

SOFIA MED AD

**INDEPENDENT AUDITOR'S REPORT
ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS**

31 DECEMBER 2023

This version of the financial statements is a translation from the original, which was prepared in Bulgarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

CONTENT	PAGE
INDEPENDENT AUDITOR'S REPORT	
ANNUAL ACTIVITY REPORT	1
STATEMENT OF FINANCIAL POSITION	14
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	18

General overview

The whole financial year 2023 was marked by with strong levels of demand and a positive market environment, which allowed an increase in profitability margins despite the difficult macroeconomic environment. Sofia Med AD benefited from the increased demand driven by global attitudes towards sustainability and achieved the best performance and growth till now.

Energy products' prices stabilized throughout the year, leading to better return on almost all product categories. Throughout the year interest rates were rising until they almost doubled compared to the respective period in the previous year, impacting global growth and market outlook leading to an unfavorable market environment and a slight decline in demand, not reflected however in overall positive trends in sales.

On the other hand, Sofia Med's market conditions and already stable positioning allowed continuous sales growth throughout the year for extruded copper products and production capacity was filled as a result of copper and alloy rolled orders.

Although in first half of 2023 global and particularly EU economic activity decelerated, improved external demand was registered in the second half of 2023, boosting sales and the Company continued to investing to ensure a strong year with stable financial results.

The level of sales reached BGN 1 700 040 thousand, compared to BGN 1 708 128 thousand in 2022. Although sales did not rise, Sofia Med AD manages to optimize costs, leading to improved profits.

The main reasons for the increase in revenue are the result of the increase in sales prices, the rise in products sold and the decrease in copper and zinc prices on average by 7% and 35% respectively, which along with constant sales prices improved financial performance.

In 2023 94 816 tons of copper products and alloy products were sold, which represents a growth of 2.2% compared to 92 758 tons of basic production products sold in 2022. The average prices of the metals processed by Sofia Med AD - copper and zinc reached in 2023 EUR 7 842 and 2 449 per ton respectively against average prices in the previous year of EUR 8 375 and 3 308 per ton.

The company reports a growth of 49% in gross profit and 62% in operating profit, reaching BGN 138 875 thousand and 111 754 thousand respectively, compared to BGN 93 134 thousand and BGN 68 880 thousand in 2022. The result before interest, taxes and depreciation (EBITDA) reaches BGN 132 402 thousand in 2023, which represents a 52% compared to the result before interest, taxes and depreciation in the previous year of BGN 88 000 thousand.

The company and the companies of the group to which Sofia Med belongs use adjusted EBITDA (a-EBITDA), which isolates the impact of the price of the metal. In 2023 the adjusted EBITDA (a-EBITDA) recorded a growth of 105% and reached BGN 140 358 thousand compared to the profitability indicator in 2022 of BGN 68 891 thousand.

In 2023 Sofia Med continues the implementation of its investment program with the aim of expanding the production nomenclature and increasing the competitiveness of the Company. The total amount of payments for investments during the year in machinery and equipment is BGN 27 688 thousand (2022: 9 386 thousand).

In 2024 the market conditions in the copper segment are expected to remain unchanged, given the continued uncertainties regarding interest rates, energy costs and their impact on global economic growth.

Companies in the copper segment are confident in their ability to maintain stable sales volumes and develop product lines in key areas.

Sofia Med is on track to increase capacity with targeted investments in high added value products as well as working on several process optimization initiatives that will support the company's performance in 2024.

Current period results and financial position overview – Financial highlights

<i>In BGN thousand</i>	2023	2022
Sales revenue	1 700 040	1 708 128
Earnings before interest and tax (EBIT)	111 754	68 880
Earnings before interest, tax, depreciation and amortization (EBITDA)*	132 402	88 000
Earnings before taxes (EBT)	91 584	57 687
Working capital excluding cash and cash equivalents**	336 913	272 145
EBITDA / Sales	7,8%	5,2%
Working capital / Sales	19,8%	16,3%
Current ratio	2,12	1,74
(current assets to current liabilities)	0,44	0,58
Debt*** / Equity	1,40	2,24

***EBITDA:** It is a profitability of the entity before net financial cost, income tax, depreciation and amortization and amortization of government grants. It is calculated by adjusting the depreciation and amortization to the operating profit as reported in the statement of comprehensive income.

**** Working capital excluding cash and cash equivalents:** It is calculated using the formula: *current assets - cash and cash equivalents minus trade and other liabilities*.

***** Debt to equity ratio:** Debt is calculated using the formula: *non-current interest-bearing loans + current interest-bearing loans*.

<i>In BGN thousand</i>	2023	2022
EBIT	111 754	68 880
Adjustments for:		
+ Depreciation of property, plant and equipment (related only COGS)	19 347	18 375
+ Depreciation of right of use assets	913	712
+ Amortization of intangible assets	497	142
- Amortization of government grant	(109)	(109)
EBITDA	132 402	88 000

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

- Metal result
- Restructuring costs
- Idle costs related to unused assets
- Impairment of fixed assets
- Impairment of investments
- Profit / (Loss) of sales/disposals of non-current assets, investments if included in operational results
- Other impairment

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

<i>In BGN thousand</i>	2023	2022
EBITDA	132 402	88 000
Adjustments for:		
Profit from Metal result	7 950	(20 400)
Loss from disposals of non-current assets, net	6	1 292
a-EBITDA	140 358	68 892
a-EBITDA/ Sales	8.3%	4.0%

The metal result stems from:

1. Changes in metal prices during the time period between the invoicing of the purchase, retention period and metal processing versus the invoicing of sales.
2. The effect of the opening inventory balance (which is affected by the metal prices of prior periods) in the cost of sales, which is calculated using the weighted average price.
3. Specific contracts with customers with certain prices that are exposed to metal price fluctuations between the period when the price is fixed and the date when the sale takes place..
4. Impairment of metal to net realizable value
5. Hedging transactions during the period (metal futures and currency forwards)

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

Sustainable Development

Sustainable Development is a strategic priority for Sofia Med. In this context, the company management has approved a revised and upgraded sustainability strategy during 2023, whereas the company commitment was reemphasized by ensuring that the relevant issues are communicated to all key stakeholders via implementing and developing all relevant activities.

As part of the Sustainability Strategy, Sofia Med has adopted four key policies, a Business Code of Conduct and a Supplier Code of Conduct that cover the entire range of environmental, social and governance issues related to the company activities, as well as its supply chain.

Each policy is supported by relevant procedures and indicators, internal and external audits for adequate due diligence in important matters, as well as to ensure regulatory compliance. In addition, national legislation is also taken into account in terms of sustainability requirements to ensure a transparent and accountable operation of all its activities in accordance with European and national legislation.

Key sustainability areas are:

- Improving occupational health and safety, as well as working conditions
- Improving energy efficiency
- Increased/Higher use of recycled materials
- Further reduction of scope 1 and scope 2 emissions (thermal and electricity)
- Improving waste treatment processes
- Cooperation practices with the supply chain in the context of ESG issues
- Initiatives/practices that support and contribute to the sustainability of the local community

More on:

<https://www.sofiamed.com/en/capability/sustainable-development>

<https://www.sofiamed.com/en/company/corporate-governance/codes-of-conduct>

Commitment to the UN Sustainable Development goals

Although Sofia Med considers all the above areas to be interrelated and important, the company has identified five sustainable development goals as per the United Nations SDGs agenda, that it primarily makes a positive contribution to.



Stakeholder engagement

In 2023 the company strengthened its dialogue with its stakeholder groups to better understand how they believe the company can improve its business practices and partnerships. Sofia Med ensured the participation of a large group of internal and external stakeholders in the double materiality analysis, that was carried out.

The analysis identified and prioritized the sustainable development material issues as per the identified stakeholder, that are most relevant to the company business activities.

Responsible supply chain

Sofia Med chooses its suppliers carefully, so that they demonstrate a shared commitment to making a positive contribution to society. Sofia Med has adopted a Supplier Code of Conduct, which sets out the minimum standards that the company suppliers are required to adhere to.

More on:

<https://www.sofiamed.com/en/company/corporate-governance/codes-of-conduct>

EcoVadis

In this context, Sofia Med has launched a strategic partnership with EcoVadis. The process of assessing its key suppliers according to sustainability criteria as per the EcoVadis assessment is currently underway.

In 2023 Sofia Med completed for the first time a full assessment of its own business sustainability practices through EcoVadis. Twenty-one (21) sustainability criteria in four key areas were included: Environment, Labour and Human Rights, Ethics and Sustainable Procurement. The Company's ranking earned a silver medal, placing it in the top 25% of the more than 100,000 companies assessed by EcoVadis worldwide.

In early 2024 Sofia Med completed the second thorough EcoVadis assessment of its sustainability practices and performance. The company achieved higher overall score and showed improved performance in the terms of increased requirements in the four core pillars – Environment, Labour & Human Rights, Ethics and Sustainable Procurement.

As a result, Sofia Med received the EcoVadis 2024 Silver Sustainability Rating medal, which places the company among the top 15% of 130 000+ companies assessed by EcoVadis and validates the company commitment to sustainability and continuous improvement.

Sustainability management

The company has a dedicated Health, Safety, Environment and Sustainability department, which undertakes regular monitoring and reporting on performance on issues related to sustainable development. In addition, there is an inter-departmental Sustainability Team that provides information on all relevant issues and manages, as well as communicates the implementation of strategic initiatives and projects. It also ensures that the Group's policies and initiatives, as well as best practices are kept up to date and adhered to.

Whistleblowing mechanism

Sofia Med has introduced an integrity hotline that is managed by an independent third party in order to ensure that all stakeholders have the capability to report an unlawful or unethical behavior and ensure that their identities are fully protected throughout the relevant process.

More on:

<https://www.sofiamed.com/en/capability/integrity-hotline>

Caring for our people

Sofia Med invests in people and offers continuous training, career path and personal development opportunities to all employees, adopting equal opportunity policies at all levels. The company cultivates a rewarding working environment that respects human rights. One of its goals is to provide and maintain a safe working environment, which promotes responsible working practices.

In 2023 Sofia Med continued investing in an extensive training programme for the majority of its employees, with the aim of enhancing internal knowledge and understanding the variety of topics related to ethics, diversity and inclusion, anti-corruption, among others. The company also focused on raising awareness through internal communications on issues related to sustainability and ongoing dialogue.

As part of its social policy, Sofia Med provides additional health insurance for its employees and family members, a medical center onsite, which operates daily within the company facilities, as well as a fitness hall.

The extensive social policy includes also: renovated canteen onsite subsidized daily, free coffee and tea, remote work opportunities, food vouchers monthly, gift vouchers for Easter, Christmas and the Metallurgist Day, partially subsidized Multisport card, summer camp and Christmas party for the children of the employees. And also:

- As part of the Health and Safety policy and care to people, the subject being a top priority for Sofia Med, the company invested in and installed two automatic external defibrillators in key locations in the company premises.
- The AED is a sophisticated and easy-to-use medical device that can analyze the heart's rhythm and, if necessary, deliver an electrical shock to help the heart re-establish an effective rhythm. A team of 20+ people participates in dedicated training twice yearly, focusing on recognizing such emergency situations and how to react and operate the AED effectively.
- Training covered 98% of the employees, supporting skills upgrades and collaboration across the organization.
- Successful introduction of blue-collar staff from countries outside the EU, reinforcing the company diversity and inclusion policies.
- In 2024 Sofia Med aims to introduce a new ideas review and recognition process for its employees (often referred to as idea box), as well as a complaints process to allow all employees to give their own input in terms of improvements, suggestions, as well as any complaints that they have in terms of working conditions and anything relevant to the companies operations and how they affect them.

Occupational health and safety

Sofia Med has implemented a certified management system on Occupational Health and Safety in compliance with the international standard ISO 45001:2018. The company commitment to protecting the health and safety of its people and associates is an absolute and non-negotiable priority. The company is committed to achieving the “zero accidents” goal and works methodically towards it.

Occupational health and safety (continued)

In 2023, an intensive health and safety training programme was implemented for all employees. At the same time, several initiatives took place aiming to enhance information and accident recording.

- **Safety dialogues** – Understanding why employees want to stay safe is a key to changing health and safety behaviour. In regards with this, in 2023 Sofia Med has started a safety dialogues program in order to enrich the health and safety culture of its employees through safety observations based on honest and thoughtful dialogue, with the aim to improve the health and safety awareness and minimize the risks arising from people's behaviour.
- **Internal H&S inspections** – identifying risks and areas for improving the safety conditions at the working places is a key priority for the company amongst the other topics related to health and safety. Following this, in 2023 the company invested more time and efforts in the procedure for internal health and safety inspections, resulting to increase in the total number of conducted inspections by 40% in 2023, compared with 2022.
- **Machine safety** – the company continues with the implementation of its ambitious critical safety program for machine guarding, zero access and other engineering and technical measures for improvement of the safety working conditions. Several new machines and equipment were covered within the scope of the action plan in 2023, as the total spending on these projects are increased by 33% in 2023 compared with 2022.

Environmental protection and energy efficiency

Sofia Med takes care of the protection of the environment and the efficient use of natural resources. The company has established and implements an integrated Environmental, Energy and Climate Change Policy, under which it is committed to environmentally responsible business. Sofia Med has implemented certified systems on Environmental Management and Energy Management in compliance with the international standards ISO 14001:2015 and ISO 50001:2018. Sofia Med's practices in this field aim continuous improvement of its environmental footprint and its energy efficiency, while investing in environmental protection infrastructures.

- **Water management** - Sofia Med strengthened its efforts in optimizing the water consumption by implementing a series of actions and projects, intended to investigate and improve the condition of the plant water network, identifying and removing sources of water losses, expanding the coverage of the water consumption monitoring system, and improving the wastewater management and wastewater recycling process. As a result, the company achieved 6.05 % lower water withdrawal in absolute values, and 7.66 % reduced water intensity in 2023 compared with 2022. Significant contribution to this improvement is coming from the wastewater recycling rate, which for 2023 is amounting to 61%. The plan and target set for 2024 are to continue with the improvement actions and achieve 1 % further reduction in water intensity, compared with 2023.
- **Energy audit** – an Energy efficiency audit was conducted by external specialized company in 2023, aiming identifying additional areas for improvement in the field of electricity and natural gas consumption. Several projects for improving the energy intensity per specific processes and equipment were planned for implementation in short-term perspective as a result of the audit, part of the action plan for improving the energy performance of the company which is considered also a key instrument for reducing the Carbon footprint. Apart from the Energy audit, the company continuously is making efforts to improve its energy consumption by implementing an internal action plan for improving the energy efficiency and optimizing the processes in terms of energy consumption. As a result, the company achieved a total of 6.64 % reduction of the total electrical and thermal energy intensity in 2023 compared with 2022. The target set for 2024 is for further 2 % improvement in the energy intensity.

Environmental protection and energy efficiency (continued)

- **Low Carbon Pathway** - an important step was made by the company towards its efforts in reducing its Carbon footprint. A specialized study was completed in 2023, aiming to evaluate the performance of Sofia Med in terms of Corporate Climate Governance and Carbon footprint. As a result, an inventory of Scope 1, Scope 2 and Scope 3 of the Carbon emissions was made, as well as a Low Carbon Pathway was developed, identifying potential actions for improving the practices established and reduction of the direct and indirect Carbon emissions until 2030. The year 2022 was covered by the inventory of the study and was decided to be set as a baseline year in the plan for reduction of carbon footprint. The developed plan will require significant investments, and currently is under internal validation. However, the study and its outcomes will be used as a main tool for planning actions for reducing the carbon footprint in the coming years.
- **Carbon footprint** - following the previous point regarding Carbon emissions, the company achieved a reduction of its Scope 1 & 2 Carbon footprint in 2023 by 16,25% compared with 2022, due to improved energy intensity and lower carbon footprint of the electricity consumed. Despite the increased production of final products in 2023, reduction by 14,82% of the Scope 1 & 2 Greenhouse gas emissions in absolute value was also achieved in 2023 compared with 2022. Respective to the targets set for reduced energy intensity, the same reduction of Scope 1 & 2 Carbon footprint is set as target for 2024 compared with 2023.
- **Ammonia removal** - in beginning of 2023, a project for stopping the usage of ammonia in the processes of annealing, and its disposal for external utilization was finalized, thus significantly reducing the amount of hazardous and flammable materials stored on the territory of the plant. The ammonia that was physically stored in 50-tonnes tank, was replaced by hydrogen and nitrogen, delivered by pipelines directly to the consumers. This change allowed the company to reduce the quantity of flammable and hazardous materials, physically stored on the territory of the plant, which is proven by the updated emergency preparedness plans and scenarios and the evaluation received from the local competent authorities.
- **Recycling** – Increasing the use and recycling of secondary raw materials, in order to contribute to a circular economy and minimize the company products' carbon footprint, is one of the main environmental goals and commitments of Sofia Med. During the last year, the company achieved an increase in the recycled content in final products from 31,7 % in 2022 to 34,7 % in 2023, expressed as quantity of recycled pre-consumer and post-consumer scrap vs. quantity of final products produced following the guidelines given in the standard ISO 14021:2016. The achievement was a result of the intensive efforts made in finding the appropriate secondary materials on the market and pre-processing them in the proper way to secure the quality needed.
- **Biodiversity** - operating responsibly with the aim to minimize the potential impacts to the environment, including biodiversity, is a main goal for the company's management. Being in one of the industrial areas in the city of Sofia, outside and away enough from protected natural territories covered by the local Protected Areas Act, and outside the territory of zones under the Natura 2000 network of protected areas, is an advantage for the company to perform its production activity without a risk of harming or destroying the habitats and species, protected by the local legislation related to biodiversity. Following a landscape study performed in 2022, Sofia Med has started a project for improving the green areas within the plant. As a result of it, 5,600 sq.m. of green areas were refurbished in 2023, including laying down of new grass mixture and humus soil, installation of irrigation systems, planting of more than 160 pcs. of trees, bushes and flowers. This is planned as a multi-phase project, as the same activities are planned to be implemented in 2024 and the coming years for the rest of the green areas, situated on the territory of the company.

Supporting local communities

In 2023 our activities, related to the local communities, kept on evolving. As one of the biggest industrial companies in Bulgaria, we try to have a positive impact as much as possible to the local communities, focusing our attention and efforts on areas such as education, health care, and people in need.

Education

In 2023 we continued to enhance our long-term cooperation with the University of Chemical Technology and Metallurgy – Sofia, the Technical University of Sofia, and Sofia University “St. Kliment Ohridski”. We welcomed more students for plant visits from different faculties, we provided versatile internship and annual practice programs to graduates. We initiated discussions for bilateral cooperation on projects related to processes and products optimization and/or for our experts visiting the universities for lectures.

Traditionally, we kept our successful collaboration in various environmental impact assessment projects related to our new investments, relying on the extensive expertise of the Scientific Research Center, part of the University.

We donated a microscope camera and specialized software to the Faculty of Metallurgy and Materials sciences in the University of Chemical Technology and Metallurgy, Sofia, for the 70th anniversary from the establishment of the faculty, thus enhancing our long-term partnership.

Health Care

In 2023 Sofia Med supported the local state hospital “St. Anna” aiming to support therefore the wellbeing of the local community.

People in need

Sofia Med continued to cooperate with the local authorities in a number of projects, related to area cleaning, infrastructure improvements and other activities.

We continuously support the national campaign “Caps for future”, which collects separately plastic caps, plastic bottles and Alu cans and sends them for recycling. The money collected is used for the buying of neonatological ambulances and hospital equipment for hospitals in small towns around Bulgaria.

Sofia Med has provided and placed dedicated containers on the company territory to support the efforts of the employees and their family members, who have been participating in the campaign successfully for years on end, and with higher amount of separate waste collected every time.

In 2023 the company Christmas gifts for the employees – a glass Christmas tree ball and a scented candle, were manufactured manually by two charity organizations, where people with special needs are involved.

For 2024 the company aims to increase its support to local communities by focused actions that will respond to the key needs of the identified local community; we plan to engage more with these needs, as well as cooperate further on technical and production optimization projects with targeted universities.

In parallel, we will seek to increase our positive social impact by improving the levels of local employment (both in the city of Sofia and in the nearby towns and villages), as well as by expanding the business relations with local suppliers.

Participation in professional networks and organizations

In order to implement the company's sustainability strategy Sofia Med participates in networks, as well as collaborates with organizations and related bodies such as the:

- International Wrought Copper Council (IWCC)
- Eurometaux
- Copper and Brass Supply Chain Association (CBSC)
- Hellenic Copper Development Institute (HCDI)
- Bulgarian Association of Metallurgical Industry (BAMI)
- Bulgarian Federation of Industrial Energy Consumers (BFIEC)
- Hellenic Business Council in Bulgaria (HBCB)
- Bulgarian Association of Recycling (BAR)
- Bureau of International Recycling (BIR)

The Management of Sofia Med believes that a well-structured and sustained sustainability culture and close cooperation with the local communities significantly supports the company values and reputation in front of all stakeholders, raises atmosphere of trust, inspires stronger employee engagement and satisfaction, strengthens the long-term relations with the state institutions and local communities, as well as contributes to the global concept for sustainable development.

Research and development

The company does not carry out research and development activities, in the sense of the accounting standards.

Branch network

The company does not have a branch network.

Information under Art. 187e and Art. 247 of the Commercial Law

In 2023, the Company did not repurchase its own shares and as of December 31, 2023, it does not own any repurchased shares. The members of the Board of Directors do not own shares or bonds of the Company. There is no decision of the General Meeting of Shareholders giving 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 other persons related to them have concluded contracts with the Company that go beyond its usual activity or significantly deviate from market conditions. The remuneration of the members of the Board of Directors for 2023 is BGN 236 thousand (2022: BGN 297 thousand).

The members of the Company's Board of Directors as of December 31, 2023 are the following persons:

1. **IOANNIS PAPADIMITRIOU;**
2. **SPIRIDON KOKOLIS;**
3. **STYLIANOS THEODOSIOU;**
4. **ATHANASIOS ATHANASOPOULOS;**
5. **ANDREAS MAVRUDIS;**
6. **DIMITRIOS DIMITRIADIS;**
7. **PANAGIOTIS LOLOS;**
8. **LIDIYA ATANASOVA GERDZHIKOVA;**

On 20 June 2023 EFSTRATIOS EVANGELOS STRATIGIS was removed from the Board of Directors.

On 1 February 2024 (post-closing date of these financial statements but before the approval date of the present Annual Activity Report) KURT CREUTZ was appointed as a member of the Board of Directors.

Information under Art. 187e and Art. 247 of the Commercial Law (continued)

The members of the Board of Directors participate in the management of other companies as follows:

Member of the Board of Directors	Participating in following companies
Ioannis Papadimitriou	METALCO BULGARIA EAD; STOMANA INDUSTRY AD; REYNOLDS CUIVRE.
Spyridon Kokolis	METALIGN EAD CABLE WIRES A.E.; CHALKOR RESEARCH AND DEVELOPMENT A.E.; REYNOLDS CUIVRE; METALLOURGIKI IPEIROU ANONYMI ETAIREIA; DIA.VIPE.THL.V. S.A.; STEELMET SERVICES MONOPROSOPI A.E.; EANEP INOFITA S.A.
Athanasios Athanasopoulos	LESKO EOOD; PORT SVISHTOV WEST AD; STOMANA ENGINEERING AD; STOMANA INDUSTRY AD; ERLIKON EPEXERGASIA SYRMATON ANONYMI VIOMICHANIKI ETAIRIA; SIDENOR VIOMICHANIKI CHALYVA ANONYMI ETAIRIA.
Andreas Mavrudis	EL.K.E.ME. ELLINIKO KENTRO EREUNIS METALLON ANONYMI ETAIREIA; ELVIOK Touristic, Agricultural, Industrial Enterprises of Agricultural Development Sole Proprietorship SA.; BRIDGNORTH ALUMINIUM LTD.
Panagiotis Lolos	ELVALHALCOR HELLENIC COPPER AND ALUMINIUM INDUSTRY S.A.; EANEP INOFITA S.A.; ETAIREIA ANAPTYXIS EPICHEIRIMATIKOU PARKOU OINOFYTON ASOPOU ANONYMI ETAIREIA.
Stylianos Theodosiou	TECHOR.
Lidia Atanasova Gerdjikova	AMBEL EOOD; BALANCE EOOD; GTV OOD; GERDA OOD; TWIN GROUP AD; PANSO AD; PRIMROUZVYU AD; EUROTERRA DEVELOPMENT AD; IZY HOMES AD;

Information under Art. 187e and Art. 247 of the Commercial Law (continued)

The other Directors of the Company do not participate in the management of other companies.

The following Directors of the Company own more than 25% of the share capital of other companies:

Lidia Atanasova Gerdjikova	BALANCE FOOD; AMBEL FOOD; GERDA OOD; GTV OOD.
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The other Directors of the Company do not own more than 25% of the share capital of other companies.

Financial instruments used by the Company and financial risks

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 and 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 hedges the foreign currency risk 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 are expected to be settled.

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 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.

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 of its current and non-current liabilities and regular forecasts of cash flows. The Company has agreed short-term credit facilities and overdraft credits to cover its current liquidity needs.

According to the agreements concluded with banking institutions, the company has undertaken to comply with and maintain certain financial covenants. Financial covenants as of December 31 of the corresponding year are calculated on the basis of the company's audited financial statements.

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

Liquidity risk (continued)

SOFIA MED has complied with all financial covenants set in all loan agreements of the Company for the financial year 2023, and in cases of deviation from agreed indicators, the Company has obtained a waiver from creditors to in relation to the ratio in the calculation period, ended on 31 December 2023.

Transactions with related parties

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

Metal Agencies sells the products of Sofia Med AD on the market in Great Britain and Northern Ireland.

Steelmet Romania trades the products on the Romanian market.

Sofia Med AD sells finished products to ElvalHalcor. ElvalHalcor provides Sofia Med AD with raw materials, goods, fixed assets, technical, administrative and commercial assistance services.

TEPROMKC trades the products of Sofia Med AD on the German market and represents the Company on the German, Dutch, Belgian, Russian and Asian markets.

Sofia Med sells finished products to ICME ECAB and ICME ECAB provides raw materials to Sofia Med AD.

BASE METAL TICARET VE SANAYI A.S. sells products on the Turkish market.

Sofia Med sells finished products to Hellenic Cables. Hellenic Cables provides Sofia Med with raw materials.

CPW America Co. sells Sofia Med products on the American market.

Reynolds Cuivre SAS sells Sofia Med products on the French market.

Alurame S.P.A. sells Sofia Med products on the Italian market.

Sofia Med sells finished products to International Trade.

Sofia Med sells finished products to Epirus MetalWorks SA and Fulgor SA.

STEELMET SA provide management and accounting services.

AEIFOROS SA and Cable Wires SA provide Sofia Med AD with raw materials.

Stomana Engineering, Stomana Industry, Sidma Bulgaria, Lesko EOOD and DIO Pernik provide Sofia Med with subcontractors, industrial services, maintenance services, production tools, packaging goods and materials, production materials, waste disposal.

Металко и Металайн предоставят на Дружеството услуги по счетоводно обслужване и управленски услуги

TEKA SYSTEMS SA and TEKA ENGINEERING provide Sofia Med with licenses, development and updates of software products maintenance of technological systems.

Via VIEXAL SA, Sofia Med purchases international travel and hotel services.

Subsequent events

No other events have occurred after 31 December 2023, that could require additional adjustments and/or disclosures in the Company's financial statements for the year ended 31 December 2023.

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 truly 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 2023.

Ioannis Papadimitriou
General Manager

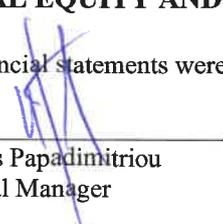
Lidia Gerdjikova
Director

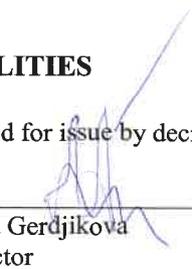
Sergey Vlaykov
Chief Financial Officer

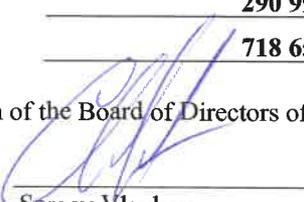
24 June 2024

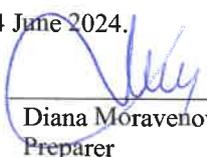
	Notes	31 December 2023 BGN'000	31 December 2022 BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	290 386	255 639
Right-of-use assets	5	2 330	2 382
Intangible assets	6	2 264	2 636
		294 980	260 657
Current assets			
Inventories	7	321 106	351 823
Trade and other receivables	8	90 944	86 397
Derivative financial instruments	9	317	1 931
Cash and cash equivalents	10	11 303	22 265
		423 670	462 416
TOTAL ASSETS		718 650	723 073
EQUITY			
Share capital	11	110 297	110 297
Share premium		10 820	10 820
Reserves	12	102 687	76 537
Retained earnings		203 848	143 915
		427 652	341 569
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	67 517	101 768
Lease liabilities	14	1 452	1 516
Retirement benefit liabilities	15	3 011	1 993
Government grants	16	2 292	2 401
Deferred tax liabilities	4	16 715	8 252
		90 987	115 930
Current liabilities			
Loans and borrowings	13	119 882	95 145
Lease liabilities	14	523	757
Trade and other payables	17	71 361	161 367
Corporate income tax liabilities		3 869	1 540
Contract liabilities	3.1	4 093	6 638
Derivative financial instruments	9	283	127
		200 011	265 574
TOTAL LIABILITIES		290 998	381 504
TOTAL EQUITY AND LIABILITIES		718 650	723 073

The financial statements were approved for issue by decision of the Board of Directors of 24 June 2024.


Ioannis Papadimitriou
General Manager


Lidia Gerdjikova
Director


Sergey Vlaykov
Chief Financial Officer


Diana Moravenova
Preparer

Initialled for identification purposes in reference to the auditor's report:


Argir Mishev
Registered auditor


Boryana Dimova
Managing Director
PricewaterhouseCoopers Audit OOD

SOFIA MED AD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

SOFIA MED

	Notes	For the year ended 31 December	
		2023	2022
		BGN'000	BGN'000
Revenue	3.1	1 700 040	1 708 128
Cost of sales	3.2	(1 561 165)	(1 614 994)
Gross profit		138 875	93 134
Selling and distribution expenses	3.2	(6 146)	(4 690)
Administrative expenses	3.2	(21 626)	(18 351)
Impairment reversals/(loss) of trade receivables	8	235	(111)
Other income and expenses, net	3.3	416	(1 102)
Operating profit		111 754	68 880
Finance expenses	3.4	(20 170)	(11 193)
Profit before tax		91 584	57 687
Income tax expense	4	(10 411)	(5 776)
Profit for the year		81 173	51 911
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit liability	15	(257)	(7)
Income tax relating to these items	4	26	1
		(231)	(6)
<i>Items that may be reclassified to profit or loss:</i>			
Revaluation of lands, buildings and machinery	5	28 302	-
Changes in fair value of cash flow hedges – effective portion	3.5	5	(5 032)
Changes in fair value of cash flow hedges – reclassified to profit or loss	3.5	(864)	-
Income tax relating to these items	3.5, 4	(2 744)	503
		24 699	(4 529)
Other comprehensive income/(loss) for the period, net of tax		24 468	(4 535)
Total comprehensive income for the period		105 641	47 376

The financial statements were approved for issue by decision of the Board of Directors of 24 June 2024.

Ioannis Papadimitriou
General Manager

Lidia Gerdjikova
Director

Sergey Vlaykov
Chief Financial Officer

Diana Moravenova
Preparer

Initialed for identification purposes in reference to the auditor's report:

Argir Mishev
Registered auditor

Boryana Dimova
Managing Director
PricewaterhouseCoopers Audit OOD

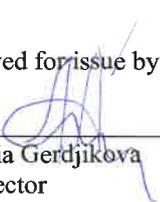
SOFIA MED AD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

SOFIA MED

		Share capital	Share premium	Reserves	Retained earnings	Total equity
	Note	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as at 1 January 2022		110 297	10 820	79 628	103 227	303 972
Comprehensive income for the period						
Profit for the year		-	-	-	51 911	51 911
Other comprehensive income						
Cash flow hedge, net of tax	3.5, 12	-	-	(4 529)	-	(4 529)
Actuarial gains, net of tax	15	-	-	-	(6)	(6)
Total comprehensive income for the period		-	-	(4 529)	51 905	47 376
Transactions with shareholders in their capacity of shareholders						
Distributed dividend		-	-	-	(9 779)	(9 779)
Total transactions with shareholders in their capacity of shareholders		-	-	-	(9 779)	(9 779)
Other equity transactions						
Transfer to statutory reserves	12	-	-	5 302	(5 302)	-
Transfer of revaluation reserve	12	-	-	(3 864)	3 864	-
Balance as at 31 December 2022		110 297	10 820	76 537	143 915	341 569
Balance as at 1 January 2023		110 297	10 820	76 537	143 915	341 569
Comprehensive income for the period						
Profit for the year		-	-	-	81 173	81 173
Other comprehensive income						
Cash flow hedge, net of tax	3.5, 12	-	-	(773)	-	(773)
Revaluation of lands, buildings and machines, net of tax	5, 12	-	-	25 472	-	25 472
Actuarial losses, net of tax	15	-	-	-	(231)	(231)
Total comprehensive income for the period		-	-	24 699	80 942	105 641
Transactions with shareholders in their capacity of shareholders						
Distributed dividend		-	-	-	(19 558)	(19 558)
Total transactions with shareholders in their capacity of shareholders		-	-	-	(19 558)	(19 558)
Other equity transactions						
Transfer to statutory reserves	12	-	-	904	(904)	-
Transfer from other reserves	12	-	-	3 515	(3 515)	-
Transfer of revaluation reserve	12	-	-	(2 968)	2 968	-
Balance as at 31 December 2023		110 297	10 820	102 687	203 848	427 652

The financial statements were approved for issue by decision of the Board of Directors of 24 June 2024.


 Ioannis Papadimitriou
 General Manager

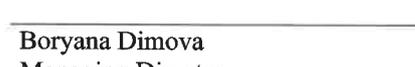

 Lidia Gerdjikova
 Director


 Sergey Vlaykov
 Chief Financial Officer


 Diana Moravenova
 Preparer

Initialed for identification purposes in reference to the auditor's report:


 Argir Mishev
 Registered auditor


 Boryana Dimova
 Managing Director
 PricewaterhouseCoopers Audit OOD

The notes set out on pages 18 to 62 are an integral part of these financial statements.

SOFIA MED AD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

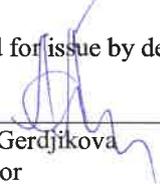
SOFIA MED

		For the year ended 31 December	
	Notes	2023 BGN'000	2022 BGN'000
Cash flows from operating activities			
Profit after tax		81 173	51 911
<i>Adjustments for:</i>			
Income tax		10 411	5 776
Depreciation of property, plant and equipment	5	20 571	19 059
Depreciation of right-of-use assets	5	913	712
Amortization of intangible assets	6	497	142
Income from government grants	16	(109)	(109)
Finance costs	3.4	20 170	11 193
Loss from sale/write-off of non-current assets		69	1 292
Loss from revaluation of futures for purchase/sale of metals through profit or loss		912	679
(Profit) / loss from tangible assets sales		(63)	-
Unrealized gains from currency forward contracts		-	(1 280)
Increase in inventory allowance	7	1 917	7 432
Change in provision for retirement benefit liabilities		761	417
Impairment and write-off of trade receivables	8	(235)	111
Net operating cashflows before changes in working capital		136 987	97 335
(Decrease) / increase in inventories	7	28 799	(64 424)
Increase / (decrease) in trade and other receivables and assets		(4 312)	9 889
(Decrease) / increase in trade and other payables		(90 029)	15 477
(Decrease) / increase in contract liabilities		(2 546)	5 215
Net cash flows from operating activities		68 899	63 492
Interest and financial charges paid		(20 311)	(10 031)
Income tax paid		(2 308)	(978)
Net cash flows from operating activities		46 280	52 483
Cash flows from investing activities			
Purchase of tangible assets		(27 688)	(6 794)
Purchase of intangible assets		-	(2 592)
Cash inflow from sale of non - current assets		542	-
Net cash flows used in investing activities		(27 146)	(9 386)
Cash flows from financing activities			
Dividend paid	11	(19 558)	(9 779)
Loans received	13	19 591	35 205
Loans repaid	13	(29 361)	(58 582)
Payments of lease liabilities	13	(1 165)	(870)
Net cash flows used in financing activities		(30 493)	(34 026)
Net increase / (decrease) in cash and cash equivalents		(11 359)	9 071
Cash and cash equivalents at the beginning of period		22 265	13 194
Foreign currency exchange impact on cash and cash equivalents		397	
Cash and cash equivalents at the end of period	10	11 303	22 265

The financial statements were approved for issue by decision of the Board of Directors of 24 June 2024.



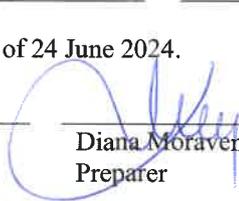
 Ioannis Papadimitriou
 General Manager



 Lidia Gerdjikova
 Director



 Sergey Vlaykov
 Chief Financial Officer



 Diana Moravenova
 Preparer

Initialled for identification purposes in reference to the auditor's report:

 Argir Mishev
 Registered auditor

 Boryana Dimova
 Managing Director
 PricewaterhouseCoopers Audit OOD

The notes set out on pages 18 to 62 are an integral part of these financial statements.

1. Reporting entity

Incorporation

SOFIA MED AD (“the Company”) is a joint-stock company incorporated in 1999 in Bulgaria. The Company is registered in the Bulgarian Trade Register at the Registry Agency with ID No. 130144438. The address of the Company’s registered office is: 4 Dimitar Peshev Str., Gara Iskar, Sofia, Bulgaria.

Shareholders

As at 31 December 2022 the share capital of the Company is held by ElvalHalcor Hellenic Copper and Aluminium Industry S.A. Greece (ElvalHalcor, the parent company) – 89.56%, Viohalco SA/NV – 10.44%. ElvalHalcor S.A. is also part of the Viohalco SA/NV group, (traded on the EURONEXT stock exchange in Belgium) which is the ultimate parent of SOFIA MED AD.

Operating activities

Sofia Med is a producer of a wide range of rolled and extruded copper and copper alloy products such as sheets, strips, plates, circles, disks, bare and plated copper bus bars, rods, profiles, components, and wire that are used in a wide variety of building and industrial applications. The Company started its processing activity in the late 2000. The Company operates only in Sofia. As at 31 December 2023 the number of employees is 646 (2022: 621).

The financial statements were authorized for issue on 24 June 2024 with a resolution of the Board of Directors.

These financial statements are subject to approval by the shareholders of the Company. According to the Bulgarian legislation it is not forbidden to revoke (following the manner specified in the law) the resolution of the general meeting of the shareholders for approval of the annual financial statement of the company, and if needed to prepare and publish a new amended set of annual financial statement for the same financial year.

2. Basis of preparation and accounting policies

2.1. Basis of preparation

Compliance with IFRS as adopted by EU

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act “International Accounting Standards” (IASs).

Basis of measurement

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

- derivative financial instruments, which are measured at fair value;
- part of the trade receivables measured at fair value;
- land and buildings which are measured at revalued amount less accumulated depreciation and impairment;
- machinery and technical installations which are measured at revalued amount less accumulated depreciation and impairment; and
- retirement benefit liabilities recognised at the present value of future payments.

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.

2. Basis of preparation and accounting policies (continued)

2.1. Basis of preparation (continued)

Going concern

These financial statements have been prepared on the basis of the assumption that the Company is a going concern and will continue to operate in the foreseeable future. The management considers that the existing capital resources and sources of funding (cash flows from operating activities and access to currently available credit lines) will be adequate for its liquidity needs.

2.2 New accounting pronouncements

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2023:

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023); **including Amendments to IFRS 17** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)

Amendment to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

The changes in IAS 1 have a limited impact on the disclosure of the Company's accounting policy. All other changes in adopted standards listed above have no effect on the amounts recognized in prior periods, nor are they expected to have a significant impact on the current or future periods.

(b) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations that are not mandatory for the reporting period at 31 December 2023 and have not been previously adopted by the Company have been published. The Company's assessment of the impact of these new standards and interpretations is set out below.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)

Amendments to IAS 1 Presentation of Financial Statements:

- **Classification of Liabilities as Current or Non-current** (issued on 23 January 2020)
- **Classification of Liabilities as Current or Non-current - Deferral of Effective Date** (issued on 15 July 2020)
- **Non-current Liabilities with Covenants** (issued on 31 October 2022 and ultimately effective for annual periods beginning on or after 1 January 2024)

2. Basis of preparation and accounting policies (continued)

2.2 New accounting pronouncements (continued)

(b) New standards and interpretations not yet adopted by the Company (continued)

There are no other standards that are not yet adopted, and which are expected to have a significant impact on the Company during the current or future reporting period as well as in the foreseeable future transactions.

(c) New standards, interpretations and amendments not yet adopted by the EU

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024)

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025)

2.3 Accounting estimates and assumptions

The preparation of the financial statements requires management to apply accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosed contingent liabilities at the balance sheet date, as well as on the income and expenses for the period.

Uncertainties related to these assumptions and estimates may lead to actual results that require material adjustments in the carrying amounts of the respective assets or liabilities in the forthcoming reporting periods.

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

Retirement benefit liabilities

The amount recognised as long-term retirement employee benefits is the present value of the obligation to repay such benefits as at the financial statements date. The 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

In 2023 Company's management decided to have revaluation made on land, buildings, machinery and technical installations, and consequently the revaluation results were incorporated in the present financial statements as of 31 December 2023.

The fair values of assets for accounting purposes as of 31 December 2023 were determined by an independent licensed evaluator. 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 a 2023 valuation report issued by a licensed evaluator, revaluing on land, buildings, machinery and technical installations and changing useful lives of revalued assets. Further details as to the useful lives are presented in the Company's accounting policies (Note 2.4).

2. Basis of preparation and accounting policies (continued)

2.3 Accounting estimates and assumptions (continued)

Impairment of receivables

The Management assesses the appropriateness of expected credit loss (ECL) allowance for its financial assets 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.

Information about the measurement of ECL allowance for trade receivables and the weighted-average loss rates is included in note 21.

Net realisable value of inventories

The net realisable value of inventories is based on the best estimate of the management for the value at which it is expected the inventories to be realised less completion and selling costs (actually agreed sales price or quotations of metal prices at a commodity exchange).

Measurement of fair values

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

When determining assets and liabilities' fair value, the Company uses observable data, whenever 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 value of financial instruments.

Extension and termination options and significant judgements at determining leasing terms

When determining leasing terms Management takes into account all facts and circumstances creating economic impact to exercise or not an extension or termination option.

Extension options (or periods after termination options) are included in the lease contract only if it is reasonably probable a lease contract will be extended (or not terminated). Leasing term is subject to revisions, if the option is exercised (or not exercised) or the Company is obliged to exercise it (or not exercise it).

Assessment of reasonable probability is revised only in case of significant event or significant change in circumstances affecting it and under the control of the lessee..

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies

1) 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).

2) 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. Cost also includes cost of replacing a part of an item of property, plant and equipment, if it meets the conditions for recognition of non-current asset.

The cost of replacing a part of an item of property, plant and equipment is recognised as part of the carrying amount of the item if it meets the conditions for recognition of non-current asset.

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 licensed valuation expert. 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
Auxiliary 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.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

2) Property, plant and equipment (continued)

Subsequent measurement (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, the latter change prospectively. Based on a fair value and useful lives analysis as of 30 September 2023 and the conclusions of an independent valuation expert, the Management decided to change (extend) useful lives of certain assets and classes of assets. Management calculated that the effect of implementation of the useful lives extension as of 30 September 2023 would not be significant and therefore it was implemented prospectively as of 1 January 2024 and there is no impact as of 31 December 2023 and for the year then ended.

The revaluation reserve arising from the revaluation of land, buildings, machinery and technical installations is transferred to retained earnings in stages on an annual basis and in proportion to the accrued depreciation of the respective assets.

3) 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 to become ready for its intended use.

4) 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.

5) Financial instruments

(i) Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated.

All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, except for derivatives designated as hedging instruments for which hedge accounting is applied.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss..
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss..

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

(ii) Класификация и последващо измерване (продължение)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are recognized initially at fair value.

Any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized either in profit or loss, or in other comprehensive income, depending on the type of the hedging relation – fair value hedge or cash flow hedge.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit and loss in the same period or periods during which the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

If the forecast transaction is no longer expected to occur, then the amount accumulated in other comprehensive income is reclassified to profit or loss.

The Company holds derivative financial instruments such as futures purchase and sale contracts for metals 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 holds 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.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

(iii) Derivative financial instruments and hedge accounting (continued)

Fair value hedges

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

As at each reporting date the Company measures its open positions used as fair value hedging instruments at fair value.

The resulting gain or loss is recognised directly in profit or loss. The hedging gain or loss on the hedged item adjust the carrying amount of the hedged item (if applicable) and is recognised in profit or loss.

6) 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.

7) Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);

The above criteria are applicable only to third party receivables. In assessing related party receivables' expected credit losses, the Company uses historical information based on the collectability of the receivables from related parties.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

7) Impairment (continued)

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For third party customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For very large customers with long lasting history of business relations, the Company makes an individual assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, 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 CGUs. The management of the Company considers that as of 31 December 2023 and 31 December 2022 all company's assets are attributable to a single CGU.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

7) Impairment (continued)

(i) Non-derivative financial assets (continued)

Non-financial assets (continued)

Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

8) Inventory

Inventories are valued at the lower of costs and 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 – delivery cost determined on weighted average basis;
- Finished goods and work in progress – value of direct materials, labour, variable and fixed overall costs determined at normal capacity, excluding loan expenditures, determined on weighted average basis

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.

9) 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.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

10) 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.

Правителството на България носи отговорността за осигуряването на пенсии по планове за дефинирани вноски в 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.

Retirement benefit liabilities

According to Bulgarian labor legislation, the Company, as an employer, is obliged to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of service. If the employee has reached 10 years of service in the last 20 years with the same employer or the same group of enterprises, he must receive six gross monthly wages at retirement. Otherwise, two gross monthly wages are payable.

The Company determines its retirement benefit obligations using an actuarial valuation method. Revaluations of the liability, including actuarial gains and losses, are recognized immediately in the balance sheet against a debit or credit to retained earnings through other comprehensive income in the period in which they occur.

Revaluations are not subject to reclassification to profit or loss in subsequent periods. Interest expense is recognized by applying a discount factor to the employee retirement benefit liability.

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 recognizes 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.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

11) Leases

Leasing contracts are recognized as a right-of-use asset and, accordingly, a lease liability on the date the lease asset is available for use by the Company. Each lease payment is allocated between the lease liability and finance costs. Finance charges are charged to profit or loss over the term of the lease so as to yield a constant periodic interest on the balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term using the straight-line method. The right-of-use asset is presented separately on the statement of financial position

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Each lease payment is allocated between the liability and finance cost.

Lease liabilities are subsequently measured using the effective interest method.

The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation periods for the right-of-use assets are as follows:

* right of use for the vehicles: 3-5 years

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

11) Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

12) Revenue

Performance obligations and revenue recognition policies – nature and timing of satisfaction of performance obligations

Below is provided information on the nature and timing of settlement of performance obligations in customer contracts, including material payment terms and related revenue recognition policies.

Sales of finished products and goods

The Company sells copper and copper alloy products and other products based on contracts with customers. Agreed prices include a conversion component and a metal component, which is based on forward market quotations for the respective metals on the London Metal Exchange (LME). Sales invoices are usually payable upon delivery or up to 90 days.

Any expected discounts (variable consideration) are granted to customers and recognized as a decrease of revenue and trade receivables in the same period when the revenue is recognized.

Some customers make prepayments for the goods in advance to delivery. In such cases, the company recognize a contract liability for the amount of consideration received.

Revenue is recognized at a point in time, when the control over goods is transferred to the customer, which is when the goods are delivered to the place and conditions specified in the contract under the delivery term and have been accepted by customers. If the contract provides more than one performance obligation, the Company distributes the transaction price for each performance obligation specified in the contract based on the separate sale price of each individual obligation. Revenue is measured at the amount that the Company expects to be entitled to receive, which is based on the forward metal price at the date of transfer of the control.

The Company does not offer sales-related services.

Provisional pricing

According to the established business practice of the Company for a part of the sales agreements, prices at which sales invoices are issued are provisional and are first determined based on the forward LME quotations for the respective metal, for a specified quotation period at the transfer of control over goods to the customer. However, according to these sales agreements the final settlement price is determined by the customer on a future date within a certain period (up to 90 days), on the basis of the spot market quotations on LME at this date.

This provisional pricing feature does not include the assessment of the quantity, or the quality of the goods delivered after the delivery date, but it is affected only by the changes in the market prices of metals. As at the date of control transfer over the goods the revenue from contracts with customers and the respective trade receivable are measured at the amount to which the Company is contractually entitled to.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

12) Revenue (continued)

Sales of finished products and goods (continued)

Provisional pricing (continued)

The trade receivable with provisional pricing feature fails the SPPI test and it is subsequently measured at fair value through profit or loss. All changes in fair value during the year should be presented on a net basis.

The net resulting gains on fair value remeasurement of these trade receivables are recognised in revenue. They are not treated as revenue from contracts with customers, they are presented separately in the Note 3.1. The net resulting losses on fair value remeasurement of the trade receivables are presented within Other operating expenses.

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).

13) Finance income and finance costs

Finance income comprises interest income on funds invested and hedging instruments gains, recognized in profit and loss. Interest income is recognised as it is accrued, using the effective interest method.

Finance cost comprised interest expense on borrowings, bank commissions and losses on hedging instruments, recognized in profit and loss. 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.

14) Government grants

The Company initially recognizes government grants as deferred revenue at fair value 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.

15) Government assistance

Certain forms of government assistance are excluded from the definition of government grants provided above. An example for such government assistance is a transfer of resources to the Company from government agencies and similar local, national or international bodies without imposing any future compliance with conditions attached to respective government assistance. When such government assistance is related to cost reimbursement, it is recognized as a decrease of the respective costs in the statement of profit and lost and other comprehensive income in the period when these costs have been incurred.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

16) 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.

OECD Pillar Two model rules

The group of the Company (“Viohalco Group”) is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Bulgaria, the jurisdiction in which Etem Gestamp Alumunium Extrusions AD is incorporated and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Company has no related current tax exposure.

The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Under the legislation, Viohalco Group is liable to pay a top-up tax for the difference between its effective tax rate per jurisdiction and the 15% minimum rate.

As Bulgaria is a jurisdiction that is likely to be impacted, Viohalco Group and the Company’s management are in the process of assessing the exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation, the quantitative impact of the enacted legislation is not yet reasonably estimable.

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

A. Revenue streams

<i>BGN'000</i>	2023	2022
Revenue from contracts with customers	1 701 495	1 705 769
(Loss) / gain from changes in the fair values of the receivables to which provisional pricing applies	(1 455)	2 359
	1 700 040	1 708 128

Gains and losses from changes in the fair value of the receivables to which provisional pricing applies are a result of the change in market prices of the respective metals on the London Metals Exchange after the transfer of control of the goods to the client within the quotation periods agreed in the contracts with clients.

3. Revenue and expenses (continued)

3.1 Sales Revenue (continued)

B. Breakdown of revenue from contracts with customers

<i>In thousands BGN</i>	2023	2022
Revenue from sales of production	1 665 900	1 634 135
Revenue from sales of goods	2 017	1 845
Revenue from sales of scrap	33 578	69 789
	1 701 495	1 705 769

Geographic markets

<i>In thousands BGN</i>	2023	2022
European Union	1 291 702	1 269 795
Other European countries	183 325	172 941
Asia	97 669	107 317
Africa	22 649	19 617
North America	96 898	127 443
Other	9 251	8 656
	1 701 495	1 705 769

Products/ metal groups

<i>In thousands BGN</i>	2023	2022
Rolled industrial products	959 530	917 811
Rolled architectural products	105 207	107 967
Extruded products	601 060	608 357
Non-core sales	35 698	71 634
	1 701 495	1 705 769

C. Contract balances

<i>In thousands BGN</i>	31 December 2023	31 December 2022
Receivables included in "Trade and other receivables"	79 627	66 087
Contract liabilities	(4 093)	(6 638)

Contract liabilities include advance payments received from customers for the purchase of metal and non-metal products. They will be recognized as revenue during the following year, when the control over the inventories subject to the contracts is transferred to the respective clients.

3. Revenue and expenses (continued)

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

	Year ended 31 December 2023			
	<i>Cost of sales</i>	<i>Selling and distribution expenses</i>	<i>Administrative expenses</i>	<i>Total</i>
<i>In thousands BGN</i>				
Cost of inventory recognized as an expense	1 393 643	-	-	1 393 643
Employee benefits	31 091	4 228	7 551	42 870
Electricity	29 897	-	300	30 197
Depreciation and amortization	18 816	245	1 282	20 343
Taxes - duties	461	9	232	702
Other insurance costs	2 110	4	629	2 743
Rental fees	84	35	51	170
Transportation costs - goods and materials	22 270	10	803	23 083
Promotion and advertising	-	207	44	251
Costs for hired services	17 443	462	6 237	24 142
Gains/losses from derivatives	(4 259)	-	-	(4 259)
Storage and packing costs	9 518	57	4	9 579
Production costs	14 835	126	60	15 021
Commissions	7 397	149	1 029	8 575
Foreign exchange differences	(8)	-	-	(8)
Maintenance expenses	8 949	96	1 735	10 780
Travel and personnel transport expenses	147	234	133	514
Remuneration of Board of Directors	-	-	263	263
Other maintenance costs	824	17	157	998
Others	7 947	267	1 116	9 330
Total	1 561 165	6 146	21 626	1 588 937

The costs related to change in retirement benefit liability, which are recognised in profit and loss amounting to BGN 761 thousand (2022: BGN 417 thousand) are recognised as part of row "Employee Benefits" in the above table.

3. Revenue and expenses (continued)

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

	Year ended 31 December 2022			
	Cost of sales	Selling and distribution expenses	Administrat ive expenses	Total
<i>In thousands BGN</i>				
Cost of inventory recognized as an expense	1 446 367	-	-	1 446 367
Employee benefits	27 308	3 153	6 121	36 582
Electricity	47 036	-	350	47 386
Depreciation and amortization	16 891	175	1 216	18 282
Taxes - duties	462	8	220	690
Other insurance costs	2 111	-	602	2 713
Rental fees	77	19	45	141
Transportation costs - goods and materials	26 297	5	655	26 957
Promotion and advertising	-	234	34	268
Costs for hired services	13 031	117	5 870	19 018
Gains/losses from derivatives	(8 966)	-	-	(8 966)
Storage and packing costs	9 238	43	1	9 282
Production costs	12 630	111	61	12 802
Commissions	6 218	391	644	7 253
Foreign exchange differences	(311)	-	-	(311)
Maintenance expenses	7 367	56	1 135	8 558
Travel and personnel transport expenses	137	124	126	387
Remuneration of Board of Directors	-	-	297	297
Other maintenance costs	545	17	122	684
Others	8 556	237	852	9 645
Total	1 614 994	4 690	18 351	1 638 035

3.3 Other income and expenses, net

	2023	2022
<i>In thousands BGN</i>		
Amortization of Grants (Note 16)	109	109
Rental income	129	111
Gain from sale of Fixed assets	63	-
Other income	2 327	1 299
Total other income	2 628	1 519
Loss from fixed assets write-off	(69)	(1 292)
Depreciation and amortisation of temporarily non-used Fixed assets	(1 638)	(947)
Penalties	(5)	(15)
Other expenses	(500)	(367)
Total other expenses	(2 212)	(2 621)
Other income and expenses, net	416	(1 102)

3. Revenue and expenses (continued)

3.4 Finance expense

<i>Recognized in profit or loss</i>	2023	2022
<i>In thousands BGN</i>		
Finance expenses		
Interest expense on loans at amortised cost	14 595	8 118
Interest costs associated with factoring	4 327	2 056
Interest expense on lease liabilities	89	61
Bank fees	1 159	958
	<u>20 170</u>	<u>11 193</u>

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

	2023	2022
<i>In thousands BGN</i>		
Net loss from cash flow hedge		
Effective portion of changes in fair value of derivatives for cash flow hedges	5	(5 032)
Losses from fair value changes when hedging cashflows, reclassified in profit or loss	(864)	-
Tax effect	86	503
Net effect in other comprehensive income	<u>(773)</u>	<u>(4 529)</u>

3.6. Personnel expenses

	2023	2022
<i>In thousands BGN</i>		
Employee remuneration	35 284	28 887
Social security expenses	6 136	6 788
Other employee benefits	689	490
Current period costs for retirement benefit liabilities (Note 15)	761	417
Total	<u>42 870</u>	<u>36 582</u>

4. Income tax

The main components of the corporate income tax benefit for the years ended 31 December 2023 and 2022 are:

	2023	2022
<i>In thousands BGN</i>		
Tax recognised in profit and loss		
Current tax	(4 666)	(2 518)
Change in deferred tax balances	(5 745)	(3 258)
Tax recognised in profit or loss	<u>(10 411)</u>	<u>(5 776)</u>
Tax recognised in other comprehensive income	<u>(2 718)</u>	<u>504</u>

The tax rate for 2023 is 10% (2022: 10%).

4. Income tax (continued)

The reconciliation between the nominal corporate income tax expense based on the accounting profit and the effective income tax for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
<i>In thousands BGN</i>		
Profit before income tax	91 584	57 687
Income tax at applicable tax rate of 10%	(9 158)	(5 768)
Non-deductible expenses for tax purposes	(13)	(8)
Non-taxable income	17	-
Correction of current tax for previous periods	1 483	-
Recognized deferred tax assets and liabilities on temporary differences from previous periods	(2 740)	-
Income tax expense at effective tax rate 10% (2022: 10%)	(10 411)	(5 776)

Deferred taxes as at 31 December relate to the following:

Description	Deferred tax			
	Temporary difference 31.12.2023	asset / (liability) 31.12.2023	Temporary difference 31.12.2022	Tax 31.12.2022
Property, plant and equipment	(177 107)	(17 711)	(91 460)	(9 146)
Right-of-use assets	(355)	(35)	(109)	(11)
Derivatives	-	-	(1 100)	(110)
Total deferred tax liabilities	(177 462)	(17 746)	(92 669)	(9 267)
Impairment of inventories	2 191	219	7 670	767
Impairment of receivables	323	32	-	-
Pension and other liabilities	7 776	779	2 483	248
Derivatives	14	1	-	-
Total deferred tax assets	10 304	1 031	10 153	1 015
Net balance of deferred income taxes	(167 158)	(16 715)	(82 516)	(8 252)

Deferred tax (liabilities) / assets	Recognized in other			
	Balance as of 01.01.2023	Recognized in profit or loss	comprehensive income	Balance as of 31.12.2023
Property, plant and equipment	(9 146)	(5 735)	(2 830)	(17 711)
Derivatives	(110)	25	86	1
Right of use assets	(11)	(24)	-	(35)
Impairment of inventories	767	(548)	-	219
Impairment of receivables	-	32	-	32
Pension and other liabilities	248	505	26	779
Net balance-liabilities	(8 252)	(5 745)	(2 718)	(16 715)

Deferred tax (liabilities) / assets	Recognized in other			
	Balance as of 01.01.2023	Recognized in profit or loss	comprehensive income	Balance as of 31.12.2023
Property, plant and equipment	(5 137)	(4 009)	-	(9 146)
Derivatives	(556)	(57)	503	(110)
Right of use assets	5	(16)	-	(11)
Impairment of inventories	4	763	-	767
Pension and other liabilities	186	61	1	248
Net balance-liabilities	(5 498)	(3 258)	504	(8 252)

As at 31 December 2023 there are no unrecognised deferred tax assets or liabilities.

5. Property, plant and equipment

Movements in property, plant and equipment is presented below:

	Land	Buildings	Machinery and technical installations	Vehicles	Other	Assets under construction	Total
<i>In thousands BGN</i>							
Cost:							
At 1 January 2022	61 825	33 078	238 023	2 018	6 332	10 091	351 367
Additions	-	-	-	-	-	6 794	6 794
Transfers	-	595	6 983	17	644	(8 239)	-
Reclassified to spare parts	-	-	(469)	-	-	-	(469)
Disposals	-	-	(5 135)	(91)	(613)	(80)	(5 919)
At 31 December 2022	61 825	33 673	239 402	1 944	6 363	8 566	351 773
Additions	-	-	-	-	-	27 688	27 688
Transfers	-	-	14 331	48	726	(15 105)	-
Transfers to intangible assets	-	-	-	-	-	(123)	(123)
Revaluation	1 714	6 895	2 372	-	-	-	10 981
Disposals	-	-	(2 066)	-	(6)	-	(2 072)
At 31 December 2023	63 539	40 568	254 039	1 992	7 083	21 026	388 247
Accumulated depreciation and impairment:							
At 1 January 2022	-	15 049	60 129	848	5 675	-	81 701
Depreciation for the year	-	3 504	15 246	103	206	-	19 059
Depreciation of written-off assets	-	-	(3 926)	(91)	(609)	-	(4 626)
At 31 December 2022	-	18 553	71 449	860	5 272	-	96 134
Depreciation for the year	-	3 510	16 592	109	360	-	22 571
Revaluation	-	(11 013)	(6 308)	-	-	-	(17 321)
Depreciation of written-off assets	-	-	(1 518)	-	(5)	-	(1 523)
At 31 December 2023	-	11 050	80 215	969	5 627	-	97 861
Carrying amount:							
At 1 January 2022	61 825	18 029	177 894	1 170	657	10 091	269 666
At 31 December 2022	61 825	15 120	167 953	1 084	1 091	8 566	255 639
At 31 December 2023	63 539	29 518	173 824	1 023	1 456	21 026	290 386

Impairment of property, plant and equipment

Taking into account the evaluation of assets fair value as of 30 September 2023, Management considers that as at 31 December 2023 there are no indications for impairment of property, plant and equipment of the Company.

If the lands, buildings and machinery and technical installations were measured at cost, their carrying amount would be as follows:

Assets group	31.12.2023	31.12.2022
Lands	5 786	5 786
Buildings	2 798	3 399
Machinery and technical installations	156 581	158 026

5. Property, plant and equipment (continued)

Pledge of property, plant and equipment

As at 31 December 2023 property, plant and equipment with carrying amount of BGN 228 737 thousand (2022: BGN 238 841 thousand) were pledged as collateral for bank loans received by the Company (Note 13).

Revaluation of land and buildings

In 2023 Management commissioned an expert market valuation of land and buildings to be made as at 30 September 2023 reflecting economic changes since the preceding one.

Land and buildings fair value was determined by external independent valuator as at 30 September 2023. Subsequently, carrying amount of land rose by BGN 1 713 thousand. Buildings carrying amount rose by BGN 17 908 thousand.

(i) Fair value hierarchy

Evaluation of land fair value is based on data from Level 2 (observable property prices) and data from Level 3 (subsequent corrections for area, location, physical characteristics, etc.), therefore management decided that land fair value was categorized as Level 3 fair value. Buildings fair value was categorized as Level 3 fair value on the basis of input data.

(ii) Level 3 fair value

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values as of the date of last revaluation performed (31.12.2023):

	<u>Land</u>	<u>Buildings</u>
	<u>2023</u>	<u>2023</u>
<i>In thousands BGN</i>		
Balance at 1 January	61 825	15 120
Revaluation	1 713	17 908
Additions	-	-
Depreciation for the year	-	(3 510)
Balance at 31 December	<u>63 538</u>	<u>29 518</u>

(iii) Valuation technique and significant unobservable inputs

Следната таблица представя използваните техники към 30 септември 2023 г. за оценяване при определянето на справедливата стойност на земи и сгради както и използваните значими ненаблюдаеми входящи данни.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Land:</i> Market analogue approach was used for valuation.	Average price of EUR 146 per sq.m. was determined based on the following inputs: Land Price per sq.m. (EUR 200-240) – Level 2 Subsequent corrections for area, location, physical characteristics, etc.– from minus 25% to minus 36% - Level 3	Increase of average price per sq.m. by EUR 10 (to EUR 156 per sq.m.) would raise land fair value by BGN 4 346 thousand. Decrease of average price per sq.m. by EUR 10 (to EUR 136 per sq.m.) would diminish land fair value by BGN 4 346 thousand.

5. Property, plant and equipment (continued)

Revaluation of land and buildings (continued)

(iii) Valuation technique and significant unobservable inputs (continued)

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Buildings</i> : the following methods were used: - Amortized recoverable value method – for production and administrative buildings (around 98% of the value of all buildings) - Market analogue method – for an apartment and a garage (around 2% of the value of all buildings)	Unit building price according to Stroy Expert Magazine, issue 7-8 of 2023 between EUR 123 and EUR 586	Increase of overall fitness for intended use by 5 years would raise buildings fair value by BGN 5 585 thousand.
	Overall fitness for intended use –40 - 80 years	Decrease of overall fitness for intended use by 5 years would diminish buildings fair value by BGN 6 792 thousand.
	Functional depreciation rate - 5% - 80%	Increase of functional depreciation rate by 5% would diminish buildings fair value by BGN 1 771 thousand.
	Economic depreciation rate - 20% - 50%	Decrease of functional depreciation rate by 5% would raise buildings fair value by BGN 1 771 thousand.
		Increase of economic depreciation by 5% would diminish buildings fair value by BGN 1 879 thousand.
		Decrease of economic depreciation by 5% would raise buildings fair value by BGN 1 879 thousand.

Revaluation of machinery and technical installations

In 2023 Management commissioned an expert market evaluation of machinery and technical installations to be made as at 30 September 2023 reflecting economic changes since the preceding one

Subsequently, carrying amount of machinery and technical installations as at 30 September 2023 rose by BGN 8 680 thousand.

(i) Fair value hierarchy

An external independent evaluator determined machinery and technical installations fair value. The cost approach via the amortized recoverable value method for machinery and technical installations was used.

Machinery and technical installations fair value was categorized as Level 3 fair value on the basis of input data to the valuation technique used.

5. Property, plant and equipment (continued)

Revaluation of machinery and technical installations (continued)

(ii) Level 3 fair value

Равнението на движението от начално салдо до крайно салдо на справедливите стойности от Ниво 3 е представено както следва:

В хиляди лева

In thousands BGN

	Machinery and technical installations 2023
Balance at 1 January	167 953
Additions	14 331
Written-off and reclassified assets (carrying amount)	(548)
Depreciation for the year	(16 592)
Revaluation	8 680
Balance at 31 December	173 824

(iii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in the measuring the fair value of machinery and technical installations 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
<i>Machinery and technical installations: - Amortized recoverable value method</i>	The new recoverable value is the stock-taking book value as at 30 September 2023.	Increase of the total useful life by 1 year would raise machinery and technical installations fair value by BGN 2 270 thousand.
	Total useful life –0 - 38 years	Decrease of total useful life by 1 year would diminish machinery and technical installations fair value by BGN 2 385 thousand.
	Functional depreciation rate - 0% - 20%	Increase of functional depreciation rate by 5% would diminish machinery and technical installations fair value by BGN 8 987 thousand.
	Economic depreciation rate - 0%	Decrease of functional depreciation rate by 5% would raise machinery and technical installations fair value by BGN 5 297 thousand.
		Increase of economic depreciation by 5% would diminish machinery and technical installations fair value by BGN 11 461 thousand .

5. Имоти машини и съоръжения (продължение)

Right-of-use assets

<i>In thousands BGN</i>	<i>Vehicles</i>
Cost at 1 January 2022	3 283
Additions	1 446
Disposals	(133)
At 31 December 2022	4 596
Additions	867
Disposals	(192)
At 31 December 2023	5 271
Accumulated depreciation at 01 January 2022	(1 635)
Depreciation charge	(712)
Disposals	133
At 31 December 2022	(2 214)
Depreciation charge	(913)
Disposals	186
At 31 December 2023	(2 941)
Net carrying amount:	
At 31 December 2022	2 382
At 31 December 2023	2 330

The following amounts were recognised in profit and loss:

<i>В хиляди лева</i>	2023	2022
Depreciation charge	913	712
Interest expense	89	61
Total expenses related to leases	1 002	773

6. Intangible assets

<i>In thousands BGN</i>	<i>Trademarks and patents</i>	<i>Software</i>	<i>Total</i>
Book value:			
At 1 January 2022	3	5 233	5 236
Additions	-	2 590	2 590
Disposals	-	(15)	(15)
At 31 December 2022	3	7 808	7 811
Additions	-	125	125
Disposals	-	(2)	(2)
At 31 December 2023	3	7 931	7 934
Accumulated amortisation:			
At 1 January 2022	(3)	(5 045)	(5 048)
Amortisation charge	-	(142)	(142)
Disposals	-	15	15
At 31 December 2022	(3)	(5 172)	(5 175)
Amortisation charge	-	(497)	(497)
Disposals	-	2	2
At 31 December 2023	(3)	(5 667)	(5 670)

6. Intangible assets (continued)

<i>In thousands BGN</i>	<i>Trademarks and patents</i>	<i>Software</i>	<i>Total</i>
Carrying amount:			
At 1 January 2022	-	188	188
At 31 December 2022	-	2 636	2 636
At 31 December 2023	-	2 264	2 264

7. Inventory

<i>In thousands BGN</i>	31.12.2023	31.12.2022
Materials	123 768	131 924
Work in progress	132 388	143 510
Finished goods	73 736	83 092
Goods for resale	563	729
	330 455	359 255
Less: Inventories write-down	(9 349)	(7 432)
Total inventories at the lower of cost and net realisable value	321 106	351 823

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 (actually agreed sales price or quotations of metal prices at a commodity exchange). As at 31 December 2023 inventories for the amount of BGN 277 007 thousand (2022: BGN 268 531 thousand) were pledged as collateral for bank loans received by the Company (Note 13).

8. Trade and other receivables

<i>In thousands BGN</i>	31.12.2023	31.12.2022
Trade receivables (Note 22)	32 187	32 106
Impairment loss	(323)	(559)
Trade receivables, net of impairment	31 864	31 547
Trade receivables from related parties (Note 20, 21)	47 763	34 540
VAT receivable	4 225	9 937
Advance payments for delivery of inventory	4 584	6 028
Other receivables	2 508	4 345
	90 944	86 397

The aging structure of gross receivables from non-affiliated customers only (excluding receivables from related parties) is presented in the table below, which contains information on credit risk exposure and expected credit losses (ECLs) in respect of trade receivables from customers to December 31 2023.

At 31 December 2023 charged additional impairment in the amount of BGN 235 thousand (2022: reversal of impairment for the amount of BGN 111 thousand).

8. Trade and other receivables (continued)

	Weighted- average loss rate	Gross carrying amount	Impairment loss allowance	Net carrying amount
31 December 2023				
<i>In thousands BGN</i>				
Current (not past due)	0.92%	24 224	(223)	24 001
Less than 30 days past due	1.30%	6 681	(87)	6 594
31-60 days past due	2.23%	493	(11)	482
61-90 days past due	0.00%	532	-	532
91-120 days past due	0.63%	158	(1)	157
More than 120 days past due	1.01%	99	(1)	98
		32 187	(323)	31 864
31 December 2022				
<i>In thousands BGN</i>				
Current (not past due)	6.07%	6 618	(402)	6 216
Less than 30 days past due	1.63%	8 772	(143)	8 629
31-60 days past due	1.46%	823	(12)	811
61-90 days past due	5.26%	19	(1)	18
91-120 days past due	-	6	-	6
More than 120 days past due	10.00%	10	(1)	9
		16 248	(559)	15 689

As at 31 December the aging analysis of gross trade receivables from related parties is provided in the table below:

	Total	Current (Not overdue)	1-30 days	31-60 days	Overdue 61-90 days	91-180 days	More than 180 days
<i>In thousands BGN</i>							
31.12.2023	47 763	47 763	4 207	770	248	825	35
31.12.2022	34 540	34 472	-	-	-	-	68

When assessing the impairment of receivables from related parties, the Company uses historical data on collectability and the amount of losses from these receivables. The weighted average loss used in the impairment calculation is only applied when evaluating receivables from third parties. The company assesses impairment losses in connection with receivables from related parties overdue by more than 1 year. Based on historical collectability and the criteria used by the Company, there have been no cases of actual uncollected and written-off receivables from related parties.

9. Derivative financial instruments

	At 31 December 2023		At 31 December 2022	
	Assets	Liabilities	Assets	Liabilities
<i>In thousands BGN</i>				
Futures contracts designated as cash flow hedging instruments	288	283	991	127
Forward contracts designated as fair value hedging instruments	29	-	940	-
	317	283	1 931	127
Net assets/ (liabilities)	34		1 804	

9. Derivative financial instruments (continued)

The fair value of the derivative financial instruments as of the reporting date is based on forward 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

	31.12.2023	31.12.2022
<i>In thousands BGN</i>		
Cash at banks	11 303	22 265
	<u>11 303</u>	<u>22 265</u>

Cash at banks earns interest at floating interest rates based on daily bank deposit rates. As at 31.12.2023 cash at bank amounting to BGN 4 789 thousand (2022: BGN 3 976 thousand) are pledged as collateral for bank loans received by the Company (Note 13).

11. Share capital

	<i>Number of shares</i>	<i>Ordinary shares in thousands of BGN</i>	<i>Share premium in thousands of BGN</i>	<i>Total in thousands of BGN</i>
As at 1 January 2022	<u>2 626 126</u>	<u>110 297</u>	<u>10 820</u>	<u>121 117</u>
Issued shares	-	-	-	-
As at 31 December 2022	<u>2 626 126</u>	<u>110 297</u>	<u>10 820</u>	<u>121 117</u>
Issued shares	-	-	-	-
As at 31 December 2023	<u>2 626 126</u>	<u>110 297</u>	<u>10 820</u>	<u>121 117</u>

As of 31 December 2023 the Company's registered capital consists of 2,626,126 ordinary shares with a nominal value of BGN 42 each, which are fully paid. The ordinary shares of Sofia Med AD, which are owned by the parent company, are used as collateral for the loan received from the European Bank for Reconstruction and Development (EBRD). During the year a dividend was distributed in the amount of BGN 19 558 300 (2022: 9 779 150) or BGN 7.45 per share (2022: 3.72).

As per the requirements of the Bulgarian Commercial Law, the equity of Sofia Med AD should exceed or equal its share capital. The company complies with this requirement as at 31.12.2023 and 31.12.2022.

12. Reserves

	Statutory reserve	Hedging reserve	Other reserves	Revaluation reserves	Total Reserves
<i>In thousands BGN</i>					
At 1 January 2022	<u>4 824</u>	<u>5 306</u>	<u>(3 515)</u>	<u>73 013</u>	<u>79 628</u>
Loss from cash flow hedge, net of tax	-	(4 529)	-	-	(4 529)
Transfer to statutory reserves	5 302	-	-	-	5 302
Transfer of revaluation reserve, net of taxes	-	-	-	(3 864)	(3 864)
At 31 December 2022	<u>10 126</u>	<u>777</u>	<u>(3 515)</u>	<u>69 149</u>	<u>76 537</u>

12. Reserves (continued)

	Statutory reserve	Hedging reserve	Other reserves	Revaluation reserves	Total Reserves
<i>In thousands BGN</i>					
At 1 January 2023	10 126	777	(3 515)	69 149	76 537
Gain from cash flow hedge, net of tax	-	(773)	-	-	(773)
Revaluation of assets at revaluated value, net of taxes	-	-	-	25 472	25 472
Transfer to statutory reserves	904	-	-	-	904
Transfer of other reserve	-	-	3 515	-	3 515
Transfer of revaluation reserve, net of taxes	-	-	-	(2 968)	(2 968)
At 31 December 2023	11 030	4	-	91 653	102 687

Statutory reserves

The statutory reserves are formed in connection with the legal requirement pursuant to Art. 246 of the Commercial Law for joint-stock companies to form a "Reserve" fund. The company should allocate funds to the "Reserve" Fund until its size reaches one tenth or more of the registered capital.

As required by the law, sources for the formation of the "Reserve" fund are at least one tenth of the net profit, premiums from share issues and the funds provided for in the articles of association or by decision of the general meeting of shareholders.

The resources of the "Reserve" fund can only be used to cover losses from the current and previous accounting periods. When the funds of the "Reserve" fund exceed 1/10 or the larger part of the capital determined by the statute, the larger amount can also be used to increase the capital. The General Meeting of Shareholders held on 28 June 2023 decided to allocate additional BGN 904 thousand to the statutory reserves.

Hedging reserves

Hedging reserves include the effective portion of changes in the fair value of hedging instruments related to hedges of cash flows. More details are disclosed in the accounting policy described in Note 2.4 5) (iii). Hedge reserves are non-distributable.

Other reserves

The other reserves were formed when the subsidiary company Metalvalius EOOD merged with Sofia Med AD in 2019. The General Meeting of Shareholders as of 28 June 2023 decided to transfer reserves to retained earnings.

Revaluation reserve

The revaluation reserve is formed from the revaluation of land, buildings, machinery and technical installations. More details are disclosed in the accounting policy described in Note 2.4 2. The revaluation reserve is non-distributable.

13. Заемн

	31.12.2023	31.12.2022
<i>In thousands BGN</i>		
Non-current loans		
Bank loans	67 517	101 768
Total non-current loans	67 517	101 768
Current loans		
Bank loans	86 182	65 784
Current portion of non-current loans	33 700	29 361
Total short term borrowings received	119 882	95 145
Total borrowings received	187 399	196 913
Reconciliation of movements of liabilities to cash flows arising from financing activities		
	2023	2022
<i>In thousands BGN</i>		
Loans received during the period	19 591	35 205
Repayments during the period	(29 361)	(58 582)
Total cash flows related to principal	(9 770)	(23 377)

<i>In thousands of BGN</i>	Note	Loans	Lease liabilities	Total debt	Cash and cash equivalents	Net debt
1 January 2022		219 129	1 696	220 825	(13 194)	207 631
Cash flows		(23 377)	(870)	(24 247)	(9 071)	(33 318)
New leases	5	-	1 446	1 446	-	1 446
Interest expenses	3.4	8 118	61	8 179	-	8 179
Interest paid		(7 453)	(60)	(7 513)	-	(7 513)
Amortization of prepaid bank charges		496	-	496	-	496
31 December 2022		196 913	2 273	199 186	(22 265)	176 921
Cash flows		(9 770)	(1 165)	(10 935)	11 359	424
New leases	5	-	867	867	-	867
Interest expenses	3.4	14 595	89	14 684	-	14 684
Interest paid		(14 341)	(89)	(14 430)	-	(14 430)
Other non-monetary movements		2	-	2	(397)	(395)
31 December 2023		187 399	1 975	189 374	(11 303)	178 071

The maturity of interest-bearing loans at agreed, non-discounted payments is presented in Note 21. The Company has not capitalised any borrowing costs during 2023 and 2022. The weighted-average interest rates as at the reporting date are as follows:

	2023	2022
Bank overdrafts	6.14%	4.32%
Short term bank loans	5.66%	3.04%
Long term bank loans	6.49%	3.15%

As of 31 December 2023 the short-term loans of Sofia Med AD are provided by financial institutions in the form of loan agreements and overdrafts. The funds are secured by letters of support issued by the parent company and a pledge of cash on current accounts.

13. Loans (continued)

During the reporting period there was no renegotiation of the terms of the long-term bank loans, the maturities of which were extended in 2018 with a new 7-year period. The long-term loans of the Company are secured by a pledge of property, plant and equipment and inventories (Note 5),

In 2023 the Company extended the term of a short-term syndicated loan by UniCredit Bulbank Bulgaria by 3 years till 2026.

Short-term loans are collateralized by pledge on inventories (Note 7) and cash (Note 10).

According to agreements with banks the Company is obliged to follow and keep certain financial indicators. The financial indicators as of 31 December of the respective year are calculated on the basis of the audited financial statements of the Company.

SOFIA MED has complied with all financial covenants set in all loan agreements of the Company for the financial year 2023, and in cases of deviation from agreed indicators, the Company has obtained a waiver from creditors to in relation to the ratio in the calculation period, ended on 31 December 2023.

14. Lease liabilities

	31.12.2023	31.12.2022
<i>In thousands of BGN</i>		
Less than one year	523	757
Between one and five years	<u>1 452</u>	<u>1 516</u>
Total	<u>1 975</u>	<u>2 273</u>
	<i>Minimal lease payments</i>	<i>Present value</i>
	31.12.2022	31.12.2022
<i>In thousands of BGN</i>		
Less than one year	824	757
Between one and five years	1 559	1 516
Finance costs	<u>(110)</u>	<u>-</u>
Total	<u>2 273</u>	<u>2 273</u>
	<i>Minimal lease payments</i>	<i>Present value</i>
	31.12. 2023	31.12. 2023
<i>In thousands of BGN</i>		
Less than one year	580	523
Between one and five years	1 491	1 452
Finance costs	<u>(96)</u>	<u>-</u>
Total	<u>1 975</u>	<u>1 975</u>

In 2023 the Company recognized payments for lease liabilities in financial activities in the statement of cash flows in the amount of BGN 1 165 thousand (2022: 870 thousand)

15. Retirement benefit liabilities

a) Expenses for retirement benefit liabilities

	2023	2022
<i>In thousands BGN</i>		
Current service cost	244	221
Interest expense on employee retirement benefit liabilities	74	13
Internship costs for a past period arising in the current period	545	223
Payments made during the period	<u>(102)</u>	<u>(40)</u>
Expenses on retirement benefit liabilities recognised in profit and loss (Note 3.6)	<u>761</u>	<u>417</u>

6) Retirement benefits liability

	2023	2022
<i>In thousands BGN</i>		
Present value of retirement benefit liabilities	<u>3 011</u>	<u>1 993</u>
Retirement benefit liabilities, recognised in the statement of financial position	<u>3 011</u>	<u>1 993</u>

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

	2023	2022
<i>In thousands BGN</i>		
Liability at the beginning of the year	1 993	1 569
Current service cost	244	221
Interest cost	74	13
Benefits paid	(102)	(40)
Past service cost	545	223
• Actuarial losses / (profits) from changes in demographic assumptions	-	474
• Actuarial losses / (profits) from changes in financial assumptions	208	(835)
• Experience adjustments	49	368
	<u>3 011</u>	<u>1 993</u>

Main actuarial assumptions used for accounting purposes are shown below:

	2023	2022
Discount rate	3.15%	3.85%
Future salary increase	5.00%	5.00%
Inflation	2.10%	2.55%

16. Government grants

The movement of grants provided by the state related to real estate machinery and equipment is as follows:

	2023	2022
<i>In thousands BGN</i>		
Balance at the beginning of the year	2 401	2 510
Amortisation for the year	<u>(109)</u>	<u>(109)</u>
	<u>2 292</u>	<u>2 401</u>

16. Government grants (continued)

The Company has been granted state aid to reduce the burden associated with the distribution of costs arising from the obligations to purchase electricity produced from renewable sources. The aid is to reimburse part of the cost of electricity. The part of the reimbursed costs, which refers to 2023 amounts to BGN 2 453 thousand (2022: 20 034 thousand) and is presented as a reduction of the electricity costs for the period as part of the material costs (Note 3.2).

17. Trade and other payables

	31.12. 2023	31.12.2022
<i>In thousands BGN</i>		
Trade payables	38 192	106 525
Related parties trade payables (Note 20, 22)	22 730	45 078
Payables to employees	3 622	7 786
Taxes	657	618
Other payables	76 160	1 360
	<u>71 361</u>	<u>161 367</u>

18. Commitments

<i>In thousands BGN</i>	<u>2023</u>	<u>2022</u>
Commitments for the purchase of property, plant and equipment	<u>16 319</u>	<u>3 634</u>

19. Contingencies

Bank guarantees and letters of credit

Bank guarantees and letters of credit issued by SOFIA MED AD in favour of third parties and state agencies amount to BGN 3 099 thousand (2022: 2 462 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 (traded on the EURONEXT stock exchange in Belgium).

Entities with controlling interest in the Company

89.56 % of the shares of SOFIA MED AD are owned by ElvalHalcor S.A., 10.44 % are owned by Viohalco SA.

Other related parties

All companies within the Viohalco Group are considered related parties under common control.

b) Sale of goods and services

<i>In thousands BGN</i>	2023	2022
Sales of goods	493 109	581 642
Sales of services	68	68
Sales of fixed tangible assets	542	-
Other revenue	1 583	-
	<u>495 302</u>	<u>581 710</u>
from which::		
- to the parent entity	41 229	40 746
- to entities under common control	454 073	540 964

20. Related parties (continued)

c) Purchases of goods, services etc.

	2023	2022
<i>In thousands BGN</i>		
Purchases of goods	155 437	138 970
Purchase of fixed tangible assets	1 830	1 657
Purchases of services	17 449	13 022
	<u>174 716</u>	<u>153 649</u>
from which:		
- from the parent entity	152 422	129 735
- from entities under common control	22 294	23 914

d) Key management remuneration

	2023	2022
<i>In thousands BGN</i>		
Salaries and other short-term employee benefits	7 423	6 744
	<u>7 423</u>	<u>6 744</u>

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

Trade receivables	31.12.2023	31.12.2022
from the parent entity	3 037	502
from entities under common control	44 726	34 038
	<u>47 763</u>	<u>34 540</u>
Trade payables	31.12.2023	31.12.2022
Trade payables to related parties	45 078	45 078
Related party payables	<u>45 078</u>	<u>45 078</u>
<i>from which:</i>		
- to the parent entity	19 820	41 461
- to entities under common control	2 910	3 617

The types of transactions between the Company and its parent, ElvalHalcor 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.

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.

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

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:

<i>In thousands BGN</i>	Nominal amount	
	2023	2022
Variable rate instruments		
Financial liabilities	(189 374)	(199 186)
	(189 374)	(199 186)

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 2022.

<i>Effect in thousands BGN</i>	Profit or loss		Equity	
	0,25% increase	0,25% decrease	0,25% increase	0,25% decrease
31 December 2023				
Variable rate instruments	(473)	473	(473)	473
Cash flow sensitivity (net)	(473)	473	(473)	473
31 December 2022				
Variable rate instruments	(498)	498	(498)	498
Cash flow sensitivity (net)	(498)	498	(498)	498

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 board system operating in Bulgaria, no currency risk arises as a result from the transactions in EUR/BGN. The Company hedges the foreign currency risk by borrowing money in the same currencies as the Company's sales and purchases. A part of sales /purchases denominated in currency different than BGN or EUR is 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:

21. Цели и политика за управление на финансовия риск и капитала (продължение)

Market risks (continued)

Foreign currency risk (continued)

2023

<i>In thousands BGN</i>	EUR	BGN	USD	GBP
Trade and other receivables	67 181	8 636	6 834	8 294
Cash and cash equivalents	8 176	883	2 175	69
Interest-bearing loans received	(187 399)	-	-	-
Lease liabilities	-	(1 975)	-	-
Trade and other payables	(52 258)	(17 325)	(5 816)	(25)
	(164 300)	(9 781)	3 193	8 338
Derivatives (nominal value)	-	-	(1 712)	(9 444)
Total exposure to FX rate risk	(164 300)	(9 781)	1 481	(1 106)

2022

<i>In thousands BGN</i>	EUR	BGN	USD	GBP
Trade and other receivables	62 124	13 738	5 892	4 643
Cash and cash equivalents	13 567	1 946	6 621	131
Interest-bearing loans received	(196 913)	-	-	-
Lease liabilities	-	2 273	-	-
Trade and other payables	(114 240)	(39 320)	(7 644)	(62)
	(235 462)	(21 363)	(4 869)	4 712
Derivatives (nominal value)	(2 273)	-	(7 884)	(4 419)
Total exposure to FX rate risk	(237 735)	(21 363)	(3 015)	293

Total exposure to FX rate risk:

	Average FX rate		FX rate at the reporting period-end date	
	2023	2022	2023	2022
USD 1	1.809	1.862	1.769	1.834
GBP 1	2.249	2.295	2.250	2.205

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 on equity (due to changes in the carrying amount of monetary assets and liabilities). All other variables remain constant..

	Increase / (decrease) of the exchange rate of the US dollar against the BGN	Effect on profit before tax		Effect on equity	
		<i>In thousands BGN</i>		<i>In thousands BGN</i>	
2023	10%		(148)		-
	-10%		148		-
2022	10%		(827)		-
	-10%		827		-

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

Market risks (continued)

Foreign currency risk (continued)

	Increase / (decrease) of the exchange rate of the British pound against the		Effect on profit before tax <i>In thousands BGN</i>	Effect on equity <i>In thousands BGN</i>
	BGN	%		
2023	10%		111	-
	-10%		(111)	-
2022	10%		29	-
	-10%		(29)	-

Price risk

The Company is exposed to significant risk as a result of the changes in the prices of copper and zinc since they are the main raw materials used in production and therefore the Company is following a 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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

However, management also considers the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The geographical concentration of the credit risk from third party trade receivables is presented in the table below:

<i>In thousands BGN</i>	<u>31.12.2023</u>	<u>31.12.2022</u>
European Union	23 951	8 245
Other European countries	458	3 486
Asia	3 544	13 909
Africa	1 575	3 892
North America	1 863	1 750
Other	473	824
	<u>31 864</u>	<u>32 106</u>

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

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

Market risks (continued)

Credit risk (continued)

Trade and other receivables risk (continued)

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a related party or third party customer, geographic location, industry and existence of previous financial difficulties.

The Company manages its exposure to credit risk through consistent application of the company 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 Company reports impairment, which represents the expected losses in respect of trade and other. Impairment consists mainly of a component that relates to individually significant exposures and a collective loss component for groups of similar assets in respect of losses that have occurred but have not yet been identified. The collective component is determined on the basis of historical data on payments on similar financial assets.

Cash and cash equivalents

The Company has cash and cash equivalents at the amount BGN 11 303 thousand as at 31.12.2023 (2022: BGN 22 265 thousand). The impairment of cash and cash equivalents is estimated on the basis of a 12-month expected credit loss and reflects the short-term maturities of the exposures. Given the credit ratings of the banks where Sofia Med AD holds its cash and cash equivalents, the expected credit losses have been considered as insignificant and no impairment loss was recognised.

The maximum exposure to credit risk as at the end of the reporting period was as follows:

<i>In thousands BGN</i>	Note	31.12.2023	31.12.2022
Trade receivables and receivables from related parties	8	79 627	66 087
Cash and cash equivalents	10	11 303	22 265
Derivative financial instruments	9	317	1 931
		91 247	90 283

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

<i>In thousands BGN</i>	Note	31.12. 2023	31.12.2022
Third parties		31 864	31 547
Related parties	20	47 763	34 540
		79 627	66 087

Liquidity risk

The Company manages its liquidity risk through a maturity analysis of its short-term and long-term 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:

SOFIA MED AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

SOFIA MED

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

Liquidity risk (continued)

The year ended 31 December 2023

	Carrying amount BGN'000	< 1 year BGN'000	1-2 years BGN'000	2-5 years BGN'000	> 5 years BGN'000	Общо BGN'000
Interest bearing loans and borrowings	187 399	125 971	49 566	23 971	-	199 508
Lease liabilities	1 975	523	1 452	-	-	1 975
Trade payables and payables to related parties	60 922	60 922	-	-	-	60 922
Derivatives	283	283	-	-	-	283
	250 579	187 699	51 018	23 971	-	262 688

The year ended 31 December 2022

	Carrying amount BGN'000	< 1 year BGN'000	1-2 years BGN'000	2-5 years BGN'000	> 5 years BGN'000	Общо BGN'000
Interest bearing loans and borrowings	196 913	101 658	38 856	64 081	8 113	212 708
Lease liabilities	2 273	824	824	735	-	2 383
Trade payables and payables to related parties	151 603	151 603	-	-	-	151 603
Derivatives	127	127	-	-	-	127
	350 916	254 230	39 680	64 816	8 113	366 821

Capital 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 capital structure and adjusts it, where necessary, depending on the changes in the economic environment. To a great extent the management of the structure of the equity and borrowed capital is performed by the parent company.

	31 December 2023	31 December 2022
Loans and borrowings (Note 13)	187 399	196 913
Lease liabilities (Note 14)	1 975	2 273
Less: Cash and cash equivalents (Note 10)	(11 303)	(22 265)
Net debt	178 071	176 921
Total equity	427 652	341 569
Net debt to equity ratio	0.42	0.52

22. Fair values of financial instruments

Fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction and which serves as the best indicator of its market price in an active market.

The Company determines the fair value of financial instruments based on available market information.

The fair value of financial instruments that are actively traded on organized financial markets is determined based on quoted prices at the end of the last business day of the reporting period.

The Company's management believes that the fair values of financial instruments, which include cash, trade and other receivables, interest-bearing loans and borrowings, trade and other payables, do not differ materially from their carrying amounts, especially if they are of a short-term nature or the applicable interest rates change according to market conditions.

22. Fair values of financial instruments (continued)

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Fair value information is not included if the carrying amount is a reasonable approximation of fair value.

<i>In thousands BGN</i>	Note	Carrying amount				Total
		Hedging instruments at FV	Financial assets at fair value	Financial assets at amortised cost	Level 2*	
		Level 1	Level 2*	Level 3	Total	
31 December 2023						
Financial assets measured at fair value						
Trade receivables and receivables from related parties	8	-	21 043	-	21 043	21 043
Derivative financial instruments	9	317	-	-	317	317
		317	21 043	-	21 360	21 360
Financial assets not measured at fair value						
Trade receivables and receivables from related parties	8	-	-	58 584	58 584	58 584
Cash and cash equivalents	10	-	-	11 303	11 303	11 303
		-	-	69 887	69 887	69 887
Financial assets measured at fair value						
Derivative financial instruments	9	283	-	-	283	283
		283	-	-	283	283
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings	13	-	-	(187 399)	(187 399)	(187 399)
Lease liabilities	14	-	-	(1 975)	(1 975)	(1 975)
Trade payables and payables to third parties	17	-	-	(60 922)	(60 922)	(60 922)
		-	-	(250 296)	(250 296)	(250 296)

*At 31.12.2023 Level 2 financial assets (trade receivables at FVTPL resulting from unsettled provisional pricing – refer to Note 2.4.1), comprise of two components – fixed and variable, based on LME quotations. The fair value of the assets as at year-end ce is determined as a sum of the fixed component and variable component based on observable market inputs – market quotations for the respective metals on the London Metal Exchange (LME) valid as at the date of revenue initial recognition. Management has prepared analysis, showing that the final metal booking for these positions does not cause significant differences compared to the initially recognized asset value and respectively these assets fair value does not significantly diverge from their carrying amount at 31.12.2023.

SOFIA MED AD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

SOFIA MED

22. Справедливи стойности на финансовите инструменти (продължение)

In thousands BGN	Note	Carrying amount				Total
		hedging instruments at FV	Financial assets at fair value	Financial assets at amortised cost	Total	
31 December 2022						
Financial assets measured at fair value						
Trade receivables and receivables from related parties	8	-	15 858	-	15 858	15 858
Derivative financial instruments	9	1 931	-	-	1 931	1 931
		1 931	15 858	-	17 789	17 789
Financial assets not measured at fair value						
Trade receivables and receivables from related parties	8	-	-	50 229	50 229	50 229
Cash and cash equivalents	10	-	-	22 265	22 265	22 265
		-	-	72 494	72 494	72 494
Financial liabilities not measured at fair value						
Interest bearing loans and borrowings	13	-	-	(196 913)	(196 913)	(196 913)
Lease liabilities	14	-	-	(2 273)	(2 273)	(2 273)
Trade payables and payables to related parties	17	-	-	(151 603)	(151 603)	(151 603)
		-	-	(350 789)	(350 789)	(350 789)

*At 31.12.2022 Level 2 financial assets (trade receivables at FVTPL resulting from unsettled provisional pricing – refer to Note 2.4 I) comprise of two components – fixed and variable, based on LME quotations. The fair value of the assets as at year-end is determined as a sum of the fixed component and updated variable component based on observable market inputs – market quotations for the respective metals on the London Metal Exchange (LME) valid as at year-end.

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

23. Subsequent events

After December 31, 2023 no events occurred that could require additional adjustments and/or disclosures in the Company's financial statements for the year ended December 31, 2023.