SOFIA MED AD

ANNUAL MANAGEMENT REPORT AND
FINANCIAL STATEMENTS
For the year ended 31 December 2015

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General overview. Goals and prospects

Throughout the year of 2015 recovery in the Eurozone was slightly positive. The demand for industrial products in the major European markets showed signs of stabilization from 2014 – a trend that went on throughout 2015.

Metal prices varied significantly in 2015, with the Copper to trend upwards, but afterwards and finally downwards. Thus the average price of Copper in 2015 was lower by 4.3% at Euro 4,952 compared to Euro 5,514 per tonne in 2014. The average price of Zinc was higher by 6.0% at Euro 1,736 per tonne in 2015 compared to Euro 1,632 per tonne in 2014. This negative trend in the second half of 2015 and the very low year-end closing price levels led to significant inventory write-down losses in 2015 of BGN 10,949 thousand compared to BGN 56 thousand only in 2014. Write-down losses are considered as non-operating losses since the Company cash flows are protected from metal price fluctuations by using various hedging techniques.

In terms of volume of products and merchandise, sales decreased by 11% and reached 57.4 Kilo-tonnes.

During 2015 the ratio EBITDA/Sales decreased to 0,45%, compared to 1,71% in 2014. However, after adjusting for metal write-down losses the ratio EBITDA/Sales would be 2.3 % in 2015 compared to 1.7% in 2014. The improved profitability is a result of improved mix of sales and increased volume of higher added value products.

Operating loss was BGN 18,467 thousand, while in 2014 operating loss was at the amount of BGN 8,130 thousand.

Improved cost of production, optimization of production procedures and improved quality strengthen the competitive position of the company. However, the high cost of financing continued to negatively affect the profitability of the Company versus our main competitors. The financial expenses in 2015 are BGN 16,239 thousand, and in 2014 – BGN 15,961 thousand.

The working capital excluding cash and cash equivalents as at the end of the year 2015 amounted to BGN 90,957 thousand (end of 2014: BGN 72,079 thousand).

In 2015 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 9,776 thousand.

Deferred income tax benefit recognised in the financial result for 2015 was BGN 3,457 thousand (2014: BGN 1,254 thousand). The increase in income tax benefits is mainly due to the change in the amount of deferred tax assets related to non-current assets and write-down of inventories.

In 2016 the Company will continue its efforts in expanding the product range, focusing on industrial products.

Current period results and financial position overview – Financial highlights

In thousand BGN	*2015*	*2014*
Sales revenue	**584,122**	**623,299**
Result from operating activities	**(18,467)**	**(8,130)**
EBITDA	**2,647**	**10,655**
EBITDA / Sales	*0.45 %*	*1.71 %*
EBIT	**(18,467)**	**(8,130)**
EBT	**(34,697)**	**(24,060)**
ROCE	**-5.1 %**	**-2.2 %**
Working capital excluding cash and cash equivalents	**90,957**	**72,079**
Working capital excluding cash and cash equivalents / Sales	*15.6 %*	*11.6 %*
Debt / Equity	**1.33**	**1.13**

Corporate social responsibility and sustainable development

Sofia Med prioritises Sustainable Development issues, such as caring for employees, protecting the environment, ensuring health and safety at work and high customer satisfaction. To this end, it implements integrated systems for quality management, environmental management, and management of health and safety at work, in accordance with the requirements of international standards ISO 9001, ISO 14001 and OHSAS 18001. The company's wide range of products meets the requirements of the European standards (EN), and the standards BS, DIN, ASTM, JIS or any other specific customer requirements.

The company core philosophy focuses on commitment to transparency in all its operations, protecting employees' health and safety and minimising its environmental footprint. Sofia Med implements a series of actions and plans across all fields pertaining to Corporate Responsibility, such as:

- protection of the natural environment and continuous improvement of the company environmental performance
- continuous improvement of working conditions and ensuring a safe and efficient working environment (occupational health and safety management)
- keeping customer satisfaction at high levels and quality management of products and services
- advancement and development of employees and providing equal opportunities at work
- investments in technology that allow greater use of recycled materials and further reduction in direct emissions.

In 2015, Sofia Med launched the process for implementing ISO 26000 on corporate social responsibility, actively reflecting its commitment to corporate responsibility and sustainable development. The ISO 26000 has been developed by the International Standardization Organization (ISO), in order to set the general framework of guidelines and define the principles and key issues in the field of Corporate Social Responsibility.

Customer focus

Sofia Med follows a customer-oriented approach, prioritising customer satisfaction. In this context, the company implements an integrated Quality Management System, certified according to the requirements of international standard ISO 9001:2008. The commitment of the management in this area is described in the Quality Policy implemented. According to the company policy, its objectives are:

- the continuous improvement of customer satisfaction
- a high quality of products to ensure they meet the customer requirements, as well as maintaining a high degree of effectiveness
- maintaining and improving the company reputation in terms of quality, customer service and reliability
- its continuous adaptation to new market needs
- its cooperation with customers to develop specialised bespoke products according to their needs.

Corporate social responsibility and sustainable development (continued)

Care for our people

The company recognises the contribution of its people and invests in them, providing opportunities for development and training. At the same time, it ensures respect for and observance of human rights, supporting diversity and equality in the workplace, without discrimination.

Every year, the company carries out a series of social events and educational campaigns for the employees and their families, including:

- May - The month of health, safety and environment
- Open Doors Day for employees and their families, with a tour in the plant (each two years)
- annual summer children's camp
- annual Christmas children's party
- annual medical examinations for all employees.

As part of its social policy, Sofia Med provides additional health insurance for its employees, as well as a medical centre, which operates daily on the company territory facilities.

Occupational health and safety management

Sofia Med recognises the protection of employees' health and safety as a top priority and therefore implements an Occupational Health and Safety Management System (in all its production facilities), certified in accordance with the international standard BS OHSAS 18001:2007. The company implements a health and safety policy, which focuses on creating a working environment free of hazards, injuries, accidents and occupational diseases. A major priority of the management is the continuous improvement of health and safety at work and the company performance in this area.

Environmental protection

Sofia Med focuses on protecting the environment and continually improving its environmental footprint. The company implements a certified Environmental Management System complying with the ISO 14001:2004 international standard. At the same time, in the recent years, the Company invests in new infrastructure and technologies and has achieved a further increase in its use of recycled materials.

Supporting local communities

Sofia Med forms partnerships with the local communities in which it operates, as well as with all its stakeholder groups. The company supports local communities, cultivates a spirit of cooperation with local authorities and strives to meet the various needs that arise by sponsoring and supporting social programs in this field. At the same time, it collaborates with various government agencies, technical colleges and universities and provides professional education and training to students and university graduates.

Subsequent events

There is a decision from March 2016 of the General meeting of shareholders of SOFIA MED to increase share capital by BGN 9,779 thousand. 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 2015.

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 2015 the Company has not redeemed any treasury shares, and as at 31 December 2015 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 risks and financial instruments used by the Company

The Company has exposure to the following risks: market risk (interest rate risk, foreign currency exchange rate risk and commodity price risk); credit risk; liquidity risk.

Interest rate risk

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

Foreign currency risk

As a result of purchases and sales at prices determined in currencies other than the Bulgarian lev, the operating results of the Company could be affected by movements in the exchange rates against BGN. The Company is hedging this 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. The Company hedges the foreign currency risk by borrowing money in the same currencies as the Company's sales and purchases. Part of sales and purchases denominated in currency different than BGN or EUR are hedged by entering into "sell" or "buy" forward contracts for sale/purchase at determined exchange rate of the respective quantity of foreign currency at the date at which the receivables/payables ape expected to be settled.

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 futures sale contract on LME for each purchase order it places, and it concludes a futures purchase contract for each customer order it accepts. The futures contracts are for approximately 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 futures. This hedging relationship is designated as a cash flow hedge.

The Company holds derivative financial instruments such as futures 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 futures contracts for purchase and sale is calculated by reference to prices quoted at the commodities exchange for contracts with similar profiles.

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.

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.

Financial risks and financial instruments used by the Company (continued)

Credit risk

The Company manages its exposure to credit risk through consistent application of the following policies. A part of its receivables is assigned to factoring companies under non-recourse factoring agreements. The Company follows a policy to insure all sales to customers that are not related parties.

Liquidity risk

The Company manages its liquidity risk through a maturity analysis if its current and non-current liabilities and regular forecasts of cash flows.

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 2015.

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	1,320	7,935	203	313
Metal Agencies	42,486	3	2,742	-
Steelmet Romania	5,697	156	20	33
Halcor	11,487	76,752	-	39,116
MKC Metall Kunden Center	51,562	55	4,517	11
Teprometal Germany	2,275	788	447	299
Fitco	4,878	1,379	251	-
Genecos	9,626	192	3,918	342
Icme Ecab	737	-	22	-
Hellenic Cables	1,967	836	378	4
Metalvalius	13,307	183,451	1,597	-
CPW America Co.	2,358	59	599	59
Reynolds Cuivre SAS	7,400	-	1,391	-
Fulgor	109	1,417	113	-
Anamet Greece	-	832	-	-
Others	486	2,897	38	617
Total	**155,695**	**276,752**	**16,236**	**40,794**

Important transactions with related parties (continued)

SOFIA MED sells to Etem Bulgaria finished goods and merchandise and purchases raw materials.

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 Icme Ecab finished goods

SOFIA MED sells to Hellenic Cables finished goods. 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.

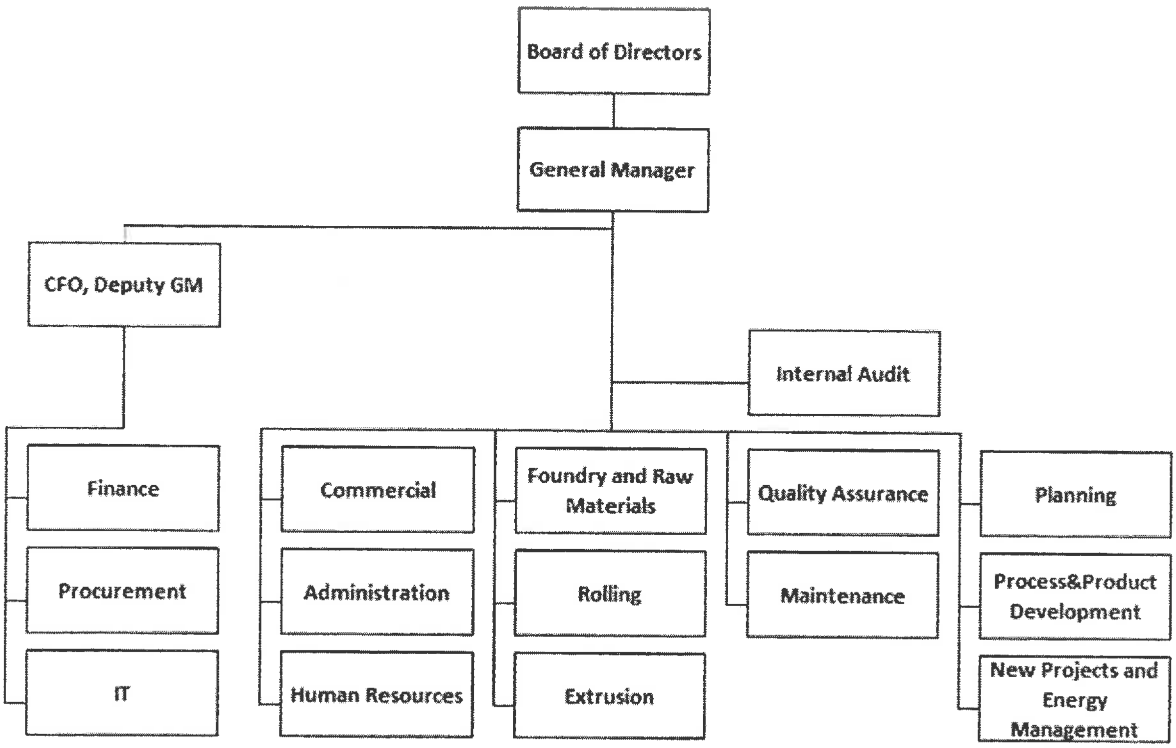
CPW America Co. trades SOFIA MED products in the American market.

Reynolds Cuivre SAS trades SOFIA MED products in the French market.

Fulgor provides SOFIA MED with raw materials.

Anamet Greece 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;
- Charalampos Vlachoutsikos, 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.

Charalampos Vlachoutsikos, executive member

Mr. Vlachoutsikos has been a business manager and entrepreneur for many years. He has also been teaching, consulting and publishing extensively on managerial issues and on issues connected with self-management. He has received his B.A. in Economics and Sociology from Bowdoin College, his MBA from the Harvard Business School and his Ph.D. from the Aegean University. As Business Associate at Gemini Consulting he has consulted AT&T and Federal Express on establishing and operating investments in emerging markets as well as Coca Cola on Situational Leadership and on the COBRA management training and monitoring system. Since 2002 he is Adjunct Professor at the International MBA Program of Athens University of Economics and Business. He is a Special Advisor at the Hellenic Foundation for European and Foreign Policy and Senior Fellow at the International Center of Black See Studies. He has been a regular contributor to the Harvard Business Review for more than 25 years.

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 S.A. SOFIA BULGARIA

20.04.2016

Ioannis Papadimitriou	Sergey Vlaykov	Petar Sabev
General Manager	*Chief Financial Officer*	*Chief Accountant*

SOFIA MED AD

Financial Statements

For the year ended 31 December 2015

With Independent Auditors' Report thereon

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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") as set out on pages 3 to 43, which comprise the statement of financial position as at 31 December 2015, 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 2015, 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 management report of the Company prepared in accordance with the requirements of §10, para 1 of the Accountancy Act in relation to article 33 of the Accountancy Act (Repealed, SG No. 95/ 08.12.2015)

As required under article 38, para 4 of the Accountancy Act (Repealed), we read the content of the annual management report of the Company. In our opinion, the historical financial information disclosed in the annual management report of the Company, prepared by Management as required under article 33 of the Accountancy Act (Repealed), is consistent, in all material aspects, with the financial information disclosed in the audited annual financial statements of the Company as of and for the year ended 31 December 2015. Management is responsible for the preparation of the annual management report, which was approved by the Board of Directors of the Company on 20 April 2016.

Maria Peneva
Authorised representative

KPMG Bulgaria OOD

Sofia, 18 May 2016

Dobrina Kaloyanova
Registered auditor

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

In thousands of BGN	*Notes*	*2015*	*2014*
Revenue	3.1	584,122	623,299
Cost of sales	3.2	(592,977)	(621,583)
Gross profit/(loss)		**(8,855)**	**1,716**
Selling and distribution expenses	3.2	(3,817)	(3,768)
Administrative expenses	3.2	(5,583)	(5,832)
Other expenses, net	3.3	(212)	(246)
Result from operating activities		**(18,467)**	**(8,130)**
Finance income	3.4	9	31
Finance expenses	3.4	(16,239)	(15,961)
Net finance cost		(16,230)	(15,930)
Loss before income tax		**(34,697)**	**(24,060)**
Income tax benefit	4	3,457	1,254
Loss for the year		**(31,240)**	**(22,806)**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	15	(203)	-
Revaluation of machinery and technical installations	5	-	10,240
Related tax	4	20	(1,024)
		(183)	9,216
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	(3,400)	380
Related tax	4	340	(38)
		(3,060)	342
Other comprehensive income for the period, net of tax		**(3,243)**	**9,558**
Total comprehensive income for the period		**(34,483)**	**(13,248)**

The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2016.

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

Ioannis Papadimitriou
General Manager

SOFIA MED S.A. SOFIA BULGARIA

Sergey Vlaykov
Chief Financial Officer

Petar Sabev
Preparer, Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Authorised Representative
KPMG Bulgaria OOD

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

Dobrina Kaloyanova
Registered Auditor

SOFIA MED AD

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

SOFIA MED

In thousands of BGN	*Notes*	***2015***	***2014***
ASSETS			
Non-current assets			
Property, plant and equipment	5	268,055	278,912
Intangible assets	6	2,053	2,682
Deferred tax assets	4	7,055	3,238
		277,163	**284,832**
Current assets			
Inventories	7	103,072	99,508
Trade and other receivables	8	43,432	30,320
Derivative financial instruments	9	-	845
Cash and cash equivalents	10	3,636	8,620
		150,140	**139,293**
TOTAL ASSETS		**427,303**	**424,125**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	194,606	180,157
Share premium	11	49,601	44,491
Other reserves	12	97,585	100,645
Retained earnings		(185,136)	(153,713)
		156,656	**171,580**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans	13	170,689	175,767
Retirement benefit liabilities	15	547	352
Government grants	16	3,164	-
		174,400	**176,119**
Current liabilities			
Trade and other liabilities	17	55,547	58,594
Interest-bearing loans	13	38,223	17,832
Derivative financial instruments	9	2,477	-
		96,247	**76,426**
TOTAL LIABILITIES		**270,647**	**252,545**
TOTAL EQUITY AND LIABILITIES		**427,303**	**424,125**

The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2016.

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

Ioannis Papadimitriou
General Manager

SOFIA MED S.A. * SOFIA * BULGARIA

Sergey Vlaykov
Chief Financial Officer

Petar Sabev
Preparer, Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Authorised Representative
KPMG Bulgaria OOD

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

Dobrina Kaloyanova
Registered Auditor

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 period		-	-	-	-	(22,806)	**(22,806)**
Other comprehensive income							
Net gain 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**

The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2016.
The notes from page 8 to page 43 are integral part of these financial statements.

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

Dobrina Kaloyanova
Registered Auditor

In thousands of BGN	*Notes*	*Share capital*	*Share premium*	*Revaluation reserve*	*Hedging reserve*	*Retained earnings*	*Total equity*
Balance as at 1 January 2015		**180,157**	**44,491**	**100,068**	**577**	**(153,713)**	**171,580**
Comprehensive income for the period							
Loss for the year		-	-	-	-	(31,240)	**(31,240)**
Other comprehensive income							
Net loss from cash flow hedge, net of deferred tax	3.5	-	-	-	(3,060)	-	**(3,060)**
Remeasurements of defined benefit liability, net of deferred tax		-	-	-	-	(183)	**(183)**
Total comprehensive income for the period		-	-	-	(3,060)	(31,423)	**(34,483)**
Transactions with owners, recognised directly in equity							
Issue of shares	11	14,449	5,110	-	-	-	19,559
Total transactions with owners		14,449	5,110	-	-	-	**19,559**
Balance as at 31 December 2015		**194,606**	**49,601**	**100,068**	**(2,483)**	**(185,136)**	**156,656**

SOFIA MED S.A. SOFIA BULGARIA

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

Dobrina Kaloyanova
Registered Auditor

SOFIA MED AD

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

SOFIA MED

In thousands of BGN	*Notes*	*2015*	*2014*
Cash flows from operating activities			
Loss for the year		(31,240)	(22,806)
Adjustments for:			
Income tax		(3,457)	(1,254)
Depreciation of property, plant and equipment		20,468	18,430
Amortisation of intangible assets		787	355
Amortisation of Government grants		(141)	-
Increase/(Decrease) in inventory write-down		10,893	(3,060)
Property, plant and equipment scrapped		7	-
Change in retirement benefit liability through profit or loss		59	(38)
Interest income		(9)	(31)
Net realised (gains)/losses from cash flow hedge		(147)	1,504
Finance costs		16,239	15,961
		13,459	9,061
Changes in:			
- inventories		(14,457)	(12,314)
- trade and other receivables		(13,112)	1,271
- trade and other payables		(6,229)	(4,248)
		(33,798)	(15,291)
Cash flows used in operating activities		**(20,339)**	**(6,230)**
Interest paid		(13,103)	(13,071)
Interest received		3	26
Government grants received		3,409	-
Net cash flow from hedging activity and bank commissions		(43)	(1,133)
Net cash flows used in operating activities		**(30,073)**	**(20,408)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(9,153)	(18,058)
Acquisition of intangible assets		(141)	(382)
Net cash used in investing activities		**(9,294)**	**(18,440)**
Cash flows from financing activities			
Proceeds from issue of share capital		19,559	-
Proceeds from borrowings		20,691	-
Repayment of borrowings		(5,867)	(920)
Net cash flows from / (used in) financing activities		**34,383**	**(920)**
Net change in cash and cash equivalents		**(4,984)**	**(39,768)**
Cash and cash equivalents as at 1 January		8,620	48,388
Cash and cash equivalents as at 31 December	10	**3,636**	**8,620**

SOFIA MED S.A. SOFIA BULGARIA

The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2016.

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

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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 2015 the share capital of the Company is held by Halcor S.A. Metal Works (Halcor S.A.), Greece – 99.99996% and Fitco S.A. Metal Works (Fitco S.A.), Greece – 0.00004%. The latter is also part of the Group of Viohalco SA/NV, (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 2015 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 31 December 2015 the number of employees is 544 (2014: 556).

The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2016.

2. Basis of preparation and accounting policies

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 which are measured at revalued amount; 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. In the end of 2015 the share capital of the Company was increased by BGN 19,559 thousand. There is a decision from March 2016 of the General meeting of shareholders of SOFIA MED to increase share capital by BGN 9,779 thousand.

As at 31 December 2015 the Company realized a loss of BGN 31,240 thousand (2014 - loss of BGN 22,806 thousand) due to negative effects caused by the main markets on which the Company operates. Substantial part of the loss in 2015 is a result from inventory write-down. The management has continued with its plan and actions to improve the financial position of the Company. The plan consists of, but is not limited to the optimization of the Company's 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 2016.

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:

In order to achieve more fair presentation of financial statements and following the Halcor S.A. accounting policy the Company has elected to present government grants related to assets as deferred income. The only case before 2015 when the Company received government grants related to assets was in 2011 and the amount received was BGN 376 thousand. It was presented as a deduction in arriving at the carrying amount of the assets. The Company considers the effect of the change in the accounting policy as immaterial and comparative information for 2013 is not presented in the statement of financial position.

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 2015, 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:

- Amendments to IAS 27 – Equity method in separate financial statements. It is allowed voluntary choice for the application of the equity method in the separate financial statements. These changes are not expected to have effects on the financial statements of the Company;
- Amendments to IAS 1 – Disclosure initiative. It is explained when insignificant information cannot be disclosed and when relevant information cannot be missed in the financial statements. These changes are not expected to have significant effects on the financial statements of the Company;
- Annual improvements to IFRSs 2012-2014 Cycle. Improvements introduced minor changes to certain standards and related amendments to other standards and interpretations. These changes are not expected to have significant effects on the financial statements of the Company;
- Amendments to IAS 16 and IAS 38 – Clarification for acceptable methods of depreciation and amortization. The Company does not expect these changes to have an effect on the financial statements as depreciation methods currently used will continue to be acceptable;
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations. The Company does not expect these changes to have an effect on the financial statements as there's no such acquisitions;
- Amendments to IAS 16 and IAS 41 – Bearer plants. The Company does not expect these changes to have an effect on the financial statements as there's no bearer plants;
- Amendments to IAS 19 – Defined benefit plans: Contributions from employees. The Company does not expect these changes to have effect on the financial statements as there are no defined benefit plans, including contributions from employees or third parties.

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:

2.4 Estimates and assumptions (continued)

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 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. Due to the long-term nature of retirement employee benefits such assumptions are subject to significant uncertainty. Further details related to employee retirement benefits are provided in Note 15.

Valuation 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. The company uses assumptions and estimates in the impairment test of property plant and equipment at 31.12.2015. 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 2.5).

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.

Deferred income tax

The Company recognises deferred tax asset on all tax losses on the basis of tax planning model (note 4).

Write-down of inventories

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 (actualy agreed sales price or quotations of metal prices at a commodity exchange) (note 7).

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

a) 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).

b) 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.

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.

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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.

c) 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.

d) 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:

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.

e) Impairment of non-current 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.

2.5 Summary of significant accounting policies (continued)

e) Impairment of non-current non-financial assets (continued)

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.

f) Financial instruments

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.

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.

2.5 Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments such as futures 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 futures contracts for purchase and sale is calculated by reference to prices quoted on the commodities exchange for contracts with similar profiles.

The Company concludes futures 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 holds derivative financial instruments such as forward purchase and sale contracts to hedge its risks associated with fluctuations in the exchange rates of foreign currencies against BGN. These hedging contracts 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.

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 profit or loss.

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 each reporting date 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.

2.5 Summary of significant accounting policies (continued)

g) 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)

h) Inventory

Inventories are valued at the lower of costs and the net realisable value. Inventories that are hedged in a fair value hedge 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 the purpose of assessing the net realisable value, inventories that contain metal are grouped under several categories according to the type of metal (alloy) included. The effect of any write-down to net realisable value or reversed write-down of inventories are presented in cost of sales.

i) 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.

j) 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)

j) 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.

k) 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.

l) 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)

l) 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).

m) 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.

n) 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.

o) 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)

o) 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	*2015*	*2014*
Finished products and goods	584,122	623,299
	584,122	**623,299**

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

	Year ended 31 December 2015			
In thousands of BGN	*Cost of sales*	*Selling and distribution expenses*	*Administrative expenses*	*Total*
Employee remuneration	9,486	1,468	1,855	12,809
Compulsory social security contributions	2,630	247	337	3,214
Materials	537,088	133	303	537,524
Cost of goods sold	5,486	-	-	5,486
Change in stock of finished goods and work in progress	(10,597)	-	-	(10,597)
Hired services	16,053	1,647	1,535	19,235
Depreciation of property, plant and equipment	19,631	22	815	20,468
Gain from cash flow hedge	(147)	-	-	(147)
Inventory write down (Note 7)	10,949	-	-	10,949
Amortisation of intangible assets	583	-	204	787
Other	1,815	300	534	2,666
Total	**592,977**	**3,817**	**5,583**	**602,377**

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

	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 (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

3.3 Other expenses, net

In thousands of BGN	*2015*	*2014*
Foreign exchange losses	(8,499)	(3,990)
Foreign exchange gains	8,014	3,610
Other	273	134
	(212)	**(246)**

3.4 Finance income and finance cost

Recognised in profit and loss	*2015*	*2014*
In thousands of BGN		
Finance income		
Interest income	9	31
	9	31
Finance expenses		
Interest expense on loans carried at amortised cost	(15,679)	(15,436)
Bank commissions	(560)	(525)
	(16,239)	**(15,961)**

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

In thousands of BGN	*2015*	*2014*
Net gain/(loss) from cash flow hedge		
Effective portion of changes in fair value of cash flow hedges	(3,400)	380
Tax effect	340	(38)
Net effect in other comprehensive income	(3,060)	342

3.6 Personnel expenses

In thousands of BGN	*2015*	*2014*
Employee remuneration	12,750	12,843
Social security expenses	3,214	3,167
Expenses for retirement employee benefits (Note 15)	59	6
Total	16,023	16,016

4. Corporate income tax

The main components of the corporate income tax benefit for the years ended 31 December 2015 and 2014 are:

In thousands of BGN	*2015*	*2014*
Tax recognised in profit and loss		
Deferred tax benefit	3,457	1,254
Tax benefit, recognised in profit or loss	**3,457**	**1,254**
Tax recognised in other comprehensive income		
Remeasurements of defined benefit liability	20	-
Deferred tax, related to revaluation of machinery and technical installations	-	(1,024)
Deferred tax, related to cash flow hedge	340	(38)
Income tax recognised in other comprehensive income	**360**	**(1,062)**

The tax rate for 2015 is 10% (2014: 10%). The applicable tax rate in 2016 will be 10%. The Company recognises deferred tax asset on all tax losses on the basis of tax planning model. The model is based on the budgeted financial results for the period of 5 year after the reporting date when the Company is allowed to carry forward tax losses.

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 2015 and 2014 is as follows:

In thousands of BGN	*2015*	*2014*
Accounting loss before income tax	**(34,697)**	**(24,060)**
Income tax benefit at applicable tax rate of 10%	3,470	2,406
Derecognised deferred tax assets	-	(1,145)
Expenses non-deductible for tax purposes	(13)	(7)
Income tax benefit at effective tax rate 9.96% (2014: 5.21%)	**3,457**	**1,254**

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	*2015*	*2014*	*2015*	*2014*
Deferred tax liabilities:				
Derivative financial instruments	(28)	(107)	79	(56)
	(28)	**(107)**	**79**	**(56)**
Deferred tax assets:				
Property, plant and equipment	3,503	1,439	2,064	811
Inventories	1,095	6	1,089	(306)
Tax losses carried forward	2,050	1,705	345	(221)
Derivative financial instruments	276	22	254	(7)
Employee benefits	95	78	17	1
Other	64	95	(31)	(30)
	7,083	**3,345**	**3,738**	**248**
Deferred income tax benefit, recognised in profit or loss			**3,457**	**1,254**
Deferred taxes recognised in other comprehensive income			**360**	**(1,062)**
Total change in deferred taxes			3,817	192
Deferred tax assets, net	7,055	3,238		

As at 31 December 2015 there are no unrecognised deferred tax assets or liabilities.

5. Property, plant and equipment

Movements in property, plant and equipment is presented below:

In thousands of BGN	*Land*	*Buildings*	*Machinery and technical installations*	*Supporting machinery and equipment*	*Vehicles*	*Other*	*Assets under construc-tion*	*Total*
Cost:								
At 1 January 2014	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 31December 2014	61,971	35,155	173,011	11,465	764	5,009	3,842	291,217
Additions	17	-	1,366	267	18	118	7,986	9,772
Disposals	-	-	(14)	(98)	-	(62)	-	(174)
Transfer to intangible assets	-	-	-	-	-	-	(154)	(154)
Transfers	-	-	4,656	273	-	21	(4,950)	-
At 31 December 2015	**61,988**	**35,155**	**179,019**	**11,907**	**782**	**5,086**	**6,724**	**300,661**
Accumulated depreciation and impairment:								
At 1 January 2014	-	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
Depreciation for the year	-	2,881	16,209	936	36	406	-	20,468
Disposals	-	-	(7)	(98)	-	(62)	-	(167)
At 31 December 2015	-	**2,955**	**16,202**	**7,789**	**757**	**4,112**	**791**	**32,606**
Carrying amount:								
At 1 January 2014	**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**
At 31 December 2015	**61,988**	**32,200**	**162,817**	**4,118**	**25**	**974**	**5,933**	**268,055**

Impairment of property, plant and equipment

A cash-generating unit (CGU) is the smallest identifiable group of assets generating cash flows from the use of assets which are largely independent of the cash flows from other assets or groups of assets. The management of the Company identified one CGU including the whole production process and all assets used in it.

The management performed an impairment test of the CGU.

The recoverable amount of the CGU is based on its value in use, determined by discounting the estimated future cash flows from the use of this CGU. The impairment test results showed that the estimated recoverable amount of the CGU exceeds the carrying amount of all assets associated with the CGU. Discount rate used for calculation is 9.02%

As at 31 December 2015 assets under construction include advances paid, amounting to BGN 596 thousand (2014: BGN 1,410 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 2015 property, plant and equipment mortgaged and pledged as collateral for bank loans received by the Company amounts to BGN 263,595 thousand (2014: BGN 273,650 thousand) (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 2015 would be BGN 5,792 thousand land and BGN 4,949 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. 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 2015	61,971	35,081
Additions	17	-
Depreciation for the year	-	(2,881)
Revaluation	-	-
Balance at 31 December 2015	**61,988**	**32,200**

(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.	• Price of land plots per square meter (Range EUR 100-130). • Rent of industrial buildings per square meter (Range EUR 2-3.8).	Significant increases (decreases) in market price per square meter would result in significantly higher (lower) fair value of land plots. Significant increases (decreases) in estimated rent per square meter 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 2015 would be BGN 153,595 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 2015	173,011
Additions	1,366
Disposals	(7)
Transfers	4,656
Depreciation for the year	(16,209)
Revaluation	-
Balance at 31 December 2015	**162,817**

(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 2014	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
Additions	-	4	4
Transfer from assets under constructions	-	154	154
At 31 December 2015	3	4,082	4,085
Accumulated depreciation:			
At 1 January 2014	3	967	970
Depreciation charge	-	355	355
Disposals	-	(80)	(80)
At 31 December 2014	3	1,242	1,245
Depreciation charge	-	787	787
At 31 December 2015	3	2,029	2,032
Carrying amount:			
At 1 January 2014	-	1,402	1,402
At 31 December 2014	-	2,682	2,682
At 31 December 2015	-	2,053	2,053

7. Inventory

In thousands of BGN	*2015*	*2014*
Materials	26,087	23,309
Work in progress	48,171	51,332
Finished goods	29,479	23,846
Merchandise	656	832
Advances for acquisition of materials	9,628	245
	114,021	**99,564**
Less: Inventories write-down:		
Materials	(1,490)	(6)
Work in progress	(5,933)	(35)
Finished goods	(3,461)	(15)
Merchandise	(65)	-
	(10,949)	(56)
Total inventories at the lower of cost and net realisable value	**103,072**	**99,508**

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 (actualy agreed sales price or quotations of metal prices at a commodity exchange). As at 31 December 2015 inventory pledged as collateral for bank loans received by the Company amounts to BGN 75,633 thousand (2014: BGN 86,379 thousand) (Note 13).

8. Trade and other receivables

In thousands of BGN	*2015*	*2014*
Trade receivables (Note 22)	22,175	20,796
Related parties receivables (Note 20,22)	16,236	5,525
Other receivables (Note 22)	2,061	1,858
VAT receivable	2,706	1,942
Other receivables	254	199
	43,432	30,320
	43,432	**30,320**

Receivables with minimum notional amount EUR 5,500 thousand are pledged as at 31.12.2015 (2014: EUR 5,500 thousand) (Note 13). As at 31.12.2015 outstanding amount of short-term bank loans secured (including interest payable) with pledge of receivables is BGN 481 thousand (2014: 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
2015	22,175	16,887	3,971	668	216	190	243
2014	20,796	17,856	2,352	128	197	206	57

9. Derivative financial instruments

	2015		***2014***	
In thousands of BGN	Assets	Liabilities	Assets	Liabilities
Futures contracts designated as cash flow hedging instruments	-	(2,759)	646	(5)
Forward contracts designated as fair value hedging instruments	283	(1)	419	(215)
	283	**(2,760)**	**1,065**	**(220)**
Net assets / (liabilities)	**(2,477)**		**845**	

The fair value of the derivative financial instruments as of the reporting date is based on prices quoted on the London Metal Exchange. The futures contracts designated as cash flow hedging instruments are these used to hedge the risks related to fluctuations of raw materials prices. The forward contracts designated as fair value hedging instruments are these used to hedge the risks related to fluctuations of foreign currencies rates. Additional information as to the type of hedge and the risks associated with the hedging relationship is presented in Note 21.

10. Cash and cash equivalents

	2015	***2014***
In thousands of BGN		
Cash at bank	3,629	8,617
Cash in hand	7	3
Total cash in hand and at banks	**3,636**	**8,620**

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

The amount of cash at bank at 31.12.2015 pledged as collateral for short-term bank loans received by the Company is BGN 152 thousand (2014: BGN 2,098 thousand) (Note 13). As at 31.12.2015 outstanding amount of loans secured (including interest payable) with pledge of cash at bank is BGN 13,420 thousand (2014: 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 2014	2,197,041	180,157	44,491	224,648
As at 31 December 2014	2,197,041	180,157	44,491	224,648
Issued shares	176,200	14,449	5,110	19,559
As at 31 December 2015	2,373,241	194,606	49,601	244,207

11. Share capital (continued)

As at 31 December 2015 the registered share capital of the Company is comprised of 2,373,241 ordinary shares at a par value of BGN 82 each.

Based on a decision of the General Assembly of the shareholders held on 11 December 2015 the Company issued 176,200 ordinary shares at a par value of BGN 82 each and an issue price BGN 111. All shares are written by the name of the Halcor S. A. shareholder. The shares have been paid by bank transfer.

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 2014	**90,852**	**235**
Net gain 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**
At 1 January 2015	**100,068**	**577**
Net loss from cash flow hedge	-	(3,400)
Deferred tax effect	-	340
At 31 December 2015	**100,068**	**(2,483)**

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 2016. Respectively, the effect of the cash flow hedge recognised in *Other reserves* in Equity, as at 31 December 2014 was realised in profit or loss in 2015.

13. Interest-bearing loans received

In thousands of BGN	***2015***	***2014***
Long term borrowings received		
Bank loans	170,689	175,767
Total long term borrowings received	**170,689**	**175,767**
Short term borrowings received		
Bank loans	20,787	251
Short term portion of long term borrowings	17,436	17,581
Total short term borrowings received	**38,223**	**17,832**
Total borrowings received	**208,912**	**193,599**

The maturity of interest-bearing loans at agreed, non-discounted payments is presented in Note 21. The Company has not capitalised any interest on loans in 2015 (2014: none).

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

13. Interest-bearing loans received (continued)

	2015	2014
Bank overdrafts	5.47%	5.38%
Short term bank loans	5.40%	5.54%
Long term bank loans	5.90%	5.84%

As of 31 December 2015 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 31.12.2015 are as follows: Lands and Buildings - BGN 90,325 thousand, Movables - BGN 173,270 thousand, Inventory: BGN 75,633 thousand.

As of 31 December 2015 short-term debt represents short-term loans from United Bulgarian Bank AD, Piraeus Bank Bulgaria AD, Societe Generale Expressbank, Alpha Bank A.E., London Branch, Eurobank Bulgaria AD and short-term portion of long-term loans received. Short-term portion of the long-term loans amounts to BGN 17,436 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 31.12.2015 (2014: EUR 5,500 thousand). As at 31.12.2015 outstanding amount of short-term bank loans secured (including interest payable) with pledge of receivables is BGN 481 thousand (2014: BGN 12 thousand).The amount of cash at bank at 31.12.2015 pledged as collateral for short-term bank loans received by the Company is BGN 152 thousand (2014: BGN 2,098 thousand). As at 31.12.2015 outstanding amount of loans secured (including interest payable) with pledge of cash at bank is BGN 13,420 thousand (2014: none).

Secured loans conditions

The Company has obligations under a secured loan agreement in the amount of BGN 71,823 thousand as of 31 December 2015. Under the terms of the agreement, the loan will be repaid by the 1st of December 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 of 31.12.2015 there is only one financial covenant to be met and the Company meets it.

The Company has obligations under a secured loan agreement in the amount of BGN 116,302 thousand as of 31 December 2015. 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	2015	2014
Less than one year	516	446
Between one and five years	555	760
More than five years	-	-
Total	**1,071**	**1,206**

14. Operating leases (continued)

During the year an amount of BGN 560 thousand was recognised as an expense in profit or loss in respect of operating leases (2014: BGN 558 thousand).

15. Retirement employee benefits

a) Expenses for retirement employee benefits

In thousands of BGN	*2015*	*2014*
Current service cost	41	5
Net actuarial (gain)/loss recognised during the year	-	-
Interest cost on retirement employee benefit	18	1
Expenses on retirement benefits recognised in profit and loss (Note 3.6)	**59**	**6**

b) Retirement benefits liability

In thousands of BGN	*2015*	*2014*
Present value of retirement benefit obligation	547	352
Retirement benefits liabilities, recognised in the statement of financial position	**547**	**352**

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

In thousands of BGN	
Retirement benefit obligation at **1 January 2014**	**390**
Current service cost	5
Interest cost	1
Benefits paid	(44)
Retirement benefit obligation at **31 December 2014**	**352**
Current service cost	42
Interest cost	18
Benefits paid	(68)
Remeasurements:	
• Actuarial losses from changes in demographic assumptions	63
• Actuarial losses from changes in financial assumptions	152
• Experience adjustments	(12)
Retirement benefit obligation at **31 December 2015**	**547**

Main actuarial assumptions used for accounting purposes are shown below:

	2015	*2014*
Discount rate	2.40%	5.50%
Future salary increase	6.00%	6.00%
Employee turnover rate	9.08%	11.00%

16. Government grants

The Company has been awarded two government grants for the reporting period. One of them at the amount BGN 3,305 thousand is for machinery installed in foundry and extrusion workshops. The grant will be amortised over the useful life of the machinery. Amortisation of the grant for 2015 is BGN 141 thousand. The other grant amounting to BGN 104 thousand is for protective clothes for employees. It was recognised in profit and loss in 2014, cash was received in 2015.

17. Trade and other payables

In thousands of BGN	*2015*	*2014*
Trade payables (Note 22)	8,010	13,305
Related parties trade payables (Note 20,22)	40,790	42,147
Other payables (Note 22)	545	662
Payables to employees	842	939
Related parties other payables (Note 20)	4	3
Taxes	373	325
Other payables	4,983	1,213
	55,547	58,594

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.

18. Commitments

In thousands of BGN	*31.12.2015*	*31.12.2014*
Property, plant and equipment	617	1,537

Investment program

In 2016 the Company plans completion of the reconstruction of assets in foundry and rolling workshops. The contracted expenditure amounts to BGN 617 thousand.

19. Contingencies

Bank guarantees

Bank guarantees and letters of credit issued by other companies in behalf of SOFIA MED AD amount to BGN 2,452 thousand (2014: BGN 3,107 thousand) as at the reporting date.

Bank guarantees and letters of credit issued by SOFIA MED AD in behalf of other companies and state agencies amount to BGN 6,754 thousand (2014: BGN 10,374 thousand) as at the reporting date.

20. Related parties

a) Identification of related parties

The ultimate parent company

The ultimate parent of the Company is Viohalco SA/NV, (traded on the EURONEXT stock exchange in Belgium).

Entities with controlling interest in the Company

99.99996 % of the shares of SOFIA MED AD are owned by Halcor S.A. The rest 0.00004 % of the shares are owned by Fitco S.A. Metal Works (Fitco S.A.), Greece.

Other related parties

Base Metal Ticaret ve Sanayi A.S., 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, Reynolds Cuivre SAS, Erlikon, Consultant and Construction, Flokos AE, Anamet Greece and SOFIA MED AD are related parties under common control of Viohalco SA/NV (the ultimate parent company).

b) Sale of goods and services

In thousands of BGN	***2015***	***2014***
Sales of goods	155,429	143,701
Sales of services	266	259
	155,695	**143,960**

c) Purchases of goods and services

In thousands of BGN	***2015***	***2014***
Purchases of goods	272,894	232,574
Purchases of services	3,858	5,975
	276,752	**238,549**

d) Key management remuneration

In thousands of BGN	***2015***	***2014***
Salaries and other short term employee benefits	1,616	1,675
	1,616	**1,675**

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

In thousands of BGN	***2015***	***2014***
Related party receivables	16,236	5,525
Related party payables	40,794	42,150

20. Related parties (continued)

Receivables	***2015*** *BGN'000*	***2014*** *BGN'000*
Etem Bulgaria	203	384
Elval	25	2
Fulgor	113	4
Teprometal Germany	447	-
MKC Metall Kunden Center	4,517	1,381
Genecos	3,918	2,027
Hellenic Cables	378	324
CPW America Co.	599	1,050
Fitco	251	304
Elval Colour	13	13
Icme Ecab	22	35
Halcor	-	1
Metal Agencies	2,742	-
Steelmet Romania	20	-
Metalvalius	1,597	-
Reynolds Cuivre SAS	1,391	-
	16,236	**5,525**

Payables	***2015*** *BGN'000*	***2014*** *BGN'000*
Steelmet Romania	33	13
Teprometal Germany	299	323
Metal Agencies	-	7
Teka Systems Greece	405	83
Hellenic Cables	4	3
Halcor	39,116	39,314
Teprometal Bulgaria	29	12
Sigma-Is	87	37
Lesco	67	9
MKC Metall Kunden Center	11	22
Genecos	342	296
Etem Bulgaria	313	4
Viexal	-	9
Elval	1	-
Base Metal Ticaret ve Sanayi A.S.	24	26
Fulgor	-	242
Metalvalius	-	1,746
Sidma Bulgaria	-	3
CPW America Co.	59	-
Alurame	4	1
	40,794	**42,150**

20. Related parties (continued)

As at 31.12.2015 there are advances at the amount of BGN 4,807 thousand paid to Metalvalius for acquisition of materials and (2014: none).

Sales	*2015* *BGN'000*	*2014* *BGN'000*	Purchases	*2015* *BGN'000*	*2014* *BGN'000*
Etem Bulgaria	1,320	2,784	Etem Bulgaria	7,935	3
Metal Agencies	42,486	34,329	Teprometal Germany	788	921
Steelmet Romania	5,697	5,987	Metal Agencies	3	8
Halcor	11,487	5,608	Stomana Industry	-	23
MKC Metall Kunden Center	51,562	58,168	Fitco	1,379	2,794
Teprometal Germany	2,275	5,198	Teka Systems Greece	551	318
Teka Systems Bulgaria	2	2	Sidma Bulgaria	59	36
Elval	181	12	Halcor	76,752	56,238
Sigma-Is	-	5	Teprometal Bulgaria	140	140
Fitco	4,878	4,916	Sigma-Is	586	810
Genecos	9,626	5,949	Lesco	467	247
Corint pipeworks	24	28	MKC Metall Kunden Center	55	94
Icme Ecab	737	290	Steelmet Cyprus	-	757
Hellenic Cables	1,967	4,242	Elval	1	5
Metalvalius	13,307	14,103	Genecos	192	923
Fulgor	109	127	Consultant and Construction	1	-
CPW America Co.	2,358	2,145	Steelmet Romania	156	35
Elval Colour	-	13	Metalvalius	183,451	171,552
Alurame	-	53	Hellenic Cables	836	1,570
Teka Systems Greece	-	1	Viexal	464	391
Erlikon	276	-	Fulgor	1,417	1,364
Reynolds Cuivre SAS	7,400	-	Flokos AE	23	-
Etil	1	-	Alurame	3	-
Teprometal Bulgaria	2	-	Base Metal Ticaret ve Sanayi A.S.	96	90
			Elkeme	3	4
			Etil	35	162
			Inos Balkan	468	64
			Anamet Greece	832	-
			CPW America Co.	59	-
	155,695	**143,960**		**276,752**	**238,549**

20. Related parties (continued)

Related parties	Type of transactions in 2015
Etem Bulgaria	Finished goods, merchandise, materials
Metal Agencies	Finished goods, services
Reynolds Cuivre SAS	Finished goods
Steelmet Romania	Finished goods, merchandise, 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,
Alurame	Services
Metalvalius	Finished goods, services, materials,
CPW America Co.	Finished goods, services
Corint pipeworks	Finished goods
Teprometal Bulgaria	Finished goods, services
Lesco	Materials
Erlikon	Materials
Genecos	Finished goods, services
Fulgor	Finished goods, materials, services
Fitco	Finished goods, materials, merchandise, services
Elval	Finished goods, services, materials
Consultant and Construction	Services
Teka Systems Greece	Finished goods , fixed assets, services
Viexal	Services
Elkeme	Materials, services
Etil	Finished goods, services
Inos Balkan	Materials, services
Flokos AE	Services
Anamet Greece	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.

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

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

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

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Nominal amount	
In thousands of BGN	**2015**	**2014**
Variable rate instruments		
Financial liabilities	(208,912)	(193,599)
	(208,912)	(193,599)

Cash flow sensitivity analysis for variable rate instruments

A change of 0,25% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		**Equity**	
Effect in thousands of BGN	**0,25% increase**	**0,25% decrease**	**0,25% increase**	**0,25% decrease**
31 December 2015				
Variable rate instruments	(577)	577	-	-
Cash flow sensitivity (net)	(577)	577	-	-
31 December 2014				
Variable rate instruments	(574)	574	-	-
Cash flow sensitivity (net)	(574)	574	-	-

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

Foreign currency risk

As a result of purchases and sales at prices determined in currencies other than the Bulgarian lev, the operating results of the Company could be affected by movements in the exchange rates against BGN. The Company is hedging this 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. The Company hedges the foreign currency risk by borrowing money in the same currencies as the Company's sales and purchases. Part of sales /purchases denominated in currency different than BGN or EUR are hedged by entering into forward contracts for sale/purchase at determined exchange rate of the respective quantity of foreign currency at the date at which the receivables/payables are expected to be settled.

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

2015

In thousands of BGN	EUR	BGN	USD	GBP	CHF
Trade and other receivables	25,653	4,187	8,210	2,489	(67)
Interest-bearing loans received	(188,392)	-	(15,464)	(4,887)	(169)
Trade and other payables	(43,283)	(3,097)	(2,751)	(146)	(38)
Cash and cash equivalents	3,417	146	4	1	68
	(202,605)	1,236	(10,001)	(2,543)	(206)
Derivatives (nominal value)	(2,759)	-	9,837	2,447	44
	(205,364)	**1,236**	**(164)**	**(96)**	**(162)**

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)**

The following significant exchange rates applied during the year:

	Average FX rate		**FX rate at the reporting period-end date**	
	2015	***2014***	***2015***	***2014***
USD 1	1.764	1.474	1.790	1.608
GBP 1	2.697	2.427	2.650	2.500
CHF 1	1.835	1.610	1.809	1.626

21. 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*
2015	10%	(16)	-
	-10%	16	-
2014	10%	(29)	-
	-10%	29	-

	Increase/ decrease in the exchange rate BGN / GBP	Effect on profit before tax	Effect on equity
	%	*In thousands of BGN*	*In thousands of BGN*
2015	10%	(10)	-
	-10%	10	-
2014	10%	(8)	-
	-10%	8	-

	Increase/ decrease in the exchange rate BGN / CHF	Effect on profit before tax	Effect on equity
	%	*In thousands of BGN*	*In thousands of BGN*
2015	10%	(16)	-
	-10%	16	-
2014	10%	(9)	-
	-10%	9	-

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 futures sale contract on LME for each purchase order it places, and it concludes a futures purchase contract for each customer order it accepts. The futures contracts are for approximately 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 futures.

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

Credit risk

The Company manages its exposure to credit risk through consistent application of the following policies. A part of its receivables is assigned to factoring companies under non-recourse factoring agreements. The Company follows a policy to insure all 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 44,391 thousand as of 31 December 2015 (31 December 2014: BGN 37,863 thousand).

Liquidity risk

The Company manages its liquidity risk through a maturity analysis if its current and non-current liabilities and regular forecasts of cash flows. 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 2015

	Carrying amount	*< 1 year*	*1-2 years*	*2-5 years*	*> 5 years*	*Total*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest bearing loans and borrowings	208,912	44,443	30,925	147,461	-	222,829
Trade and other payables	49,345	49,345	-	-	-	49,345
Derivative financial liabilities	2,760	2,760	-	-	-	2,760
	261,017	96,548	30,925	147,461	-	274,934

The year ended 31 December 2014

	Carrying amount	*< 1 year*	*1-2 years*	*2-5 years*	*> 5 years*	*Total*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest bearing loans and borrowings	193,599	23,079	30,180	156,646	-	209,905
Trade and other payables	49,345	56,114	-	-	-	56,114
Derivative financial liabilities	220	220	-	-	-	220
	243,164	79,413	30,180	156,646	-	266,239

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 2015 and in 2014 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 31.12.2015 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. These steps include increase of share capital by BGN 9,779 thousand and reduction of nominal value of shares.

21. 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:

	2015	*2014*
	BGN'000	*BGN'000*
Loss for the year	(31,240)	(22,806)

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

22. 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 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 2015		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*	-	283	-	-	283	-	283	-	283
		-	283	-	-	283	-	283	-	283
Financial assets not measured at fair value										
Trade and other receivables	*8*	-	-	40,472	-	40,472				
Cash and cash equivalents	*10*	-	-	3,636	-	3,636				
		-	-	44,108	-	44,108				
Financial liabilities measured at fair value										
Derivative financial instruments	*9*	(2,759)	-	-	-	(2,759)	(2,759)	-	-	(2,759)
Derivative financial instruments	*9*	-	(1)	-	-	(1)	-	(1)	-	(1)
		(2,759)	(1)	-	-	(2,760)	(2,759)	(1)	-	(2,760)
Financial liabilities not measured at fair value										
Interest bearing loans and borrowings	*13*	-	-	-	(208,912)	(208,912)				
Trade payables	*17*	-	-	-	(49,345)	(49,345)				
		-	-	-	(258,257)	(258,257)				

22. Fair values of financial instruments (continued)

31 December 2014

In thousands of BGN	*Note*	Carrying amount: Cash flow hedging instruments	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Fair Value: 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				
Cash and cash equivalents	10	-	-	8,620	-	8,620				
		-	-	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)				
Trade payables	17	-	-	-	(56,114)	(56,114)				
		-	-	-	(249,713)	(249,713)				

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.

23. Subsequent events

There is a decision from March 2016 of the General meeting of shareholders of SOFIA MED to increase share capital by BGN 9,779 thousand. 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 2015.