SOFIA MED AD

ANNUAL MANAGEMENT REPORT AND
FINANCIAL STATEMENTS
For the year ended 31 December 2016

Translation from the original Bulgarian version, in case of divergence the Bulgarian shall prevail

General overview. Goals and prospects

Throughout 2016 the recovery in Eurozone and US trended slightly upwards, a fact which affected positively the sales of the Company.

The average price of Copper reached to Euro 4,399 per ton for the fiscal year 2016 versus Euro 4,952 per ton in 2015. Since the beginning of November until the end of the year the average price of Copper rose to Euro 5,200 per ton.This positive trend and relatively high year-end closing price levels led to no write-down losses in 2016 compared to BGN 10,949 thousand in 2015.

The turnover in 2016 amounted to BGN 561 million versus BGN 584 million in 2015 making a decline of 3.9 %. The turnover was negatively affected by the declining prices of metals. In terms of volume of products and merchandise, sales increased by 0.9% and reached 57.9 Kilo-tonnes.
During 2016 the ratio EBITDA/Sales increased to 4,55%, compared to 0,38% in 2015. The improved profitability is a result of improved mix of sales and increased volume of higher added value products as well as increase of metal price in the last quarter of 2016.

Operating profit was BGN 9,674 thousand, while in 2015 operating loss was at the amount of BGN 18,467 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 2016 are BGN 14,762 thousand, and in 2015 – BGN 16,239 thousand. The working capital excluding cash and cash equivalents as at the end of the year 2016 amounted to BGN 47,066 thousand (end of 2015: BGN 90,957 thousand). In 2016 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 7,186 thousand. Deferred income tax benefit recognised in the financial result for 2016 was BGN 504 thousand (2015: BGN 3,457 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.

Probable future development of the Company

In 2017 the Company will continue its efforts in expanding the product range, focusing on industrial products. The Company's investments will be mainly in rolling and foundry workshops. SOFIA MED AD will continue to develop its personnel through a number of training programmes.

Current period results and financial position overview – Financial highlights

In thousand BGN	*2016*	*2015*
Sales revenue	**561,006**	**584,122**
Result from operating activities	**9,674**	**(18,467)**
EBITDA	**25,512**	**2,234**
EBITDA / Sales	*4.55 %*	*0.38 %*
EBIT	**9,674**	**(18,467)**
EBT	**(5,086)**	**(34,697)**
ROCE	**2.8 %**	**-5.1 %**
Working capital excluding cash and cash equivalents	**47,066**	**90,957**
Working capital excluding cash and cash equivalents / Sales	*8.4 %*	*15.6 %*
Debt / Equity	**1.07**	**1.33**
a-EBITDA	**20,271**	**16,208**

Current period results and financial position overview – Financial highlights (continued)

EBITDA: It is the measure of profitability of the entity before taxes, net financial cost, depreciation and amortization. It is calculated by adjusting the depreciation and amortization to the operating profit as this is reported in the statement of profit and loss. Depreciation and amortisation absorbed included in *Change in stock of finished goods and work in progress* is also considered.

Working capital excluding cash and cash equivalents: It is calculated using the formula: *Current assets – Cash and cash equivalents – Trade and other liabilities.*

Debt to equity ratio: Debt is calculated using the formula: Non-current Interest-bearing loans + Current Interest-bearing loans.

a-EBITDA: adjusted EBITDA is a measure of the profitability of the entity after adjustments for:

- Metal result
- Restructuring Costs
- Special Idle Costs assets
- Impairment of fixed assets
- Impairment of Investments
- Profit / (Loss) of sales/disposals of fixed assets, investments if included in operational results
- Other impairment

In thousand BGN	*2016*	*2015*
EBITDA	**25,512**	**2,234**
Adjustments for:		
+ Loss / - Profit from Metal result	-5,269	13,967
+ Loss / - Profit from disposals of fixed assets	28	7
a-EBITDA	**20,271**	**16,208**

The metal results stems from:
1. The time period that runs between the invoicing of the purchase, holding time and metal processing versus the invoicing of sales.
2. The effect of the beginning inventory (which is affected by the metal prices of prior periods) in the cost of sales, from the valuation method which is the weighted average.
3. Specific contracts with customers with closed prices that end in exposure to metal prices fluctuations between the period that the price was closed and the date the that the sale took place.

SOFIA MED AD uses derivatives to reduce the effect of the fluctuation of metal prices. However, there will always be positive or negative effect in the result due to safety stock that is held.

Corporate social responsibility and sustainable development

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.

Corporate social responsibility and sustainable development (continued)

ISO 26000:2010

With the aim to enhance the identifying and developing shared values with all stakeholders, in 2016 Sofia Med continued with the development of practices and activities following the guidelines of the international standard ISO 26000 on social responsibility.

Sofia Med believes that a well-structured and sustained CSR culture supports significantly the company values and reputation, enhances the positive company image in front of stakeholders, raises atmosphere of trust, inspires stronger commitment and satisfaction on behalf of the employees, supports the strong relations with state institutions and local communities, and last, but not least, contributes in a unique way to the global CSR concept of Viohalco on sustainable development.

Customer focus

Sofia Med follows a customer-oriented approach, prioritising customer satisfaction. In this context, the company implemented 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.

Care for our people

Key priority of the Company is to secure a working environment of fair compensation, respect for human rights, diversity and equal opportunities to all the employees. For this purpose, we make systematic investments in our people, placing great emphasis on their ongoing training and development. Every year, the company carries out a series of social events and educational campaigns for the employees and their families, including:

- health, safety and environment month
- annual summer children's camp
- annual Christmas children's party
- annual medical examinations for all employees.

Health and Safety

A top priority for us is the health and safety of our employees and associates. Our commitment to this sector is to ensure a healthy and safe working environment, free of risks, injuries, accidents and occupational diseases. The Company achieves continuous improvements in the health and safety sector by effectively implementing the Occupational Health and Safety Management System, investing in projects and programs, and also thanks to the contribution and involvement of all employees who act responsibly in relation to these matters.

Environmental protection

Respect for the environment and protecting nature are objectives of primary importance to us. Therefore, the Company has adopted a comprehensive environmental policy and is committed to ensure that its business development is environmentally responsible. Our commitment to responsible environmental management and protection is actively proven by:

Corporate social responsibility and sustainable development (continued)

- implementing a certified Environmental Management System (BS ISO 14001:2015) in all our production plants
- making significant investments in environmental protection on an annual basis
- implementing specific systems, procedures and programs aiming always at preventing pollution
- carrying out actions aiming to reduce our carbon footprint.

Supporting local communities

The company policy and strategy includes offering and displaying responsible attitude towards the society. In the framework of Corporate Social Responsibility, Sofia Med supports the local community by promoting programs and actions concerning the society. Additionally, Sofia Med aims to contribute in the economic development of the local community by offering job opportunities (hiring local people is a priority) and business opportunities (selecting local suppliers). At the same time, it collaborates with various government agencies, technical colleges and universities and provides professional training to students and university graduates.

Subsequent events

No 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 2016.

Research and development activities

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

Branches

The Company has no branches.

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

In 2016 the Company has not redeemed any treasury shares, and as at 31 December 2016 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. There is no a decision of the General Meeting of shareholders granting to the members of the Board of Directors rights to acquire shares and bonds in 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. The total sum paid to the members of the Board of Directors during 2016 is BGN 152 thousand.

The members of the Board of Directors participate in other companies registered with the Bulgarian Commercial Register as follows:

Member of the Board of Directors	Participating in following companies
Angel Petrov Ganev	• ENERGY SOLUTIONS AD • FIBRAN BULGARIA AD
Lidia Atanasova Gerdjikova	• BALANCE EOOD • AMBEL EOOD • EUROTERRA DEVELOPMENT AD • TUIN GRUP AD • PRIMROSEVIEW • EASY HOMES AD • PANSO AD • GERDA OOD • GTV OOD
Athanassios Athanassopoulos	• PRISTANISHTEN KOMPLEX SVILOSA EOOD • DOMI - BG OOD • ENERGY SOLUTIONS AD • LESKO EOOD • STOMANA-INDUSTRY AD • PORT SVISHTOV WEST AD • SIGMA IS AD • MRAMOR GRANIT AD • MRAMOR GRANIT-98

Financial risks and financial instruments used by the Company

The Company uses financial instruments as disclosed in Note 21 of Financial Statements. The Company has exposure to the following risks related to financial instruments: 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.

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 2016.

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
Metal Agencies	41,207	22	1,141	22
Steelmet Romania	5,880	34	3	6
Halcor	3,597	73,185	-	39,473
MKC Metall Kunden Center	41,408	5	6,176	2
Teprometal Germany	4,659	612	341	354
Fitco	4,158	1,129	-	-
Icme Ecab	786	-	-	-
Hellenic Cables	1,177	17	382	4
Metalvalius	12,749	106,505	-	9,656
CPW America Co.	1,686	357	299	168
Reynolds Cuivre SAS	18,729	44	1,307	466
Others	431	4,714	85	993
Total	**136,467**	**186,624**	**9,734**	**51,144**

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

SOFIA MED sells to Icme Ecab finished goods

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

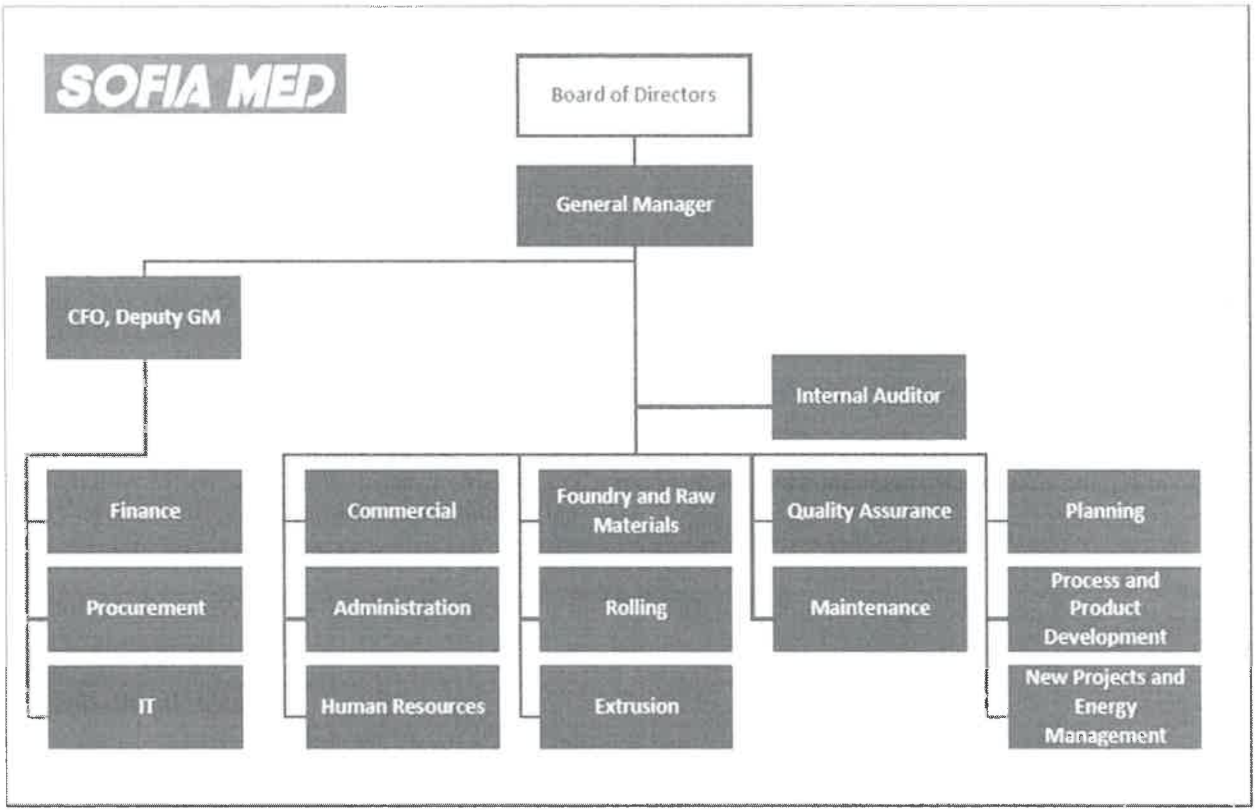
Important transactions with related parties (continued)

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.

Organisational structure



Composition of the Board of Directors

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

- 6 are executive members (Chairman, Vice-Chairman & 3 Members)
- 3 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;
- Lidia Atanasova Gerdjikova, executive member
- Periklis Sapountzis, 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.

20.04.2017

SOFIA MED S.A. * BULGARIA * SOFIA

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

SOFIA MED AD

Financial Statements

For the year ended 31 December 2016

With Independent Auditors' Report thereon

Contents

In thousands of BGN	*Notes*	*2016*	*2015*
Revenue	3.1	561,006	584,122
Cost of sales	3.2	(540,492)	(592,977)
Gross profit/(loss)		**20,514**	**(8,855)**
Selling and distribution expenses	3.2	(4,448)	(3,817)
Administrative expenses	3.2	(6,232)	(5,583)
Other expenses, net	3.3	(160)	(212)
Result from operating activities		**9,674**	**(18,467)**
Finance income	3.4	2	9
Finance expenses	3.4	(14,762)	(16,239)
Net finance cost		(14,760)	(16,230)
Loss before income tax		**(5,086)**	**(34,697)**
Income tax benefit	4	504	3,457
Loss for the year		**(4,582)**	**(31,240)**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	15	(479)	(203)
Related tax	4	48	20
		(431)	(183)
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	4,070	(3,400)
Related tax	4	(407)	340
		3,663	(3,060)
Other comprehensive income for the period, net of tax		**3,232**	**(3,243)**
Total comprehensive income for the period		**(1,350)**	**(34,483)**

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The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2017.

The notes from page 8 to page 44 are integral part of these financial statements.

Ioannis Papadimitriou
General Manager

SOFIA MED S.A. * BULGARIA * SOFIA

Sergey Vlaykov
Chief Financial Officer

Petar Sabev
Preparer, Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Authorised Representative
KPMG Bulgaria OOD

Dobrina Kaloyanova
Registered Auditor

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ БЪЛГАРИЯ ООД

SOFIA MED AD

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

SOFIA MED

In thousands of BGN	*Notes*	*2016*	*2015*
ASSETS			
Non-current assets			
Property, plant and equipment	5	260,775	268,055
Intangible assets	6	1,245	2,053
Deferred tax assets	4	7,200	7,055
		269,220	**277,163**
Current assets			
Inventories	7	86,263	103,072
Trade and other receivables	8	37,502	43,432
Derivative financial instruments	9	1,531	-
Cash and cash equivalents	10	29,218	3,636
		154,514	**150,140**
TOTAL ASSETS		**423,734**	**427,303**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	103,515	194,606
Share premium	11	-	49,601
Other reserves	12	101,248	97,585
Retained earnings		(39,679)	(185,136)
		165,084	**156,656**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans	13	143,851	170,689
Retirement benefit liabilities	15	1,059	547
Government grants	16	3,055	3,164
		147,965	**174,400**
Current liabilities			
Trade and other liabilities	17	78,230	55,547
Interest-bearing loans	13	32,455	38,223
Derivative financial instruments	9	-	2,477
		110,685	**96,247**
TOTAL LIABILITIES		**258,650**	**270,647**
TOTAL EQUITY AND LIABILITIES		**423,734**	**427,303**

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Chief Accountant

In accordance with an Auditor's Report:

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ОДИТОРСКО ДРУЖЕСТВО 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 period		-	-	-	-	(31,240)	**(31,240)**
Other comprehensive income							
Net loss from cash flow hedge, net of tax	3.5	-	-	-	(3,060)	-	**(3,060)**
Remeasurements of defined benefit liability, net of 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**

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Registered Auditor

In thousands of BGN	*Notes*	*Share capital*	*Share premium*	*Revaluation reserve*	*Hedging reserve*	*Retained earnings*	*Total equity*
Balance as at 1 January 2016		**194,606**	**49,601**	**100,068**	**(2,483)**	**(185,136)**	**156,656**
Comprehensive income for the period							
Loss for the year		-	-	-	-	(4,582)	**(4,582)**
Other comprehensive income							
Net gain from cash flow hedge, net of tax	3.5	-	-	-	3,663	-	**3,663**
Remeasurements of defined benefit liability, net of tax		-	-	-	-	(431)	**(431)**
Total comprehensive income for the period		-	-	-	3,663	(5,013)	**(1,350)**
Transactions with owners, recognised directly in equity							
Issue of shares	11	7,494	2,284	-	-	-	9,778
Decrease of losses	11	(98,585)	(51,885)	-	-	150,470	-
Total transactions with owners		(91,091)	(49,601)	-	-	150,470	9,778
Balance as at 31 December 2016		**103,515**	**-**	**100,068**	**1,180**	**(39,679)**	**165,084**

Translation from the original Bulgarian version, in case of divergence the Bulgarian shall prevail

The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2017.

The notes from page 8 to page 44 are integral part of these financial statements.

Ioannis Papadimitriou
General Manager

SOFIA MED S.A. BULGARIA SOFIA

Sergey Vlaykov
Chief Financial Officer

Petar Sabev
Preparer,
Chief Accountant

In accordance with an Auditor's Report:

Maria Peneva
Authorised Representative
KPMG Bulgaria OOD

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ БЪЛГАРИЯ ООД

Dobrina Kaloyanova
Registered Auditor

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

SOFIA MED

In thousands of BGN	*Notes*	*2016*	*2015*
Cash flows from operating activities			
Loss for the year		(4,582)	(31,240)
Adjustments for:			
Income tax		(504)	(3,457)
Depreciation of property, plant and equipment		14,421	20,468
Amortisation of intangible assets		830	787
Amortisation of government grants		(109)	(141)
Increase/(Decrease) in inventory write-down		(10,949)	10,893
Property, plant and equipment scrapped		28	7
Change in retirement benefit liability through profit or loss		87	59
Interest income		(2)	(9)
Net realised (gains)/losses from cash flow hedge		(974)	(147)
Finance costs		14,762	16,239
		13,008	13,459
Changes in:			
- inventories		27,758	(14,457)
- trade and other receivables		5,930	(13,112)
- trade and other payables		19,666	(6,229)
		53,354	(33,798)
Cash flows from/(used in) operating activities		**66,362**	**(20,339)**
Interest paid		(11,128)	(13,103)
Interest received		2	3
Government grants received		-	3,409
Net cash flow from hedging activity and bank commissions		1,728	(43)
Net cash flows from/(used in) operating activities		**56,964**	**(30,073)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(7,706)	(9,153)
Acquisition of intangible assets		(113)	(141)
Net cash used in investing activities		**(7,819)**	**(9,294)**
Cash flows from financing activities			
Proceeds from issue of share capital		9,778	19,559
Proceeds from borrowings		-	20,691
Repayment of borrowings		(33,341)	(5,867)
Net cash flows from / (used in) financing activities		**(23,563)**	**34,383**
Net change in cash and cash equivalents		**25,582**	**(4,984)**
Cash and cash equivalents as at 1 January		3,636	8,620
Cash and cash equivalents as at 31 December	10	**29,218**	**3,636**

Translation from the original Bulgarian version, in case of divergence the Bulgarian shall prevail

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ОДИТОРСКО ДРУЖЕСТВО 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.

The Company is registered in the Bulgarian Trade Register at the Registry Agency with ID No. 130144438.

Shareholders

As at 31 December 2016 the share capital of the Company is held by Halcor S.A. Metal Works (Halcor S.A.), Greece – 88.87543%, Viohalco SA/NV – 11.12453% and Fitco S.A. Metal Works (Fitco S.A.), Greece – 0.00004%. Halcor S.A. and Fitco S.A. are 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 2016 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 2016 the number of employees is 560 (2015: 544).

The financial statements are authorized for issue with a resolution of the Board of Directors on 20 April 2017.

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 2016 the share capital of the Company was increased by BGN 9,778 thousand.

As at 31 December 2016 the Company realized a loss of BGN 4,582 thousand (2015 - loss of BGN 31,240 thousand) due to negative developments on some of the main markets on which the Company operates. 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 Company has concluded long-term loan agreements and credit lines agreements and considers that there will be enough funds to finance its planned development.

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 2017.

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.

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 2016, 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:

(a) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

(b) IFRS 9 *Financial Instruments*

This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 initially on 1 January 2018.

The Company does not expect IFRS 9 to have material impact on the financial statements. The classification and measurement of the Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial instruments that it holds. The Company has not yet finalised the impairment methodologies that it will apply under IFRS 9.

(c) Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no subsidiaries, associates or joint ventures.

IASB/IFRIC documents not yet endorsed by EC:

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

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

(a) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(b) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company has started an initial assessment of the potential impact on its financial statements. The Company has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16 but expects that the effects will not be material. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Company uses the practical expedients and recognition exemptions, and any additional leases that the Company enters into. The Company expects to disclose its transition approach and quantitative information before adoption.

(c) Other amendments

The following changes are not expected to have a significant impact on the Company's financial statements.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- *Amendments to IAS 40 Transfers of Investment Property*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*
- *Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016.*

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 31.12.2016. 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 a 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 – 35 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)

b) 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

The Company recognizes government grants when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.
Government grants relating to property, plant and equipment are included in non-current liabilities and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.
Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized.

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.

2.5 Summary of significant accounting policies (continued)

o) Taxes (continued)

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

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 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	*2016*	*2015*
Finished products and goods	561,006	584,122
	561,006	**584,122**

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

	Year ended 31 December 2016			
In thousands of BGN	*Cost of sales*	*Selling and distribution expenses*	*Administrative expenses*	*Total*
Employee remuneration	10,000	1,646	2,112	13,758
Compulsory social security contributions	2,903	284	393	3,580
Materials	486,970	168	338	487,476
Cost of goods sold	3,550	-	-	3,550
Change in stock of finished goods and work in progress	8,575	-	-	8,575
Hired services	16,415	2,007	1,862	20,284
Depreciation of property, plant and equipment	12,038	25	827	12,890
Gain from cash flow hedge	(974)	-	-	(974)
Amortisation of intangible assets	602	-	228	830
Other	413	318	472	1,203
Total	**540,492**	**4,448**	**6,232**	**551,172**

Depreciation and amortization absorbed included in *Change in stock of finished goods and work in progress*: BGN 696 thousand.

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

	Year ended 31 December 2015			
	Cost of sales	*Selling and distribution expenses*	*Administrative expenses*	*Total*
In thousands of BGN				
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	2,649
Total	592,977	3,817	5,583	602,377

Depreciation and amortization absorbed included in *Change in stock of finished goods and work in progress*: BGN (413) thousand.

3.3 Other expenses, net

	2016	*2015*
In thousands of BGN		
Foreign exchange losses	(6,152)	(8,499)
Foreign exchange gains	6,240	8,014
Depreciation	(1,531)	-
Other	1,283	273
	(160)	**(212)**

3.4 Finance income and finance cost

Recognised in profit and loss	*2016*	*2015*
In thousands of BGN		
Finance income		
Interest income	2	9
	2	**9**
Finance expenses		
Interest expense on loans carried at amortised cost	(14,299)	(15,679)
Bank commissions	(463)	(560)
	(14,762)	**(16,239)**

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

In thousands of BGN	*2016*	*2015*
Net gain/(loss) from cash flow hedge		
Effective portion of changes in fair value of cash flow hedges	4,070	(3,400)
Tax effect	(407)	340
Net effect in other comprehensive income	3,663	(3,060)

3.6 Personnel expenses

In thousands of BGN	*2016*	*2015*
Employee remuneration	13,671	12,750
Social security expenses	3,580	3,214
Expenses for retirement employee benefits (Note 15)	87	59
Total	17,338	16,023

4. Corporate income tax

The main components of the corporate income tax benefit for the years ended 31 December 2016 and 2015 are:

In thousands of BGN	*2016*	*2015*
Tax recognised in profit and loss		
Current tax	-	-
Deferred tax benefit	504	3,457
Tax benefit, recognised in profit or loss	**504**	**3,457**
Tax recognised in other comprehensive income		
Remeasurements of defined benefit liability	48	20
Deferred tax, related to cash flow hedge	(407)	340
Income tax recognised in other comprehensive income	(359)	360

The tax rate for 2016 is 10% (2015: 10%). The applicable tax rate in 2017 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 2016 and 2015 is as follows:

In thousands of BGN	*2016*	*2015*
Accounting loss before income tax	**(5,086)**	**(34,697)**
Income tax benefit at applicable tax rate of 10%	509	3,470
Expenses non-deductible for tax purposes	(5)	(13)
Income tax benefit at effective tax rate 9.96% (2015: 5.21%)	504	3,457

4. Corporate income tax (continued)

Deferred taxes as at 31 December relate to the following:

In thousands of BGN	Statement of financial position		Statement of comprehensive income	
	2016	*2015*	*2016*	*2015*
Deferred tax liabilities:				
Derivative financial instruments	(153)	(28)	(125)	79
	(153)	**(28)**	**(125)**	**79**
Deferred tax assets:				
Property, plant and equipment	4,965	3,503	1,462	2,064
Inventories	-	1,095	(1,095)	1,089
Tax losses carried forward	2,172	2,050	122	345
Derivative financial instruments	-	276	(276)	254
Employee benefits	154	95	59	17
Other	62	64	(2)	(31)
	7,353	**7,083**	**270**	**3,738**
Deferred income tax benefit, recognised in profit or loss			**504**	**3,457**
Deferred taxes recognised in other comprehensive income			**(359)**	**360**
Total change in deferred taxes			**145**	**3,817**
Deferred tax assets, net	7,200	7,055		

As at 31 December 2016 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 2015	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
Additions	-	-	911	184	-	201	5,890	7,186
Disposals	-	-	(39)	(76)	(87)	(15)	-	(217)
Transfer to intangible assets	-	-	-	-	-	-	(17)	(17)
Transfers	-	542	6,593	245	-	49	(7,429)	-
At 31 December 2016	**61,988**	**35,697**	**186,484**	**12,260**	**695**	**5,321**	**5,168**	**307,613**
Accumulated depreciation and impairment:								
At 1 January 2015	-	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
Depreciation for the year	-	2,888	10,231	946	20	336	-	14,421
Disposals	-	-	(11)	(76)	(87)	(15)	-	(189)
At 31 December 2016	-	**5,843**	**26,422**	**8,659**	**690**	**4,433**	**791**	**46,838**
Carrying amount:								
At 1 January 2015	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
At 31 December 2016	61,988	29,854	160,062	3,601	5	888	4,377	260,775

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.

Management considers that there are indications for impairment of property, plant and equipment of the Company and respectively 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. The discount rate used for calculation is 7.9%.

As at 31 December 2016 assets under construction include advances paid, amounting to BGN 609 thousand (2015: BGN 596 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 2016 property, plant and equipment mortgaged and pledged as collateral for bank loans received by the Company amounts to BGN 260,046 thousand (2015: BGN 260,046 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 2016 would be BGN 5,792 thousand land and BGN 5,047 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.

	Land	*Buildings*
In thousands of BGN		
Balance at 1 January 2016	61,988	32,200
Transfers	-	542
Depreciation for the year	-	(2,888)
Revaluation	-	-
Balance at 31 December 2016	**61,988**	**29,854**

(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 2016 would be BGN 155,121 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 2016	162,817
Additions	911
Disposals	(28)
Transfers	6,593
Depreciation for the year	(10,231)
Revaluation	-
Balance at 31 December 2016	**160,062**

(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 depreciated replacement cost (DRC) 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's operations and all assets involved are considered as one cash generating unit.

6. Intangible assets

In thousands of BGN	*Trademarks and patents*	*Software*	*Total*
Cost:			
At 1 January 2015	3	3,924	3,927
Additions	-	4	4
Transfer from assets under constructions	-	154	154
At 31 December 2015	3	4,082	4,085
Additions	-	5	5
Disposals	-	(7)	(7)
Transfer from assets under constructions	-	17	17
At 31 December 2016	3	4,097	4,100
Accumulated depreciation:			
At 1 January 2015	3	1,242	1,245
Depreciation charge	-	787	787
At 31 December 2015	3	2,029	2,032
Depreciation charge	-	830	830
Disposals	-	(7)	(7)
At 31 December 2016	3	2,852	2,855
Carrying amount:			
At 1 January 2015	-	2,682	2,682
At 31 December 2015	-	2,053	2,053
At 31 December 2016	-	1,245	1,245

7. Inventory

In thousands of BGN	*2016*	*2015*
Materials	24,416	26,087
Work in progress	37,264	48,171
Finished goods	23,773	29,479
Merchandise	454	656
Advances for acquisition of materials	356	9,628
	86,263	**114,021**
Less: Inventories write-down:		
Materials	-	(1,490)
Work in progress	-	(5,933)
Finished goods	-	(3,461)
Merchandise	-	(65)
	-	(10,949)
Total inventories at the lower of cost and net realisable value	**86,263**	**103,072**

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 2016 inventory pledged as collateral for bank loans received by the Company amounts to BGN 70,634 thousand (2015: BGN 75,633 thousand) (Note 13).

8. Trade and other receivables

In thousands of BGN	*2016*	*2015*
Trade receivables (Note 22)	15,812	22,175
Related parties receivables (Note 20, 22)	9,734	16,236
Other receivables (Note 22)	6,207	2,061
VAT receivable	5,410	2,706
Other receivables	339	254
	37,502	**43,432**

Receivables with minimum notional amount EUR 5,500 thousand are pledged as at 31.12.2016 (2015: EUR 5,500 thousand) (Note 13). As at 31.12.2016 the outstanding amount of short-term bank loans secured (including interest payable) with pledge of receivables is BGN 1 thousand (2015: BGN 7 thousand) and the amount of blocked credit limit of these loans due to issued bank guarantees is BGN 3,413 thousand (2015: BGN 474 thousand).

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
2016	15,812	11,786	3,629	265	71	5	56
2015	22,175	16,887	3,971	668	216	190	243

9. Derivative financial instruments

	2016		2015	
In thousands of BGN	Assets	Liabilities	Assets	Liabilities
Futures contracts designated as cash flow hedging instruments	1,311	-	-	(2,759)
Forward contracts designated as fair value hedging instruments	220	-	283	(1)
	1,531	-	283	(2,760)
Net assets / (liabilities)	1,531		(2,477)	

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

In thousands of BGN	2016	2015
Cash at bank	29,213	3,629
Cash in hand	5	7
Total cash in hand and at banks	29,218	3,636

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

The amount of cash at bank as at 31.12.2016 pledged as collateral for short-term bank loans received by the Company is BGN 5,530 thousand (2015: BGN 152 thousand) (Note 13). As at 31.12.2016 outstanding amount of loans secured (including interest payable) with pledge of cash at bank is BGN 106 thousand (2015: BGN 13,420 thousand).

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 2015	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
Issued shares	91,394	7,494	2,284	9,778
Decrease of losses	-	(98,585)	(51,885)	(150,470)
As at 31 December 2016	2,464,635	103,515	-	103,515

11. Share capital (continued)

As at 31 December 2016 the registered share capital of the Company is comprised of 2,464,635 ordinary shares at a par value of BGN 42 each.

Based on a decision of the General Assembly of the shareholders held on 17 March 2016 the Company issued 91,394 ordinary shares at a par value of BGN 82 each and an issue price BGN 107. All shares are written by the name of the shareholder Viohalco SA/NV. The shares have been paid by bank transfer.

Based on a decision of the General Assembly of the shareholders held on 5 December 2016 the Company decreases par value of all ordinary shares from BGN 82 to BGN 42 each. The decrease is used to cover losses from previous periods. With the same decision the Company decreases Share premium reserves from BGN 51,885 thousand to zero. The decrease is used to cover losses from previous periods.

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 2015	**100,068**	**577**
Net loss from cash flow hedge	-	(3,400)
Deferred tax effect	-	340
At 31 December 2015	**100,068**	**(2,483)**
At 1 January 2016	**100,068**	**(2,483)**
Net gain from cash flow hedge	-	4,070
Deferred tax effect	-	(407)
At 31 December 2016	**100,068**	**1,180**

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 2017. Respectively, the effect of the cash flow hedge recognised in *Other reserves* in Equity, as at 31 December 2015 was realised in profit or loss in 2016.

13. Interest-bearing loans received

In thousands of BGN	*2016*	*2015*
Long term borrowings received		
Bank loans	143,851	170,689
Total long term borrowings received	**143,851**	**170,689**
Short term borrowings received		
Bank loans	4,998	20,787
Short term portion of long term borrowings	27,457	17,436
Total short term borrowings received	**32,455**	**38,223**
Total borrowings received	**176,306**	**208,912**

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 2016 (2015: none).

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

13. Interest-bearing loans received (continued)

	2016	*2015*
Bank overdrafts	5.60%	5.47%
Short term bank loans	5.10%	5.40%
Long term bank loans	5.90%	5.90%

As of 31 December 2016 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 31.12.2016 are as follows: Lands and Buildings - BGN 91,722 thousand, Movables - BGN 168,324 thousand, Inventory: BGN 70,634 thousand.

As of 31 December 2016 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, National Bank of Greece – Malta Branch and short-term portion of long-term loans received. Short-term portion of the long-term loans amounts to BGN 27,457 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 31.12.2016 (2015: EUR 5,500 thousand). As at 31.12.2016 the outstanding amount of short-term bank loans secured (including interest payable) with pledge of receivables is BGN 1 thousand (2015: BGN 7 thousand) and the amount of blocked credit limit of these loans due to issued bank guarantees is BGN 3,413 thousand (2015: BGN 474 thousand). The amount of cash at bank at 31.12.2016 pledged as collateral for short-term bank loans received by the Company is BGN 5,530 thousand (2015: BGN 152 thousand). As at 31.12.2016 outstanding amount of loans secured (including interest payable) with pledge of cash at bank is BGN 106 thousand (2015: BGN 13,420 thousand).

Secured loans conditions

The Company has obligations to comply with certain conditions (covenants) under the contract for a secured loan in the amount of BGN 54,566 thousand as of 31 December 2016. 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 31.12.2016 there are three financial covenants to be met and the Company meets them.

The Company has obligations under a secured loan agreement in the amount of BGN 116,742 thousand as of 31 December 2016. Under the terms of the agreement, the loan will be repaid by the 5th of December 2018. The Company has established all pledges required by the loan agreement.

14. Operating leases

Contracted operating lease rentals are payable as follows:

	2016	*2015*
In thousands of BGN		
Less than one year	416	516
Between one and five years	579	555
More than five years	-	-
Total	**995**	**1,071**

During the year an amount of BGN 613 thousand was recognised as an expense in profit or loss in respect of operating leases (2015: BGN 560 thousand).

15. Retirement employee benefits

a) Expenses for retirement employee benefits

In thousands of BGN	*2016*	*2015*
Current service cost	74	41
Net actuarial (gain)/loss recognised during the year	-	-
Interest cost on retirement employee benefit	13	18
Expenses on retirement benefits recognised in profit and loss (Note 3.6)	87	59

b) Retirement benefits liability

In thousands of BGN	*2016*	*2015*
Present value of retirement benefit obligation	1,059	547
Retirement benefits liabilities, recognised in the statement of financial position	1,059	547

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

In thousands of BGN	
Retirement benefit obligation at **1 January 2015**	352
Current service cost	41
Interest cost	18
Benefits paid	(67)
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
Current service cost	74
Interest cost	13
Benefits paid	(54)
Remeasurements:	
• Actuarial losses from changes in demographic assumptions	716
• Actuarial losses from changes in financial assumptions	(206)
• Experience adjustments	(31)
Retirement benefit obligation at **31 December 2016**	1,059

Main actuarial assumptions used for accounting purposes are shown below:

	2016	*2015*
Discount rate	1.80%	2.40%
Future salary increase	4.00%	6.00%
Price inflation	1.75%	2.00%

16. Government grants

The Company has been awarded government grant related to reimbursement of part of expenses on electricity for the period 01.08.2015-31.12.2016. The part of reimbursement pertaining to 2015 amounts to BGN 341 thousand and is presented in Other expenses, net in *Statement of profit or loss and other comprehensive income.* The part of reimbursement pertaining to 2015 amounts to BGN 341 thousand and is presented in Other expenses, net. The part of reimbursement pertaining to 2016 amounts to BGN 1,264 thousand and decreases the expenses on electricity included in Materials (Note 3.2).

17. Trade and other payables

In thousands of BGN	*2016*	*2015*
Trade payables (Note 22)	22,775	8,010
Related parties trade payables (Note 20,22)	50,718	40,790
Other payables (Note 22)	1,149	545
Payables to employees	981	842
Related parties other payables (Note 20)	426	4
Taxes	410	373
Other payables	1,771	4,983
	78,230	**55,547**

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	*31.12.2016*	*31.12.2015*
Property, plant and equipment	3,994	617

Investment program

In 2017 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 4,910 thousand (2015: BGN 2,452 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 7,588 thousand (2015: BGN 6,754 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

88.87543 % of the shares of SOFIA MED AD are owned by Halcor S.A., 11.12453% are owned by Viohalco SA/NV, 0.00004 % 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 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, Vepal, Metalign 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	*2016*	*2015*
Sales of goods	136,134	155,429
Sales of services	333	266
	136,467	**155,695**

c) Purchases of goods and services

In thousands of BGN	*2016*	*2015*
Purchases of goods	181,803	272,894
Purchases of services	4,821	3,858
	186,624	**276,752**

d) Key management remuneration

In thousands of BGN	*2016*	*2015*
Salaries and other short term employee benefits	2,346	1,616
	2,346	**1,616**

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

In thousands of BGN	*2016*	*2015*
Related party receivables	9,734	16,236
Related party payables	51,144	40,794

20. Related parties (continued)

Receivables	2016 BGN'000	2015 BGN'000
Etem Bulgaria	11	203
Elval	-	25
Fulgor	-	113
Teprometal Germany	341	447
MKC Metall Kunden Center	6,176	4,517
Genecos	-	3,918
Hellenic Cables	382	378
CPW America Co.	299	599
Fitco	-	251
Elval Colour	13	13
Icme Ecab	-	22
Metal Agencies	1,141	2,742
Steelmet Romania	3	20
Metalvalius	-	1,597
Reynolds Cuivre SAS	1,307	1,391
Vepal	26	-
Metalign	35	-
	9,734	16,236

Payables	2016 BGN'000	2015 BGN'000
Steelmet Romania	6	33
Teprometal Germany	354	299
Metal Agencies	22	-
Teka Systems Greece	133	405
Hellenic Cables	4	4
Halcor	39,473	39,116
Teprometal Bulgaria	18	29
Sigma-Is	182	87
Lesco	101	67
MKC Metall Kunden Center	2	11
Genecos	147	342
Etem Bulgaria	-	313
Viexal	14	-
Elval	-	1
Base Metal Ticaret ve Sanayi A.S.	55	24
Fulgor	199	-
Metalvalius	9,656	-
Sidma Bulgaria	1	-
CPW America Co.	168	59
Alurame	170	4
Reynolds Cuivre SAS	466	-
Metalign	(32)	
Stomana Industry	5	
	51,144	40,794

20. Related parties (continued)

As at 31.12.2016 there are advances at the amount of BGN 4,807 thousand paid to Metalvalius for acquisition of materials and (2015: none).

Sales	*2016*	*2015*	Purchases	*2016*	*2015*
	BGN'000	*BGN'000*		*BGN'000*	*BGN'000*
Etem Bulgaria	76	1,320	Etem Bulgaria	87	7,935
Metal Agencies	41,207	42,486	Teprometal Germany	612	788
Steelmet Romania	5,880	5,697	Metal Agencies	22	3
Halcor	3,597	11,487	Stomana Industry	4	-
MKC Metall Kunden Center	41,408	51,562	Fitco	1,129	1,379
Teprometal Germany	4,659	2,275	Teka Systems Greece	317	551
Teka Systems Bulgaria	2	2	Sidma Bulgaria	63	59
Elval	7	181	Halcor	73,185	76,752
Fitco	4,158	4,878	Teprometal Bulgaria	150	140
Genecos	(257)	9,626	Sigma-Is	1,732	586
Corint pipeworks	-	24	Lesco	811	467
Icme Ecab	786	737	MKC Metall Kunden Center	5	55
Hellenic Cables	1,177	1,967	Elval	2	1
Metalvalius	12,749	13,307	Genecos	86	192
Fulgor	458	109	Consultant and Construction	-	1
CPW America Co.	1,686	2,358	Steelmet Romania	34	156
Erlikon	-	276	Metalvalius	106,505	183,451
Reynolds Cuivre SAS	18,729	7,400	Hellenic Cables	17	836
Etil	-	1	Viexal	409	464
Teprometal Bulgaria	-	2	Fulgor	498	1,417
Base Metal Ticaret ve Sanayi A.S.	23	-	Flokos AE	-	23
Vepal	26	-	Alurame	166	3
Metalign	96	-	Base Metal Ticaret ve Sanayi A.S.	111	96
			Elkeme	1	3
			Etil	-	35
			Inos Balkan	-	468
			Anamet Greece	-	832
			CPW America Co.	357	59
			Reynolds Cuivre SAS	44	-
			Vepal	2	-
			Metalign	275	-
	136,467	**155,695**		**186,624**	**276,752**

20. Related parties (continued)

Related parties	Type of transactions in 2016
Etem Bulgaria	Finished goods, merchandise, materials
Metal Agencies	Finished goods, services
Reynolds Cuivre SAS	Finished goods, services
Steelmet Romania	Finished goods, services
Halcor	*
Hellenic Cables	Finished goods, materials
MKC Metall Kunden Center	Finished goods, services
Sidma Bulgaria	Materials
Teprometal Germany	Finished goods, services
Teka Systems Bulgaria	Services
Icme Ecab	Finished goods
Sigma-Is	Services, materials
Alurame	Services
Metalvalius	Materials, services
CPW America Co.	Finished goods, services
Stomana Industry	Fixed assets
Teprometal Bulgaria	Services
Lesco	Materials
Genecos	Finished goods, services
Fulgor	Finished goods, materials
Fitco	Finished goods, materials, merchandise, services
Elval	Finished goods, services
Vepal	Materials, Services
Teka Systems Greece	Fixed assets, services
Viexal	Services
Elkeme	Services
Metalign	Services, materials
Base Metal Ticaret ve Sanayi A.S.	Finished goods, 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.

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	**2016**	**2015**
Variable rate instruments		
Financial liabilities	(176,306)	(208,912)
	(176,306)	(208,912)

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 2015.

	Profit or loss		Equity	
Effect in thousands of BGN	**0,25% increase**	**0,25% decrease**	**0,25% increase**	**0,25% decrease**
31 December 2016				
Variable rate instruments	(577)	577	-	-
Cash flow sensitivity (net)	(577)	577	-	-
31 December 2015				
Variable rate instruments	(550)	550	-	-
Cash flow sensitivity (net)	(550)	550	-	-

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:

2016

In thousands of BGN	EUR	BGN	USD	GBP	CHF
Trade and other receivables	21,150	3,430	6,409	909	(145)
Interest-bearing loans received	(176,200)	-	(106)	-	-
Trade and other payables	(63,069)	(1,142)	(10,394)	55	(92)
Cash and cash equivalents	20,312	4,723	1,136	2,596	451
	(197,807)	7,011	(2,955)	3,560	214
Derivatives (nominal value)	1,312	-	3,343	(3,368)	(228)
	(196,495)	**7,011**	**388**	**192**	**(14)**

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)**

The following significant exchange rates applied during the year:

	Average FX rate		**FX rate at the reporting period-end date**	
	2016	***2015***	***2016***	***2015***
USD 1	1.768	1.764	1.855	1.790
GBP 1	2.393	2.697	2.284	2.650
CHF 1	1.795	1.835	1.821	1.809

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*
2016	10%	39	-
	-10%	(39)	-
2015	10%	(16)	-
	-10%	16	-

	Increase/ decrease in the exchange rate BGN / GBP	Effect on profit before tax	Effect on equity
	%	*In thousands of BGN*	*In thousands of BGN*
2016	10%	19	-
	-10%	(19)	-
2015	10%	(10)	-
	-10%	10	-

	Increase/ decrease in the exchange rate BGN / CHF	Effect on profit before tax	Effect on equity
	%	*In thousands of BGN*	*In thousands of BGN*
2016	10%	(1)	-
	-10%	1	-
2015	10%	(16)	-
	-10%	16	-

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 62,502 thousand as of 31 December 2016 (31 December 2015: BGN 44,391 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 2016

	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	176,306	41,197	150,432	-	-	191,629
Trade and other payables	74,642	74,642	-	-	-	74,642
	250,948	115,839	150,432	-	-	266,271

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

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 2016 and in 2015 there have been no changes in the objectives, policies or processes related to the Company's equity management.

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:

	2016	*2015*
	BGN'000	*BGN'000*
Loss for the year	(4,582)	(31,240)

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 2016		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		1,311	-	-	-	1,311	1,311	-	-	1,311
Derivative financial instruments	*9*	-	220	-	-	220	-	220	-	220
		1,311	220	-	-	1,531	1,311	220	-	1,531
Financial assets not measured at fair value										
Trade and other receivables	*8*	-	-	31,753	-	31,753				
Cash and cash equivalents	*10*	-	-	29,218	-	29,218				
		-	-	60,971	-	60,971				
Financial liabilities measured at fair value										
Derivative financial instruments	*9*	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value										
Interest bearing loans and borrowings	*13*	-	-	-	(176,306)	(176,306)				
Trade payables	*17*	-	-	-	(74,642)	(74,642)				
		-	-	-	(250,948)	(250,948)				

22. Fair values of financial instruments (continued)

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)				

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

No 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 2016.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sofia Med AD

Opinion

We have audited the financial statements Sofia Med AD (the Company) as set out on pages 1 to 44, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA), approved by its Management Board on 29 November 2016. These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.

b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the EU 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Bulgaria OOD

Maria Peneva
Authorised representative

Dobrina Kaloyanova
Registered auditor

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17 May 2017

ОДИТОРСКО ДРУЖЕСТВО
София
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