continued)

Impairment of receivables

Management assesses the appropriateness of doubtful and bad debt allowance based on ageing analysis of the receivables, historical experience regarding the write-off rates of bad debts, as well as analysis of the solvency of the respective customer, changes in the contractual payment terms, etc. If the financial position and performance of the customers deteriorates (in excess of the expected) the amount of the receivables to be written off in the following reporting periods may be higher than the one estimated as at the financial statements date. As at 31 December 2014 the management estimations is for no allowance for doubtful debts (2013: none).

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the inputs in the valuation techniques as follows.

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 5 – Property, plant and equipment and Note 22 – Fair values of financial instruments

2.5 Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in Bulgarian leva, which is the functional and presentation currency of the Company. Foreign currency transactions are initially recorded in the functional currency using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of each month by applying the exchange rate for the last working day published by the Bulgarian National Bank. All exchange rate differences are recognised in the other operating income and expenses. Non-monetary assets and liabilities that are measured in foreign currency historical cost are translated using the exchange rate as at the date of initial transaction (acquisition).

Property, plant and equipment

Initial recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the acquisition cost, including all duties and non-recoverable taxes and other expenditures directly attributable to bring the asset to the working condition for its intended use by the management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it meets the conditions for recognition of non-current asset. When major inspection costs are incurred for a machine and/or equipment, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Subsequent measurement

After initial recognition, land and buildings and machinery and technical installations are carried at revalued amount which is the fair value of the asset on the revaluation date less accumulated depreciation and accumulated impairment losses. The fair value of land and buildings is based on market evidence through valuation performed by a qualified valuer. When buildings, machinery and technical installations are revalued the total accumulated depreciation at the date of the revaluation is written off against the gross book value of the asset and the net value is adjusted based on the asset's revalued amount.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets.

The useful lives of property, plant and equipment have been determined as follows:

Buildings	20 – 33.33 years
Machinery and technical installations	6.67 – 25 years
Supporting machinery and equipment	2 – 25 years
Cars	4 years
Other vehicles	10 years
Other assets	6.67 years.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

At each financial year end the asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if expectations differ from the previous estimates.

Borrowing costs

Borrowing costs are capitalised in the asset's value when they can be directly attributed to the acquisition or construction of a qualifying asset. This is an asset which requires a significant period of time to become ready for its intended use.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on this asset had not been made. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in the period in which they are incurred.

Intangible assets

Intangible assets are measured initially at acquisition cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on a straight-line basis.

The useful lives of the intangible assets have been determined as follows:

2.5 Summary of significant accounting policies (continued)

Intangible assets (continued)

Software	2-7 years;
Trademarks and rights	6.67 years.

The useful life of all intangible assets is assessed to be finite.

Intangible assets with finite useful life are amortised over their useful life and tested for impairment in case there is an indication that the asset may be impaired. At least at each reporting period end the useful life and the amortisation method for an intangible asset with a finite useful life are reviewed. Changes in the expected useful life or in the consumption of the future economic benefits embodied in the asset are accounted through changing the amortisation period or method and are regarded as change in estimates. The amortisation charge related to intangible assets with finite useful life is recognised in profit or loss in consistency with the function (purpose) of the intangible asset.

Any gain or loss arising on derecognition of an intangible asset is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is included in profit and loss for the period when the asset is derecognised.

Impairment of long term non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists or if an annual impairment test is required then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its fair value and value in use. Assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset is impaired to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is determined by using an appropriate valuation model. Calculations performed are confirmed by using other valuation models or indicators for the fair value of an asset or a cash generating unit.

Losses from impairment of non-current tangible assets are presented as part of net other expenses.

Financial instruments

As at each reporting date an assessment is made as to whether there are indications that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the Company makes an estimate of the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case the carrying amount of the asset is increased to its recoverable amount.

The increased amount as a result of reversal of impairment cannot exceed the carrying amount that would have been determined (net of depreciation) in case no impairment loss had been recognised in prior years for the respective asset. Such reversal of impairment loss is recognised in profit and loss.

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they have originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

***Non-derivative financial assets* (continued)**

The Company has the following non-derivative financial assets: receivables and cash and cash equivalents.

Receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Share capital is presented at the nominal amount of the shares issued and paid-in. Proceeds from issued shares in excess of their nominal amount are presented as share premium.

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments such as forward purchase and sale contracts for inventories to hedge its risks associated with fluctuations in the price of main raw materials. These derivative financial instruments are measured at fair value. The fair value of forward contracts for purchase and sale is calculated by reference to prices quoted on the commodities exchange for contracts with similar profiles.

The Company concludes forward contracts for purchases and sales of inventories to hedge its exposure to the fluctuations of cash flows (1) which is due to the price risk related to the changes in the prices of copper and zinc and (2) which may influence the profit or loss. These hedging contracts are designated as cash flow hedge.

The Company also concludes forward contracts for purchases and sales of inventories to hedge its exposure to the fluctuations of fair value of its permanent metal stock (1) which is due to the price risk related to the changes in the prices of copper and zinc and (2) which may influence the profit or loss. When the Company concludes such contracts hedging relationships are designated as fair value hedge.

The Company applies hedge accounting for the designated cash flow and fair value hedging relations.

When a derivative is designated as the hedging instrument in a hedge of the changes in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is recycled trough profit or loss in the same period as the hedged cash flows affect profit or loss under the same item in the statement of comprehensive income as the hedged item.

2.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments, including hedge accounting **(continued)**

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period when the hedged item affects profit or loss.

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised directly in the statement of comprehensive income.

Hedge accounting is discontinued when: the hedging instrument expires or is sold, terminated or exercised, or no more meets the criteria for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss in equity is transferred to the profit or loss for the period.

As at 31 December 2014 and as at 31 December 2013 the Company measures its open futures contracts (open positions) at fair value. The resulting net unrealised gain/loss is recognised directly in other comprehensive income, net of the respective deferred tax.

Impairment of financial assets

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

Financial assets, carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in statement of comprehensive income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence for impairment exist for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that collectively assessed them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been recognised at the date the impairment is reversed.

Trade receivables are impaired when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

2.5 Summary of significant accounting policies (continued)

Inventory

Inventories are valued at the lower of costs and the net realisable value. Inventories that are hedged under fair value terms are measured at cost adjusted for the changes in the fair values of the hedging instruments.

Costs incurred to bring a product to its present condition and location are included in the inventory cost, as follows:

Raw materials and materials	- purchase cost defined on weighted average basis;
Finished goods and in progress	- the cost of direct materials, labour and variable and fixed work overheads allocated on normal capacity basis, excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

For impairment testing purposes inventories that contain metal are grouped under several categories according to the type of metal (alloy) included. The effect of any impairment losses and reversed write-down of inventories are presented in Cost of sales.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a part or the entire provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognised as a finance cost.

Contingent liabilities are not recognised in the financial statements but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is highly probable.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The Company recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in employee benefit expenses in profit or loss.

2.5 Summary of significant accounting policies (continued)

Employee benefits (continued)

Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid for salaries and additional remunerations if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Company recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

Leases

The Company as a lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specified asset or assets; and
- the arrangement conveys a right to use of the asset(s).

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate

Operating lease payments are recognised in profit or loss on a straight line basis over the lease term.

Revenue recognition

Revenue is recognised to the extent that the probable economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other taxes on sales or duties. The following recognition criteria must be met for recognition of revenue:

2.5 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Sales of finished products and goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This usually happens on dispatch of the goods.

Rendering of services

Revenue from services rendered is recognised in proportion to the stage of completion of transaction at the reporting date. The stage of completion of transaction is assessed on the basis of man-hours worked out to the date as percentage of the total man-hours to be worked on each contract. When the outcome of the transaction (contract) cannot be estimated reliably, revenue is recognised only to the amount of costs incurred that are to be recoverable.

Interest income

Interest income is recognised as interest accrues (using effective interest method, i.e. the interest rate that discounts exactly the estimated future cash flow over the expected useful life of the financial instrument to the carrying amount of the financial asset).

Finance income and finance costs

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance cost comprised interest expense on borrowings, bank commissions and losses on hedging instruments that are recognised in other comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Government grants

Government grants related to depreciable assets are recognised as income over the life of the asset by a way of a reduced depreciation charge.

Taxes

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income.

Current income tax

Current tax assets and liabilities for the current and prior periods are recognised based on the amount expected to be recovered from or paid to taxation authorities. When calculating the current tax, the tax rates and tax laws applied are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is recognised using the liability method on all temporary difference at the reporting date between tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilised.

The Company reviews the carrying amount of the deferred tax assets at each reporting date and reduce it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the

2.5 Summary of significant accounting policies (continued)

Taxes (continued)

***Deferred income tax* (continued)**

extent it has become probable that future taxable profit will be realised, which would allow recovery to the deferred tax asset.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities or the tax assets and liabilities will be realised simultaneously.

Value Added Tax ("VAT")

Revenue, expenses and assets are recognised net of VAT, except:

- VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case VAT is recognised as part of the acquisition cost of the assets or as part of the relevant expense item as applicable; and
- receivables and payables that are reported with VAT included amount.

The net amount of VAT recoverable from or payable to the tax authorities is included in the value of receivables or payables in the statement of financial position.

3. Revenue and expenses

3.1 Sales revenue

In thousands of BGN	*2014*	*2013*
Finished products and goods	623,299	676,546
	623,299	**676,546**

3.2 Cost of sales, selling and distribution expenses and administrative expenses allocated by nature

	Year ended 31 December 2014			
In thousands of BGN	*Cost of sales*	*Selling and distribution expenses*	*Administrative expenses*	*Total*
Employee remuneration	9,449	1,352	2,048	12,849
Compulsory social security contributions	2,613	228	326	3,167
Materials	586,102	155	291	586,548
Cost of goods sold	3,951	-	-	3,951
Change in stock of finished goods and work in progress	(18,054)	-	-	(18,054)
Hired services	17,194	1,792	1,725	20,711
Depreciation of property, plant and equipment	17,622	12	796	18,430
Loss from cash flow hedge	1,504	-	-	1,504
Inventory write down, net (Note 7)	56	-	-	56
Amortisation of intangible assets	232	-	123	355
Other	914	229	523	1,666
Total	**621,583**	**3,768**	**5,832**	**631,183**

3.2 Cost of sales, selling and distribution expenses and administrative expenses allocated by nature (continued)

	Year ended 31 December 2013			
In thousands of BGN	*Cost of sales*	*Selling and distribution expenses*	*Administrative expenses*	*Total*
Employee remuneration	9,872	1,243	2,280	13,395
Compulsory social security contributions	2,823	255	405	3,483
Materials	600,598	139	370	601,107
Cost of goods sold	5,252	-	-	5,252
Change in stock of finished goods and work in progress	24,356	-	-	24,356
Hired services	19,163	835	1,803	21,801
Depreciation of property, plant and equipment	16,115	12	1,026	17,153
Gains from cash flow hedge	(1,385)	-	-	(1,385)
Inventory write down, net (Note 7)	3,116	-	-	3,116
Amortisation of intangible assets	252	-	106	358
Other	218	216	618	1,052
Total	**680,380**	**2,700**	**6,608**	**689,688**

3.3 Other expenses, net

In thousands of BGN	*2014*	*2013*
Foreign exchange losses	(3,990)	(3,818)
Foreign exchange gains	3,610	3,699
Other	134	(347)
	(246)	**(466)**

3.4 Finance income and finance cost

Recognised in profit and loss	*2014*	*2013*
In thousands of BGN		
Finance income		
Interest income	31	46
	31	**46**
Finance expenses		
Interest expense on loans carried at amortised cost	(15,436)	(13,208)
Bank commissions	(525)	(500)
	(15,961)	**(13,708)**

3.5 Change in fair value of derivatives recognised in other comprehensive income

In thousands of BGN	*2014*	*2013*
Net gain/(loss) from cash flow hedge		
Effective portion of changes in fair value of cash flow hedges	380	(573)
Tax effect	(38)	57
Net effect in other comprehensive income	342	(516)

3.6 Personnel expenses

In thousands of BGN	*2014*	*2013*
Employee remuneration	12,843	13,354
Social security expenses	3,167	3,483
Expenses for retirement employee benefits (Note 15)	6	41
Total	16,016	16,878

4. Corporate income tax

The main components of the corporate income tax benefit for the years ended 31 December 2014 and 2013 are:

In thousands of BGN	*2014*	*2013*
Tax recognised in profit and loss		
Deferred tax benefit	1,254	202
Tax benefit, recognised in profit or loss	1,254	202
Tax recognised in other comprehensive income		
Deferred tax, related to revaluation of land and buildings	-	(857)
Deferred tax, related to revaluation of machinery and technical installations	(1,024)	-
Deferred tax, related to cash flow hedge	(38)	57
Income tax recognised in other comprehensive income	**(1,062)**	**(800)**

The tax rate for 2014 is 10% (2013: 10%). The applicable tax rate in 2015 will be 10%.

The reconciliation between the nominal corporate income tax benefit based on the accounting (loss)/profit and the applicable tax rate and the effective income tax for the years ended 31 December 2014 and 2013 is as follows:

In thousands of BGN	*2014*	*2013*
Accounting loss before income tax	**(24,060)**	**(27,270)**
Income tax benefit at applicable tax rate of 10%	2,406	2,727
Derecognised deferred tax assets	(1,145)	(2,505)
Expenses non-deductible for tax purposes	(7)	(20)
Income tax benefit at effective tax rate -5.21% (2013: -0.74%)	**1,254**	**202**

4. Corporate income tax (continued)

Deferred taxes as at 31 December relate to the following:

	Statement of financial position		Statement of comprehensive income	
In thousands of BGN	*2014*	*2013*	*2014*	*2013*
Deferred tax liabilities:				
Unrealised loss from fair value hedge	(11)	3	(14)	(12)
Unrealized gain on cash flow hedge	(64)	(26)	(38)	58
	(75)	**(23)**	**(52)**	**46**
Deferred tax assets:				
Non –current assets	1,439	628	811	827
Write-down of inventories	6	312	(306)	271
Tax losses	1,705	1,926	(221)	(1,690)
Other	163	203	(40)	(52)
	3,313	**3,069**	**244**	**(644)**
Deferred income tax benefit, recognised in profit or loss			**1,254**	**202**
Deferred taxes recognised in other comprehensive income			**(1,062)**	**(800)**
Total change in deferred taxes			**192**	**(598)**
Deferred tax assets, net	**3,238**	**3,046**		

In 2014 the Company derecognised deferred tax assets related to tax losses at the amount of BGN 1,145 thousand, which expired in 2014.

As at 31 December 2013 unrecognised deferred tax assets on tax losses are at the amount BGN 2,505 thousand. Tax losses for which deferred tax was unrecognised expired in 2014.

5. Property, plant and equipment

Movements in property, plant and equipment (non-current tangible assets, NCA) is presented below:

In thousands of BGN	*Land*	*Buildings*	*Machinery and technical installations*	*Supporting machinery and equipment*	*Vehicles*	*Other*	*Assets under construction*	*Total*
Cost:								
At 1 January 2013	53,681	40,595	250,047	9,755	804	4,528	8,640	368,050
Additions	-	-	1,719	357	-	228	10,911	13,215
Disposals	-	-	(7)	(450)	-	(76)	-	(533)
Revaluation	8,290	285	-	-	-	-	-	8,575
Revaluation – elimination of depreciation	-	(2,849)	-	-	-	-	-	(2,849)
Transfer to intangible assets	-	-	-	-	-	-	(131)	(131)
Transfers	-	-	10,961	792	-	53	(11,806)	-
At 31December 2013	61,971	38,031	262,720	10,454	804	4,733	7,614	386,327
Additions	-	-	1,068	406	1	236	16,549	18,260
Disposals	-	-	(52)	(140)	(41)	(40)	-	(273)
Revaluation	-	-	10,240	-	-	-	-	10,240
Revaluation – elimination of depreciation	-	(2,876)	(118,841)	-	-	-	-	(121,717)
Transfer to intangible assets	-	-	-	-	-	-	(1,620)	(1,620)
Transfers	-	-	17,876	745	-	80	(18,701)	-
At 31 December 2014	61,971	35,155	173,011	11,465	764	5,009	3,842	291,217
Accumulated depreciation and impairment:								
At 1 January 2013	-	63	91,618	5,945	666	3,003	791	102,086
Depreciation for the year	-	2,854	13,040	742	53	464	-	17,153
Revaluation – elimination of depreciation	-	(2,849)	-	-	-	-	-	(2,849)
Disposals	-	-	(1)	(448)	-	(76)	-	(525)
At 31 December 2013	-	68	104,657	6,239	719	3,391	791	115,865
Depreciation for the year	-	2,882	14,236	852	43	417	-	18,430
Revaluation – elimination of depreciation	-	(2,876)	(118,841)	-	-	-	-	(121,717)
Disposals	-	-	(52)	(140)	(41)	(40)	-	(273)
At 31 December 2014	-	74	-	6,951	721	3,768	791	12,305
Carrying amount:								
At 1 January 2013	53,681	40,532	158,429	3,810	138	1,525	7,849	265,964
At 31 December 2013	61,971	37,963	158,063	4,215	85	1,342	6,823	270,462
At 31 December 2014	61,971	35,081	173,011	4,514	43	1,241	3,051	278,912

Impairment of property, plant and equipment

Based on the review of the property, plant and equipment the management of the Company has not identified any indications that the carrying amount of the assets may exceed their recoverable amount.

As at 31 December 2014 assets under construction include advances paid, amounting to BGN 1,410 thousand (2013: BGN 2,888 thousand), in accordance with agreements for purchase of machinery and equipment. The machinery and equipment are acquired primarily for the reconstruction of the foundry and the rolling workshop.

5. Property, plant and equipment (continued)

As at 31 December 2014 property, plant and equipment pledged as collateral for bank loans received by the Company amounts to BGN 273,650 (2013: BGN 263,721) (Note 13).

Revaluation of land and buildings

Management determined that the revalued land and buildings constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

If land and buildings were carried at cost model, their net carrying amount as at 31 December 2014 would be BGN 5,775 thousand land and BGN 5,386 thousand buildings.

(i) Fair value hierarchy

The fair value of land and buildings was determined by external, independent property values as at 31 December 2014 and 31 December 2013. The fair value measurement for land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Level 3 fair value

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

In thousands of BGN	*Land*	*Buildings*
Balance at 1 January 2014	61,971	37,963
Depreciation for the year	-	(2,882)
Revaluation	-	-
Balance at 31 December 2014	**61,971**	**35,081**

(iii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in the measuring the fair value of land and buildings at the last valuation date, as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Land plots: Market approach is used for valuation. *Buildings:* Two approaches are used to value every building: amortized replacement cost method and income approach method. Fair value of building is calculated as weighted average of the values coming from the two methods.	• Price of land plots per square metre (Range EUR 100-130). • Rent of industrial buildings per square metre (Range EUR 2-3.8)	Significant increases (decreases) in market price per square metre would result in significantly higher (lower) fair value of land plots. Significant increases (decreases) in estimated rent per square metre would result in significantly higher (lower) fair value of land plots.

Revaluation of machinery and technical installations

Management determined that the revalued plant and equipment constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the assets.

If machinery and technical installations were carried at cost model, their net carrying amount as at 31 December 2014 would be BGN 162,771 thousand.

5. Property, plant and equipment (continued)

Revaluation of machinery and technical installations (continued)

(i) Fair value hierarchy

The fair value of machinery and technical installations was determined by external, independent property values as at 31 December 2014. The fair value measurement for machinery and technical installations has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Level 3 fair value

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

In thousands of BGN	*Machinery and technical installations*
Balance at 1 January 2014	158,063
Additions	1,068
Disposals	-
Transfers	17,876
Depreciation for the year	(14,236)
Revaluation	10,240
Balance at 31 December 2014	**173,011**

(iii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in the measuring the fair value of land and buildings at the last valuation date, as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Machinery and technical installations: Cost approach	• New replacement cost. • Physical wear • Residual life • Functional and economic impairment	Significant increases (decreases) in new replacement cost and residual life would result in significantly higher (lower) fair value of machinery and technical installations. Significant increases (decreases) in physical wear and functional and economic impairment would result in significantly lower (higher) fair value of machinery and technical installations.

The Company used the cost approach for determination of the fair values of machinery and technical installations. The management performed impairment test of the cash generating unit including the machinery and technical installations to confirm the appropriateness of the valuation. No need for reduction of the determined fair values was identified. The Company is considered as one cash generating unit.

6. Intangible assets

In thousands of BGN	*Trademarks and patents*	*Software*	*Total*
Cost:			
At 1 January 2013	3	2,195	2,198
Additions	-	43	43
Transfer from assets under constructions	-	131	131
At 31 December 2013	3	2,369	2,372
Additions	-	15	15
Disposals	-	(80)	(80)
Transfer from assets under constructions	-	1,620	1,620
At 31 December 2014	**3**	**3,924**	**3,927**
Accumulated depreciation:			
At 1 January 2013	3	609	612
Depreciation charge	-	358	358
At 31 December 2013	3	967	970
Depreciation charge	-	355	355
Disposals	-	(80)	(80)
At 31 December 2014	3	**1,242**	**1,245**
Carrying amount:			
At 1 January 2013	-	**1,586**	**1,586**
At 31 December 2013	-	**1,402**	**1,402**
At 31 December 2014	-	**2,682**	**2,682**

Impairment of intangible assets

The Company has reviewed its intangible assets for impairment as at 31 December 2014. No indications were found that the carrying amount of the assets may exceed their recoverable amounts and therefore no impairment loss was recognised in the financial statements.

7. Inventory

In thousands of BGN	*2014*	*2013*
Materials	23,309	21,078
Work in progress	51,332	38,213
Finished goods	23,846	27,117
Merchandise	832	651
Advances for acquisition of materials	245	191
	99,564	**87,250**
Less: Inventories write-down:		
Materials	(6)	(369)
Work in progress	(35)	(1,626)
Finished goods	(15)	(1,109)
Merchandise	-	(12)
	(56)	(3,116)
Total inventories at the lower of cost and net realisable value	**99,508**	**84,134**

The write-down of inventories is based on the best estimate of the management for the value at which it is expected the inventories to be realised (actual agreed sales price or fair value according to quotations of metal prices at a commodity exchange). As at 31 December 2014 inventory pledged as collateral for bank loans received by the Company amounts to BGN 86,379 thousand (2013: BGN 71,626 thousand) (Note 13).

8. Trade and other receivables

In thousands of BGN	*2014*	*2013*
Trade receivables (Note 21)	20,796	21,177
Related parties receivables (Note 19,21)	5,525	709
Other receivables (Note 21)	1,858	919
VAT receivable	1,942	8,591
Other receivables	199	195
	30,320	31,591
	30,320	**31,591**

Receivables with minimum notional amount EUR 5,500 thousand are pledged as at 31.12.2014 (2013: EUR 5,500 thousand) (Note 13). As at 31.12.2014 outstanding amount of short-term bank loans secured (including interest payable) with pledge of receivables is BGN 12 thousand (2013: BGN 12 thousand).

8. Trade and other receivables (continued)

As at 31 December the aging analysis of gross trade receivables is presented in the table below:

			Overdue				
In thousands of BGN	Total	Not overdue	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2014	20,796	17,856	2,352	128	197	206	57
2013	21,177	17,724	2,859	295	20	242	37

9. Derivative financial instruments

	2014		***2013***	
In thousands of BGN	Assets	Liabilities	Assets	Liabilities
Forward contracts designated as cash flow hedging instruments	646	(5)	384	(123)
Forward contracts designated as fair value hedging instruments	419	(215)	121	(165)
	1,065	**(220)**	**505**	**(288)**
Net assets / (liabilities)	**845**		**217**	

The fair value of the derivative financial instruments as of the reporting date is based on "buy" prices quoted on the London Metal Exchange. Additional information as to the type of hedge and the risks associated with the hedging relationship is presented in Note 20.

10. Cash and cash equivalents

	2014	***2013***
In thousands of BGN		
Cash at bank	8,617	48,372
Cash in hand	3	16
Total cash in hand and at banks	**8,620**	**48,388**

Cash at banks earns interest at floating interest rates based on daily bank deposit rates.

The amount of cash at bank at 31.12.2014 pledged as collateral for short-term bank loans received by the Company is BGN 2,098 thousand (2013: BGN 188 thousand) (Note 13). As at 31.12.2014 there is no outstanding amount of loans secured (including interest payable) with pledge of cash at bank (2013: none).

11. Share capital

	Number of shares	*Ordinary shares in thousands of BGN*	*Share premium in thousands of BGN*	*Total in thousands of BGN*
As at 1 January 2013	1,839,266	150,820	15,154	165,974
Issued shares	357,775	29,337	29,337	58,674
As at 31 December 2013	2,197,041	180,157	44,491	224,648
As at 31 December 2014	2,197,041	180,157	44,491	224,648

11. Share capital (continued)

As at 31 December 2014 the registered share capital of the Company is comprised of 2,197,041 ordinary shares at a par value of BGN 82 each.

Ordinary shares of SOFIA MED held by the parent company are used as collateral for a loan granted by the European Bank for Reconstruction and Development (EBRD).

12. Other reserves

In thousands of BGN	Revaluation reserve	Derivatives reserve
At 1 January 2013	**83,134**	**751**
Net loss from cash flow hedge	-	(573)
Revaluation of land and buildings	8,575	-
Deferred tax effect	(857)	57
At 31 December 2013	**90,852**	**235**
At 1 January 2014	**90,852**	**235**
Net loss from cash flow hedge	-	380
Revaluation of land and buildings and machinery and technical installations	10,240	-
Deferred tax effect	(1,024)	(38)
At 31 December 2014	**100,068**	**577**

Other reserves occur due to cash flow hedging and revaluation of land, buildings machinery and technical installations to fair value. The Company qualifies for cash flow hedge accounting in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, chapter Hedge Accounting. At the reporting date the Company recognises the portion of gains or losses, measured as effective hedge and related to open hedging positions in other comprehensive income and in *Hedge reserves*. The respective deferred tax is recognised also in other comprehensive income. It is expected that the cash flows related to cash flow hedge will be realised and will affect profit or loss in the first quarter of 2015. Respectively, the effect of the cash flow hedge recognised in *Other reserves* in Equity, as at 31 December 2013 was realised in profit or loss in 2014.

13. Interest-bearing loans received

In thousands of BGN	***2014***	***2013***
Long term borrowings received		
Bank loans	175,767	192,614
Total long term borrowings received	**175,767**	**192,614**
Short term borrowings received		
Bank loans	251	738
Short term portion of long term borrowings	17,581	-
Total short term borrowings received	**17,832**	**738**
Total borrowings received	**193,599**	**193,352**

The maturity of interest-bearing loans at agreed, non-discounted payments is presented in Note 20. The Company has not capitalised any interest on loans in 2014 (2013: none)

The weighted-average interest rates as at the reporting date are as follows:

13. Interest-bearing loans received (continued)

	2014	*2013*
Bank overdrafts	5.38%	5.49%
Short term bank loans	5.54%	5.41%
Long term bank loans	5.84%	5.46%

As of 31 December 2014 long-term loans received by the Company are as follows:

- Long term loan granted by the European Bank for Reconstruction and Development (EBRD) with loan principal EUR 40,000,000. The loan is secured by mortgage of lands and buildings and pledge of movables, inventory and ordinary shares of SOFIA MED held by the parent company.

- Long term loan granted by a syndicate of lenders: Alpha Bank A.E., Bulgaria Branch; Eurobank Bulgaria AD.; United Bulgarian Bank AD; Piraeus Bank Bulgaria AD. Loan principal is EUR 60,000,000. The loan is secured by mortgage of lands and buildings, and pledge of movables and inventory. The loan is secured also by a Letter of Support issued by the parent company.

Carrying amounts of the Company's assets pledged as collateral for the long-term loans as at 31.12.2014 are as follows: Lands and Buildings - BGN 93,200 thousand, Movables - BGN 180,450 thousand, Inventory: BGN 86,379 thousand.

As of 31 December 2014 short-term debt represents short-term loans from UBB, Societe Generale Expressbank, Alpha Bank A.E., Bulgaria Branch, Eurobank Bulgaria AD and short-term portion of long-term loans received. Short-term portion of the long-term loans amounts to BGN 17,581 thousand.

The short-term bank loans are secured by Letters of Support issued by the parent company, pledge of cash at bank, and pledge of trade receivables. Receivables with minimum notional amount EUR 5,500 thousand are pledged as at 31.12.2014 (2013: EUR 5,500 thousand). As at 31.12.2014 outstanding amount of short-term bank loans secured (including interest payable) with pledge of receivables is BGN 12 thousand (2013: BGN 12 thousand).The amount of cash at bank at 31.12.2014 pledged as collateral for short-term bank loans received by the Company is BGN 2,098 thousand (2013: BGN 188 thousand). As at 31.12.2014 there is no outstanding amount of loans secured (including interest payable) with pledge of cash at bank (2013: none).

Secured loans conditions

The Company has obligations under a secured loan agreement in the amount of BGN 77,376 thousand as of 31 December 2014. Under the terms of the agreement, the loan will be repaid by the 1st of March 2018.

Under the terms of the loan over the entire duration of the loan the company has an obligation to maintain certain financial ratios.

As at 31 December 2014 the Company did not meet some of the covenants. The Company received a waiver from the Bank on 29 December 2014 for the year ended 31 December 2014.

The Company has obligations under a secured loan agreement in the amount of BGN 115,972 thousand as of 31 December 2014. Under the terms of the agreement, the loan will be repaid by the 5th of December 2018.

Under the terms of the loan the Company should pledge some assets for securing the loan. The Company is in process of establishing the pledge on one of these assets. The pledge of the asset was postpone due to administrative reasons beyond the control of the Company. The Bank agreed to extend the period for establishing the pledge.

14. Operating leases

Contracted operating lease rentals are payable as follows:

In thousands of BGN	*2014*	*2013*
Less than one year	446	523
Between one and five years	760	1,042
More than five years	-	-
Total	**1,206**	**1,565**

14. Operating leases (continued)

During the year an amount of BGN 558 thousand was recognised as an expense in profit or loss in respect of operating leases (2013: BGN 594 thousand).

15. Retirement employee benefits

a) Expenses for retirement employee benefits

In thousands of BGN	*2014*	*2013*
Current service cost	5	40
Net actuarial (gain)/loss recognised during the year	-	-
Interest cost on retirement employee benefit	1	1
Expenses on retirement benefits recognised in profit and loss (Note 3.6)	**6**	**41**

b) Retirement benefits liability

In thousands of BGN	*2014*	*2013*
Present value of retirement benefit obligation	352	390
Retirement benefits liabilities, recognised in the statement of financial position	**352**	**390**

Changes in the present value of the retirement benefit obligation are as follows:

In thousands of BGN	
Retirement benefit obligation at **1 January 2013**	**364**
Current service cost	40
Interest cost	1
Benefits paid	(15)
Retirement benefit obligation at **31 December 2013**	**390**
Current service cost	5
Interest cost	1
Benefits paid	(44)
Retirement benefit obligation at **31 December 2014**	**352**

Main actuarial assumptions used for accounting purposes are shown below:

	2014	*2013*
Discount rate	5.50%	5.50%
Future salary increase	6.00%	6.00%
Employee turnover rate	11.00%	11.00%

Amounts for the current and previous four years are as follows:

In thousands of BGN	*2014*	*2013*	*2011*	*2010*	*2009*
Retirement employee benefit liability	352	390	364	362	306
Actuarial (gains) and losses	-	-	-	(3)	(3)

16. Trade and other payables

In thousands of BGN	*2014*	*2013*
Trade payables (Note 21)	13,305	4,501
Related parties trade payables (Note 19,21)	42,147	52,465
Other payables (Note 21)	662	596
Payables to employees	939	950
Related parties other payables (Note 19)	3	815
Taxes	325	414
Other payables	1,213	929
	58,594	**60,670**

The terms and conditions relating to the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-day terms;
- Tax and social security payables are non-interest bearing and are settled within the terms defined by law;
- Payables to employees are non-interest bearing and are normally settled on 10-day terms;
- Other payables are non-interest bearing and are normally settled on 30-day terms.

17. Commitments

In thousands of BGN	*31.12.2014*	*31.12.2013*
Property, plant and equipment	1,537	4,979

Investment program

In 2015 the Company plans completion of the reconstruction of assets in foundry and rolling workshops. The contracted expenditure amounts to BGN 1,537 thousand.

18. Contingencies

Bank guarantees

Bank guarantees and letters of credit issued by other companies in behalf of SOFIA MED AD amount to BGN 3,107 thousand (2013: BGN 5,099 thousand) as at the reporting period date.

Bank guarantees and letters of credit issued by SOFIA MED AD in behalf of other companies and state agencies amount to BGN 10,374 thousand (2013: BGN 5,873 thousand) as at the reporting period date.

19. Related parties

a) Identification of related parties

The ultimate parent company

The ultimate parent of the Company is Viohalco S.A., Greece.

Entities with controlling interest in the Company

99.99995 % of the shares of SOFIA MED AD are owned by Halcor S.A. The rest 0.00005 % of the shares are owned by Fitco S.A. Metal Works (Fitco S.A.), Greece.

Other related parties

AKRO A.E.B.E., Base Metal Ticaret ve Sanayi A.S., Copperprom, Corint pipeworks, CPW America Co., Elval, Elval Colour, Etem Bulgaria, Fitco, Fulgor, Genecos, Halcor, Hellenic Cables, Icme Ecab, Lesco, Metal Agencies, Metalvalius, MKC Metall Kunden Center, Sidma Bulgaria, Sigma-Is, Steelmet Cyprus, Steelmet Romania, Stomana Industry, Teka Systems Bulgaria, Teka Systems Greece, Teprometal Bulgaria, Teprometal Germany, Viexal, Alurame, Elkeme, Etil, Inos Balkan and SOFIA MED AD are related parties under common control of Viohalco S.A. (the ultimate parent company).

b) Sale of goods and services

In thousands of BGN	***2014***	***2013***
Sales of goods	143,701	191,916
Sales of services	259	261
	143,960	**192,177**

c) Purchases of goods and services

In thousands of BGN	***2014***	***2013***
Purchases of goods	232,574	285,095
Purchases of services	5,975	5,089
	238,549	**290,184**

d) Key management remuneration

In thousands of BGN	***2014***	***2013***
Salaries and other short term employee benefits	1,675	1,650
	1,675	**1,650**

e) Year-end balances arising from sales / purchases of goods / services

In thousands of BGN	***2014***	***2013***
Related party receivables	5,525	709
Related party payables	42,150	53,280

19. Related parties (continued)

Receivables	***2014*** *BGN'000*	***2013*** *BGN'000*
Etem Bulgaria	384	164
Elval	2	1
Fulgor	4	36
Teprometal Germany	-	15
MKC Metall Kunden Center	1,381	10
Genecos	2,027	-
Hellenic Cables	324	112
CPW America Co.	1,050	367
Fitco	304	4
Elval Colour	13	-
Icme Ecab	35	-
Halcor	1	-
	5,525	**709**

Payables	***2014*** *BGN'000*	***2013*** *BGN'000*
Steelmet Romania	13	8
Teprometal Germany	323	140
Metal Agencies	7	-
Teka Systems Greece	83	101
Hellenic Cables	3	-
Halcor	39,314	50,221
Teprometal Bulgaria	12	12
Sigma-Is	37	71
Lesco	9	30
MKC Metall Kunden Center	22	34
Steelmet Cyprus	-	68
Genecos	296	309
Etem Bulgaria	4	815
Viexal	9	4
Elval	-	1
Base Metal Ticaret ve Sanayi A.S.	26	11
Fulgor	242	235
Metalvalius	1,746	1,219
Sidma Bulgaria	3	1
Alurame	1	-
	42,150	**53,280**

19. Related parties (continued)

As at 31.12.2014 there are no advances paid to related parties (2013: none).

Sales	*2014* *BGN'000*	*2013* *BGN'000*
Etem Bulgaria	2,784	3,501
Metal Agencies	34,329	51,550
Steelmet Romania	5,987	7,203
Halcor	5,608	9,618
MKC Metall Kunden Center	58,168	69,986
Teprometal Germany	5,198	6,031
Teka Systems Bulgaria	2	2
Elval	12	4
Sigma-Is	5	2
Fitco	4,916	9,438
Genecos	5,949	3,821
Corint pipeworks	28	15
Icme Ecab	290	285
Hellenic Cables	4,242	1,522
Metalvalius	14,103	27,106
Copperprom	-	3
Fulgor	127	338
CPW America Co.	2,145	1,752
Elval Colour	13	-
Alurame	53	-
Teka Systems Greece	1	-
	143,960	**192,177**

Purchases	*2014* *BGN'000*	*2013* *BGN'000*
Etem Bulgaria	3	5
Teprometal Germany	921	672
Metal Agencies	8	-
Stomana Industry	23	319
Fitco	2,794	2,132
Teka Systems Greece	318	207
Sidma Bulgaria	36	31
Halcor	56,238	98,851
Teprometal Bulgaria	140	145
Sigma-Is	810	709
Lesco	247	365
MKC Metall Kunden Center	94	108
Steelmet Cyprus	757	1,522
Elval	5	5
Genecos	923	730
Elval Colour	-	1
Steelmet Romania	35	30
Metalvalius	171,552	177,913
Hellenic Cables	1,570	5,225
Viexal	391	425
Fulgor	1,364	715
Icme Ecab	-	18
AKRO A.E.B.E.	-	10
Base Metal Ticaret ve Sanayi A.S.	90	46
Elkeme	4	-
Etil	162	-
Inos Balkan	64	-
	238,549	**290,184**

19. Related parties (continued)

Related parties	Type of transactions in 2014
Etem Bulgaria	Finished goods, merchandise, materials
Metal Agencies	Finished goods
Stomana Industry	Services
Steelmet Romania	Finished goods, services
Halcor	*
Hellenic Cables	Finished goods, materials
MKC Metall Kunden Center	Finished goods, services
Sidma Bulgaria	Materials
Teprometal Germany	Finished goods, services
Teka Systems Bulgaria	Services
Icme Ecab	Finished goods
Sigma-Is	Finished goods, services, materials, fixed assets
Alurame	Finished goods
Metalvalius	Finished goods, services, materials, fixed assets
CPW America Co.	Finished goods
Corint pipeworks	Finished goods
Teprometal Bulgaria	Services
Lesco	Materials
Steelmet Cyprus	Services
Genecos	Finished goods, services
Fulgor	Finished goods, services, materials
Fitco	Finished goods, materials, merchandise, services
Elval	Finished goods, services
Elval Colour	Finished goods
Teka Systems Greece	Finished goods , fixed assets, services
Viexal	Services
Elkeme	Services
Etil	Fixed assets
Inos Balkan	Materials
Base Metal Ticaret ve Sanayi A.S.	Services

(*)The types of transactions between the Company and its parent, Halcor S.A., include purchases of materials, equipment and services related to technical and management assistance, commission costs related to sales of finished products; sales of products, services and materials.

The Company has a significant volume of transactions with entities that are related parties by virtue of being members of the same group of companies –Viohalco S.A. Group of companies.

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Assessment for impairment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

20. Objectives and policies for management of financial risk and capital

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (interest rate risk, foreign currency exchange rate risk and commodity price risk).

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risks

Interest rate risk

The risk from changes in interest rates relates primarily to the Company's long-term and short-term debt obligations.

The table below presents sensitivity analysis to the potential movements in the interest rates and their effect on profit before tax (through the effect on loans and borrowings with floating interest rates). All other variables are assumed to be constant. There is no effect on the other elements on Company's equity.

	Increase/ (decrease) in the interest rates %	*Effect on profit before tax* *In thousands of BGN*
2014		
In EUR	0.25%	(528)
In USD	0.25%	(30)
In EUR	-0.25%	528
In USD	-0.25%	30
2013		
In EUR	0.25%	(451)
In USD	0.25%	(39)
In EUR	-0.25%	451
In USD	-0.25%	39

Foreign currency risk

As a result of purchases of raw materials at prices determined in currencies other than the Bulgarian lev and EUR, the operating results of the Company could be affected by movements in the exchange rates against BGN. The Company is hedging this risk. The Company also has sales in currencies other than the Bulgarian lev and EUR and therefore it is exposed to currency risk. Since the EUR/BGN exchange rate is fixed as a result of the currency boards system operating in Bulgaria, no currency risk arises as a result from the transactions in EUR. Approximately 24% of the Company's sales are denominated in currencies other than the BGN or the Euro. The Company hedges the foreign currency risk by borrowing money in the same currencies as the Company's sales. Part of sales denominated in currency different than BGN or EUR are hedged by entering into forward contracts for sale at determined exchange rate of the respective quantity of foreign currency at the date at which the receivable is expected to be collected.

20. Objectives and policies for management of financial risk and capital (continued)

The Company's exposure to foreign currency risk is as follows based on notional amounts:

2014

In thousands of BGN	EUR	BGN	USD	GBP	CHF
Trade and other receivables	18,889	2,342	6,991	(12)	(31)
Interest-bearing loans received	(193,422)	(8)	(115)	(1)	(53)
Trade and other payables	(48,041)	(7,802)	(159)	(95)	(17)
Cash and cash equivalents	6,769	742	523	154	432
	(215,805)	(4,726)	7,240	46	331
Derivatives (nominal value)	641	-	(7,528)	(129)	(421)
	(215,164)	**(4,726)**	**(288)**	**(83)**	**(90)**

2013

In thousands of BGN	EUR	BGN	USD	GBP	CHF
Trade and other receivables	14,570	1,036	7,283	2	(86)
Interest-bearing loans received	(193,315)	-	-	(37)	-
Trade and other payables	(53,926)	(3,502)	(78)	(12)	(44)
Cash and cash equivalents	47,863	260	265	-	1
	(184,808)	(2,206)	7,470	(47)	(129)
Derivatives (nominal value)	261	-	(7,263)	(2,953)	(22)
	(184,547)	**(2,206)**	**207**	**(3,000)**	**(151)**

The following significant exchange rates applied during the year:

	Average FX rate		**FX rate at the reporting period-end date**	
	2014	***2013***	***2014***	***2013***
USD 1	1.474	1.474	1.608	1.419
GBP 1	2.427	2.303	2.500	2.338
CHF 1	1.610	1.589	1.626	1.595

20. Objectives and policies for management of financial risk and capital (continued)

The following table demonstrates the sensitivity to a reasonably possible movement in the foreign currency exchange rates of the Bulgarian lev to foreign currencies and the effect on the Company's profit before tax and equity (due to changes in the carrying amount of monetary assets and liabilities). All other variables remain constant.

	Increase/ decrease in the exchange rate BGN / USD	Effect on profit before tax	Effect on equity
	%	*In thousands of BGN*	*In thousands of BGN*
2014	10%	(29)	-
	-10%	29	-
2013	10%	21	-
	-10%	(21)	-

	Increase/ decrease in the exchange rate BGN / GBP	Effect on profit before tax	Effect on equity
	%	*In thousands of BGN*	*In thousands of BGN*
2014	10%	(8)	-
	-10%	8	-
2013	10%	(300)	-
	-10%	300	-

	Increase/ decrease in the exchange rate BGN / CHF	Effect on profit before tax	Effect on equity
	%	*In thousands of BGN*	*In thousands of BGN*
2014	10%	(9)	-
	-10%	9	-
2013	10%	(15)	-
	-10%	15	-

Commodity price risk

The Company is exposed to significant risk as a result of the changes in the prices of copper and zinc as they are its main raw materials used in production. The Company is following its policy of hedging this risk. The Company agrees both purchase and selling prices with reference to the prices quoted on the London Metal Exchange (LME) at specified dates. The Company concludes a forward sale contract on LME for each purchase order it places, and it concludes a forward purchase contract for each customer order it accepts. The forward contracts are for the same quantities as the purchase and sales orders and they are concluded for approximately the same dates with reference to which the purchase and selling prices are determined. The effect from the price difference realised by the Company in a certain sale as a result of the movement of prices of metals between the date of purchase of raw materials and the date in respect of which the sell price is fixed, are offset by the gain or loss on the respective buy and sell forwards.

20. Objectives and policies for management of financial risk and capital (continued)

Credit risk

The Company's exposure to risk of bad debts is not significant. Its sales policy is to operate through the agency of recognized trade intermediaries and the parent company.

It is a policy of the Company to make export credit insurances for the sales to customers that are not related parties.

The maximum credit exposure of the Company arising from the financial assets it has recognised equals to their carrying amount as per the statement of financial position – BGN 37,863 thousand as of 31 December 2014 (31 December 2013: BGN 71,698 thousand).

Liquidity risk

As at 31 December the maturity structure of the Company's financial liabilities based on the agreed undiscounted payments is as follows:

The year ended 31 December 2014

	< 1 year	*1-2 years*	*2-5 years*	*> 5 years*	*Total*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest bearing loans and borrowings	17,832	25,645	150,122	-	193,599
Trade and other payables	56,114	-	-	-	56,114
	73,946	25,645	150,122	-	249,713

The year ended 31 December 2013

	< 1 year	*1-2 years*	*2-5 years*	*> 5 years*	*Total*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest bearing loans and borrowings	738	-	192,614	-	193,352
Trade and other payables	57,562	-	-	-	57,562
	58,300	-	192,614	-	250,914

Equity management

The main objective of equity management of the Company is to ensure stable credit rating and equity ratios in view of the continuation of its business and maximizing of its value to the shareholders.

The Company manages its equity structure and adjusts it, where necessary, depending on the changes in the economic environment. In view of maintaining or changing its capital structure the Company may adjust the payment of dividends to the shareholders, may redeem its treasury shares, reduce or increase its share capital by virtue of decision of the shareholders. In 2014 and in 2013 there have been no changes in the objectives, policies or processes related to the Company's equity management.

Under the requirements of the Bulgarian Commercial Law a joint-stock company should maintain higher amount of its net assets compared to the company's register capital. The amount of the net assets of the Company as at 31.12.2014 is below the amount of the registered capital. According to the Law the Company has certain period of time to meet the requirements of the Law. The management has undertaken steps for resolving the case consider that the requirements of the Commercial Act will be met in the period determined.

20. Objectives and policies for management of financial risk and capital (continued)

The Company monitors its equity through the financial results achieved in the reporting period as follows:

	2014	*2013*
	BGN'000	*BGN'000*
Loss for the year	(22,806)	(27,068)

The structure and management of borrowed capital is performed by the parent company.

21. Fair values of financial instruments

The fair value is the amount at which a financial instrument may be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, which is the best indication of the instrument's market value in an active market

The Company determines the fair value of its financial instruments based on available market information. The fair value of financial instruments traded actively at organised financial markets is determined based on the "buy" prices on the last business day of the reporting period.

The management of the Company believes that the fair values of financial instruments comprising cash and short-term deposits, trade and other receivables, interest bearing loans, trade and other payables do not differ materially from their carrying amounts, especially if they have a short-term nature or the applicable interest rates vary in accordance with the market conditions.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2014		Carrying amount					Fair Value			
In thousands of BGN	*Note*	**Cash flow hedging instru-ments**	**Fair value hedging instru-ments**	**Loans and receiva-bles**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Derivative financial instruments	9	646	-	-	-	646	646	-	-	646
Derivative financial instruments	9	-	419	-	-	419	-	419	-	419
		646	419	-	-	1,065	646	419	-	1,065
Financial assets not measured at fair value										
Trade and other receivables	8	-	-	28,179	-	28,179	-	-	-	28,179
Cash and cash equivalents	10	-	-	8,620	-	8,620	-	-	-	8,620
		-	-	36,799	-	36,799	-	-	-	36,799
Financial liabilities measured at fair value										
Derivative financial instruments	9	(5)	-	-	-	(5)	(5)	-	-	(5)
Derivative financial instruments	9	-	(215)	-	-	(215)	-	(215)	-	(215)
		(5)	(215)	-	-	(220)	(5)	(215)	-	(220)
Financial liabilities not measured at fair value										
Interest bearing loans and borrowings	13	-	-	-	(193,599)	(193,599)	-	-	(193,599)	(193,599)
Trade payables	16	-	-	-	(56,114)	(56,114)	-	-	-	(56,114)
		-	-	-	(249,713)	(249,713)	-	-	(193,599)	(249,713)

21. Fair values of financial instruments (continued)

31 December 2013		Carrying amount					Fair Value			
In thousands of BGN	*Note*	**Cash flow hedging instru-ments**	**Fair value hedging instru-ments**	**Loans and receiva-bles**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Derivative financial instruments	*9*	384	-	-	-	384	384	-	-	384
Derivative financial instruments	*9*	-	121	-	-	121	-	121	-	121
		384	121	-	-	505	384	121	-	505
Financial assets not measured at fair value										
Trade and other receivables	*8*	-	-	22,805	-	22,805	-	-	-	22,805
Cash and cash equivalents	*10*	-	-	48,388	-	48,388	-	-	-	48,388
		-	-	71,193	-	71,193	-	-	-	71,193
Financial liabilities measured at fair value										
Derivative financial instruments	9	(123)	-	-	-	(123)	(123)	-	-	(123)
Derivative financial instruments	*9*	-	(165)	-	-	(165)	-	(165)	-	(165)
		(123)	(165)	-	-	(288)	(123)	(165)	-	(288)
Financial liabilities not measured at fair value										
Interest bearing loans and borrowings	*13*	-	-	-	(193,352)	(193,352)	-	-	(193,352)	(193,352)
Trade payables	*16*	-	-	-	(57,562)	(57,562)	-	-	-	(57,562)
		-	-	-	(250,914)	(250,914)	-	-	(193,352)	(250,914)

The management has performed analysis to determine the fair values of the long-term financial instruments to which the Company is a party. The management considers that the long-term financial instruments stated below meet the criteria for classification in the third level of the fair value hierarchy.

During the reporting period, the Company has not transferred financial instruments between the different levels of the fair value hierarchy.

22. Subsequent events

As at 31 March 2015 the company did not meet one of the financial covenants under a secured loan agreement. The Company received a waiver from the Bank on 27 April 2015 for the period ended 31 March 2015. No other events have occurred after the reporting date, which require additional adjustments and/or disclosures in the financial statements of the Company for the year ended 31 December 2014.