ALCOMET AD

INDEPENDENT AUDITPOR'S REPORT
ANNUAL REPORT ON THE ACTIVITIES
ANNUAL SEPARATE FINANCIAL STATEMENTS

December 31, 2019

CONTENT:

Independent Auditor's Report

To the Shareholders of Alcomet AD

Report on the audit of the separate financial statements

Our opinion

We have audited the separate financial statements of Alcomet AD (the "Company") which comprise the separate statement of financial position as at 31 December 2019, and the separate income statement, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to the separate financial statements, which include a summary of significant accounting policies and other explanatory information.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2019, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Commission's interpretation as described in Note 2.1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements of the Independent Financial Audit Act that are relevant to our audit of the separate financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit Act.

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Registered with the Sofia City Court under company file number 13424/1997.

This version of our report/the accompanying documents 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 our report takes precedence over this translation.

Our audit approach

Overview

Materiality	• Overall Company materiality: BGN 3,471 thousand, which represents 1% of total revenue.
Key audit matters	• Valuation of Property, plant and equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall Company materiality	BGN 3,471 thousand
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	We chose total revenue as the benchmark because, in our view, it is one of the Company's key performance indicators analysed by management and communicated to the shareholders. We chose 1% which is consistent with quantitative materiality thresholds used for public interest entities and within the range of measures that, in the auditor's experience are accepted for similar entities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment Refer to Note 16 to the separate financial statements. After initial recognition, land, buildings, plants and equipment are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. As at 31 December 2019 revalued amount of land, buildings, plant and equipment is BGN 241,004 thousand (2018: BGN 228,095 thousand) and revaluation reserve is BGN 123,592 thousand (2018: BGN 123,592 thousand). Revaluations are performed by a licensed appraiser with sufficient regularity so that the carrying amounts do not differ materially from that which would be determined using fair values at the end of each reporting period. The last revaluation, on which basis the Company recognized net revaluation gains at the amount of BGN 36,986 thousand, was performed for the period ending 31 December 2018. No revaluation was performed for the period ending 31 December 2019. At the end of each reporting period, the Company's management analyses various factors that may materially influence the carrying amount of property, plant and equipment with the objective to estimate the adequacy of the last performed revaluation and the necessity of performing a new one. Because of the significance of these estimates regarding the separate financial statements line items in the Company's separate statement of financial position (property, plant and equipment, revaluation reserve) and involvement of accounting estimates, we considered the matter as key audit matter.	Our procedures in relation to management's valuation of property, plant and equipment included: Analysis of the factors that the Company took into consideration while forming its estimate regarding the appropriateness of the regularity of valuations, such as economic conditions in Bulgaria, Company's business performance during the year, expected economic performance of the Company summarized in budgets and business plans. We have reviewed and evaluated the models used by the management experts for the last valuation of property, plant and equipment as of 31 December 2018 and assessed the source data, the methodology and key assumptions used in the models and reconciled them with external information where appropriate. We engaged our valuation experts to form a conclusion on the assumptions and methodology used in the appraisals. Our procedures in relation to the assessment of the appraiser's valuation of property, plant and equipment of the Company included the following: • Evaluation of competence, qualification, experience and objectivity of the independent experts engaged by Company's management; • Confirmation of the accuracy of source data used in the appraisals, tracing it to source documents; • Validation of the key assumptions used in preparing the valuations, comparing them, where appropriate, to external data sources (i.e. market data); • Reviewed the appropriateness of the model used for the purpose of the valuation test; • We tested the mathematical accuracy of the underlying calculations in the valuation model; • We have also performed an evaluation of the fair value amount of the selected items of property, plant and equipment of the Company.

Key audit matter	How our audit addressed the key audit matter
	Discussion with the Company's management and Company's technical personnel to make sure that facts and circumstances underlying in the last appraiser's calculation of the revalued amount of property, plant and equipment as of 31 December 2018 are still valid as of 31 December 2019. Assessment of the current condition of machinery and equipment, including attendance at Company's annual stock-takings as of 31 December 2019 with the objective to confirm the current and future usability of the assets in the context of the current investment program. Assessment of the factors affecting the physical, functional and economic obsolescence of machinery and equipment, including costs for annual maintenance and repairs. Review of the Company's accounting policy for capitalization of repair works in the value of machinery and equipment and the accounting records for capitalized repairs during the reporting period. Review of the current useful lives of machinery and equipment, comparison with the useful lives in the prior reporting period and discussion with the Company's management regarding no changes in the useful lives during the current reporting period and the rationale for that.

Information other than the separate financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Separate Annual Activity Report, the Corporate Governance Statement of the Company and the Separate Non-financial Declaration, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional matters to be reported under the Accountancy Act and Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the Separate Annual Activity Report, the Corporate Governance Statement of the Company and the Separate Non-financial Declaration, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines regarding the new and enhanced auditor reporting and communication by the auditor of the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

Basis for qualified opinion issued in connection with art. 37, paragraph 6 of the Accountancy Act

In the Separate Annual Activity Report the management of the Company has not disclosed the remuneration, rewards and benefits of the members of the Management Board and the members of the Supervisory Board for the year ended 31 December 2019, as required by Appendix 10 to Ordinance 2 from 17 September 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information by the public companies and the other issuers of securities.

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

Based on the procedures performed, in our opinion:

a) the information included in the Separate Annual Activity Report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
b) Except for the matter described in Basis for qualified opinion section above, the Separate Annual Activity Report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), para. 7 of the Public Offering of Securities Act.

c) The Corporate Governance Statement of the Company referring to the financial year for which the separate financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100(m), para. 8 of the Public Offering of Securities Act.

d) The Separate Non-financial Declaration referring to the financial year for which the separate financial statements have been provided and is prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with art. 100(m), paragraph 10 in conjunction with art. 100(m), paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about the Company's activities and the environment in which it operates, in our opinion, the description of the main characteristics of the Company's internal control and risk management systems relevant to the financial reporting process, which is part of the content of the corporate governance statement and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the separate financial statements

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor’s report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Additional reporting on the audit of the separate financial statements in connection with art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

Statement in connection with art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related party transactions is disclosed in Note 32 to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our attention based on which it could be concluded that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2019, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements as a whole, described in the Auditor's responsibilities for the audit of the separate financial statements section of our report include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2019, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and missing disclosures in accordance with the relevant requirements of IFRS as adopted by the EU. The results of our audit procedures on Company's transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

Additional reporting on the audit of the separate financial statements in connection with art. 10 of Regulation (EU) 537/2014 in connection with the requirements of art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art.10 of Regulation (EU) 537/2014, we hereby additionally report the information stated below:

- PricewaterhouseCoopers Audit OOD was appointed as a statutory auditor of the separate financial statements of the Company for the year ended 31 December 2019 by the general meeting of shareholders held on 7 May 2019 for a period of one year. We were first appointed as auditors of the Company on 7 May 2019.
- The audit of the separate financial statements of the Company for the year ended 31 December 2019 represents the first statutory audit engagement for the Company carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report provided to the Company's audit committee in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art.64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Company.
- For the period to which our statutory audit refers, we have not provided services to the Company and its controlled undertakings, in addition to the audit.

The engagement partner on the audit resulting in this independent auditor's report is Jock Nunan and the registered auditor is Stoyan Deevski.

Stoyan Deevski	Jock Nunan
Registered Auditor responsible for the audit	PricewaterhouseCoopers Audit OOD
9-11, Maria Louiza blvd.	
1000, Sofia, Bulgaria	
Date:	

GENERAL INFORMATION

Supervisory Board

Fikret Ince
Fikret Kuzucu
Semih Koray
Bekir Yucel
Hristo Todorov Dechev
Osman Kerem Kuzucu
Branimir Mladenov Mladenov

Managing Board

Huseyin Yorucu
Huseyin Umut Ince
Semih Baturay
Neli Kancheva Toncheva
Bulent Karakoc
Mehmet Emrah Sazak

Registered Office

Shumen 9700
Second Industrial Zone

Legal consultants

Legal adviser Katya Obretenova
Legal adviser Valentin Vasilev

Bankers

UniCredit Bulbank AD, Sofia
Expressbank AD
BNP Paribas SA, Sofia branch
BNP Paribas (Swisse) SA,Geneva
T.C. Ziraat Bankasi Varna branch
United Bulgarian Bank AD

Auditors

PricewaterhouseCoopers Audit OOD
Bulevard "Knyaginya Maria Luiza" 9-11
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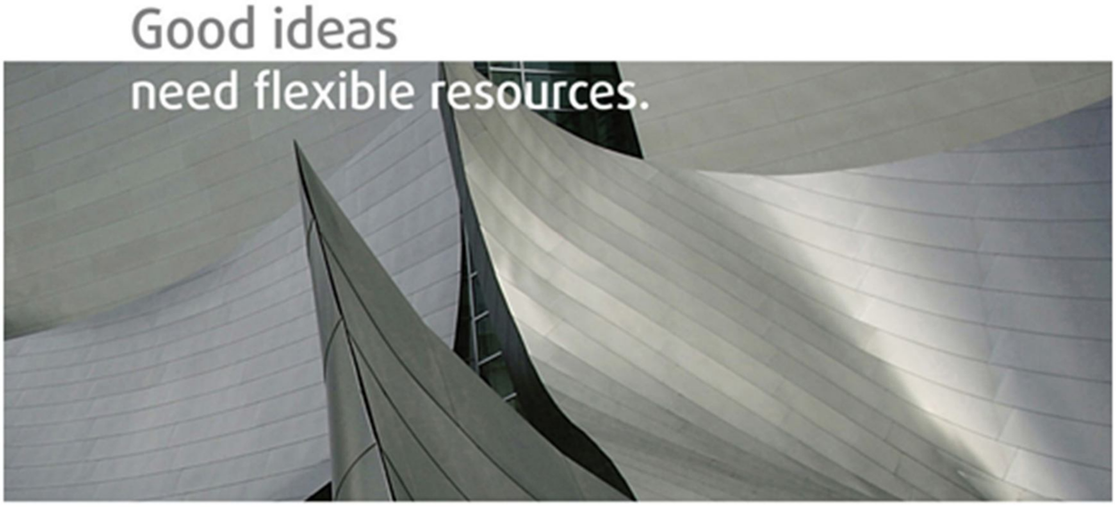

ANNUAL REPORT ON THE ACTIVITIES

of Alcomet AD for 2019

This Report was prepared according to the provisions of Article 39 of the Accountancy Act, Article 100(n), Paragraphs 7 and 8 (n) of the Public Offering of Securities Act, Article 187 (d) and Article 247 of the Commerce Act and Ordinance No 2 from September 17, 2003 of the Financial Supervision Commission for the prospects of public offering and admission to trading on the regulated securities' market and for disclosure of information by public companies and other issuers of securities.

ALCOMET
providing opportunities

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I. GENERAL INFORMATION ABOUT THE COMPANY

Alcomet AD (the "Company") is a joint-stock company registered under company file No 41 from 1991 at the Shumen District Court.

The main activity of the Company is manufacturing and trade of aluminium, aluminium products and alloys, used in engineering, construction, food processing and other industries. The Company is the leading Bulgarian manufacturer of aluminium products and one of the largest manufacturers on the Balkans. The plant is unique in Bulgaria, as it includes entire production cycle and by the modern technological equipment of the three main mills – casting, rolling and extrusion, produces a wide range of rolled and extruded products, which technical parameters and quality conform to the international standards ISO 9001:2008, ISO 14000:2004, OHSAS 18000:2007, AA, EN, DIN, BDS.

As of December 31, 2019, the Company has a seat, a management address, telephone, fax, email and website as follows:

Bulgaria, Shumen 9700, Second Industrial Zone
Tel.: +35954858601, Fax: +35954858688
E-mail: legal@alcomet.eu, web-site: www.alcomet.bg

The share capital amounts to BGN 17,952,959, distributed in the same number of dematerialised shares. As of the latest available data of the Central Depository, as of December 31, 2019 the share capital structure of the Company includes 58 entities holding 99.1 % of the share capital and 2,493 individuals with 0.9 % of the share capital. The shareholders owning more than 5% of the Company's share capital are presented in the table below.

Alumetal AD	73.25%
FAF METAL SANAYII VE TICARET AS	16.86%

There are no significant direct or indirect shareholdings (including indirect shareholdings through pyramid schemes or cross holdings) within the meaning of Article 85 of Directive 2001/34/EC.

No essential contracts leading to actions changing the Company's control at public offering of securities, as well as agreements between the Company, the Supervisory Board and the Managing Board for compensation upon leaving or dismissal concerning public offering of securities have been concluded.

During the current reporting period there are no transactions with related parties that could significantly affect the financial position and results of the Company.

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The Company has no pending court, administrative or arbitration proceedings relating to liabilities or receivables exceeding 10% of equity.

The annual report on the activities of Alcomet AD was prepared according to the provisions of Article 39 of the Accountancy Act, Article 100(n) of the Public Offering of Securities Act, Article 187 (e) and Article 247 of the Commerce Act and Ordinance No 2 dated September 17, 2003 of the Financial Supervision Commission for the prospects of public offering and admission to trading on the regulated securities' market and for disclosure of information by public companies and other issuers of securities.

Alcomet AD has a two-tier management system – a Supervisory Board and a Managing board. The Supervisory Board consists of 7 members, and the Managing Board consists of 6 members. Members of the Managing Board, the control bodies, and the senior management do not own shares in the Company.

The Company is represented and managed by two Executive Directors – Huseyin Yorucu and Huseyin Umut Ince.

Managing Board of Alcomet AD as of December 31, 2019:

Huseyin Yorucu
Huseyin Umut Ince
Semih Baturay
Neli Kancheva Toncheva
Bulent Zeki Karakoc
Mehmet Emrah Sazak

Supervisory Board of Alcomet AD as of December 31, 2019:

Fikret Ince
Fikret Kuzucu
Semih Koray
Bekir Yucel
Hristo Todorov Dechev
Osman Kerem Kuzucu
Branimir Mladenov Mladenov

II. REVIEW OF THE ACTIVITY AND THE STATE OF AFFAIRS OF THE COMPANY

LINE OF BUSINESS

The main activity of the Company is the production of aluminium products:

- Rolled products: aluminium foil, container foil, technical film, finstock, strips for heat shields, strips for noise protection panels, standard strips, sheets and Omnia sheets

- Extruded products: standard profiles, special profiles

- Cast products: coils, billets

In 2019 there are no unusual or sporadic events, transactions or substantial economic changes, that significantly affect the reported Company's operating results.

PRODUCTION

The main production raw materials are:

- primary aluminium;
- secondary aluminium;
- scrap;
- extrusion billets;
- coils.

The main suppliers of materials are the companies MEKEM CA, GLENCORE INTERNATIONAL AG, Mechem S.A., Xiamen Shengmao Co Ltd, and the Company has exposure exceeding 10 % of the purchase costs for MEKEM CA, GLENCORE INTERNATIONAL AG., respectively 39% and 26% of the total purchases.

The production raw materials purchased and supplied during the reporting period, as well as comparative data for 2018, are presented in the table bellow.

Raw material	2018, MT	2019, MT
primary aluminium	53,902	53,687
secondary aluminium	6,497	4,662
scrap	1,084	1,084
extrusion billets	9,205	13,794
products for remelting	4,355	649
coils	748	605
Total	**75,791**	**74,481**

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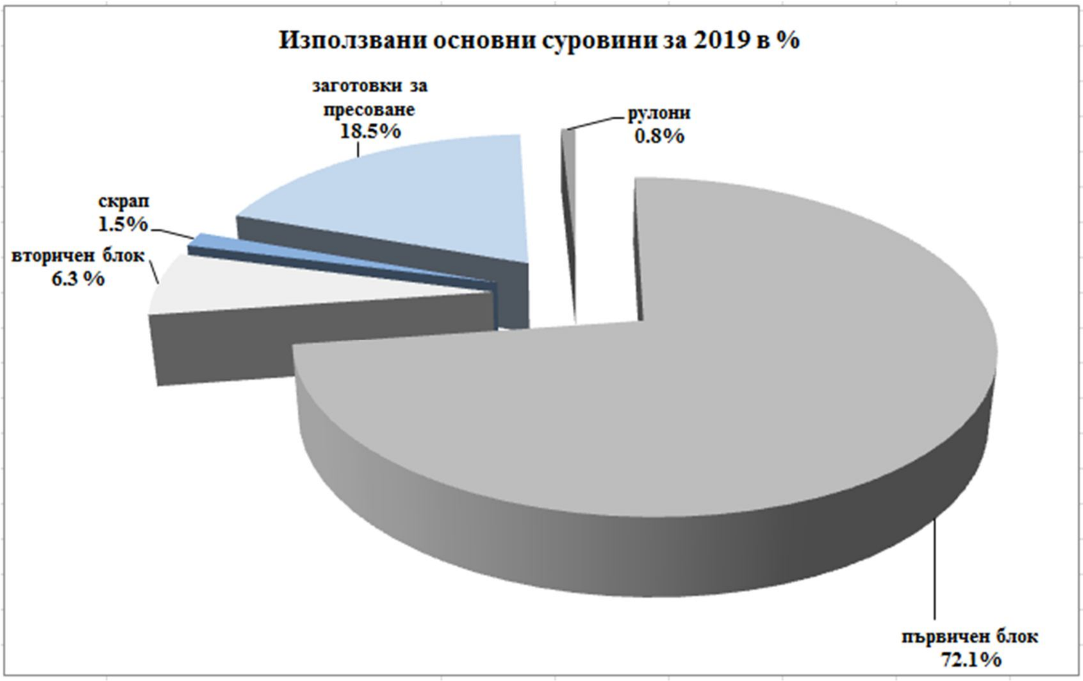
For 2019 the raw materials quantity as a percentage rate is presented in the following diagram:

Main raw materials used in 2019 (MT) в %



The value of the purchase of raw materials are as follows:

Raw material	For 2018 (BGN'000)	For 2019 (BGN'000)
primary aluminium	205,127	183,205
secondary aluminium	12,345	5,924
scrap	3,754	5,393
extrusion billets	37,359	51,812
products for remelting	16,884	0
coils	3,079	2,449
Total	278,548	248,783

FINISHED GOODS

For the reporting period, the aluminium products produced by the casting mill of the Company are 83 151 MT, a quantity with an increase of around 0.3% compared to 2018.

Cast shop products	2018 (MT)	2019 (MT)
Coils	61,536	60,881
Billets	21,614	17,365
Total	**83,150**	**78,246**

The finished goods produced by the Company in the Rolling and Extrusion workshops for 2019 are 68 334 MT, which is about 2 % more than the finished goods produced in 2018.

Finished Goods	2018 (MT)	2019 (MT)
Rolling mill	46,108	45,435
Extrusion mill	22,214	23,049
Total	**68,322**	**68,484**

QUALITY CONTROL SYSTEMS

There is an ongoing process of quality improvement, which will guarantee leading market positions in a dynamic competitive environment. Alcomet AD's product range has technical parameters and quality which conform to the international standards ISO 9001:2015, ISO 14001:2015, OHSAS 18000:2007, AA, EN, DIN, BDS.

COMMERCIAL ACTIVITY

The Company has stable positions on the market for aluminium profiles and aluminium foil. It operates on the domestic and the international markets and its main revenue is generated from external clients (94%). In 2019, there was an decrease in revenue from sales by 4 %.

Domestic market:

Domestic sales continued to decrease by 1% from BGN 18,560 thousand for 2018 to BGN 18,349 thousand in 2019.

International market:

The international market is an advantage for Alcomet AD since the export represents 94.7 % of the Company's sales and the reason for this are the relations which have already been established with a number of foreign clients from Western and Central Europe. The clients from Germany, Italy, Poland and Spain hold the largest share. International sales have experienced decline of about 4% from BGN 343,784 thousand for 2018 to BGN 328,840 thousand in 2019.

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HUMAN RESOURCES

The workers and employees in Alcomet AD continue to be an indispensable resource for implementing the development plans of the Company. The experience and skills gained are considered to be the greatest assets for the future.

Compared to 2018, in 2019 the number of new employment contracts exceeded the number of terminations, with the main movement being increase in production personnel. At the end of the reporting period 1088 employees work in the Company on a labour contract. The number of staff in 2019 is higher than in the previous year. Workforce movement index in Alcomet AD is 11.5 %.

The relative share of employees under 30 is 29%; between 31 and 50 years old – 57%, above 50 – 24%. The share of employees having less than 5 years of service in the Company is 47 %, between 6 and 20 – 41 %, above 21 years – 13 %. The distribution according to education is: employees with higher education – 23 %; with secondary education – 68 %, with primary education – 8 % of staff.

In 2019, Alcomet AD organized 3 training courses for obtaining new qualifications, and 27 training courses for maintainining existing professional qualifications. 29 courses were taught in relation to health and safety at the workplace, environment and quality at work, as well as trainings related to extraordinary situations with connection to the Health and Safety at Work Act and the environment, in accordance with the Emergency Action Plan for disasters and accidents.

An introductory training was performed for 195 new workers and employees for the purpose of swift and effective integration in the organisation.

In 2019 expenses related to trainings amount to approximately BGN 108 000.

Information about corporate and social responsibility

In 2019, the Company's donation program started with budgeted funds of BGN 400,000 and the actually donated funds were BGN 551 236.

Company scholarships were awardedto 23 students, of whom 13 are students at the "Konstantin Preslavky" University of Shumen, according to a Contract for cooperation between the Company and the University. The funds granted in the form of scholarships amounts to BGN 31 000.

.The Company allocated BGN 92 235 for social and cultural projects through donations to the Shumen threatre, community centres, foundations and other associations. Socially significant events were financed, taking place mainly in the region of Shumen, donation programs were cofinanced to non-government organisations, material and technical facilities were renovated.

Junior sport development in the region was supported with the amount of BGN 123 390. Alcomet AD is the general sponsor of the "Shumen Basketball Club", which received annual funding of BGN 50 000 in 2019.

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Schools, day care centres and nurseries received a grant of BGN 71 344 to equipment of premises, for the construction of new playgrounds, for implementing various cultural and educational projects, and for celebrations of anniversaries as well as participation in various sports events.

In 2019, healthcare in Shumen was supported with the amount of BGN 83 896, of which BGN 28 300 were donated to the Multi-profile Hospital for Active Treatment – Shumen (MBAL Shumen AD). Equipment for cochlear implantation was purchased for expansion of the highly specialized activity of the ENT department. BGN 62 975 were donated for the gastroenterology ward to The Complex Oncology Center (COC) – Shumen Ltd. The rest of the amount, planned for the benefit of healthcare in the town of Shumen consisted of donations to individuals for their treatment in the country and abroad. 21 individuals were aided with their treatment.

Municipalities from the district received BGN 146 528 mainly for the implementation of projects, contributing to improving the quality of life in the regional municipalities. Alcomet AD will continue to prove its commitment to the town of Shumen and the region.. The Company will demonstrate its social responsibility commitment through participating in and supporting significant projects for the town and its citizens.

INVESTMENT ACTIVITIES

The activities according to the investment program announced by the announcement from October 27, 2016 continue, which is focused on increasing the capacity, extending the product range, increasing production efficiency, optimising and improving the technical and technological parameters of the processes and ensuring better quality of the produced rolled and extruded products.

The workshop, where the new cold rolling machine for rolling strips with the accompanying facilities was finished. The workshop is expected to operate in full capacity from the beginning of the second half of the year.

The projects for the installation of new roll grinder and the restructuring of the availale 5 electric-resistance furnances for heating aluminium foil for working with natural gas in the rolling mill facility are being finalised.

The new innovative press for the production of special aluminium profiles as well as the new production line for coil casting are working at full capacity. c

After completing the entire investment program, the total production volume is expected to increase by at least 35 %.

A new investment programme was announced via the announcement on 20 January 2020 – Creation of workshop for mechanical treatment of allumonium profiles and reconstruction of existing premises within the manufacturing site of the Company.

1) Thew new investment proposal is expected to be finalised in few stages: Installation of machines for mechanical treatment (CNC machines) in the existing building (central warehouse)
2) Construction of a new building and relocation of existing mechanical treatment machines
3) Restructuring of existing premises, including of modernisation of the "Local Treatment Plant – Extrusion Mill"

III. PERFORMANCE RESULTS

The Company's net profit in BGN for the last three years is presented in the table below:

Description	2017 (BGN'000)	2018 (BGN'000)	2019 (BGN'000)
Net financial result	15,430	13,572	8,558
Net revenue from sales	354,871	362,344	347,189

Sales of Alcomet in 2019 are in line with the production capacity ensuring the main equipment is fully engaged. With regard to the volume, sales indicated increase of 3.11% of the extruded products and decrease of 3.33% of the rolled products compared to 2018.

The markets are stable and continue their demand for products of significance to the Company. New opportunities are becoming available for expanding territorial presence as well as increasing the existing product range.

In terms of quantity, sales are as follows:

Sales	For 2018 (MT)	For 2019 (MT)
Extruded products	22 034	22,719
Rolled products	44 504	43,020
Total	**66 538**	**65,739**

In terms of value, sales are as follows:

Production sold	For 2018 (MT)	For 2019 (MT)
Extruded products	121 189	119 120
Rolled products	241 155	228 069
Total	**362 344**	**347 189**

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Sales analysis by product type

Extruded products

The new 2,500T extrusion machine, which is at its starting period, will increase the production capacity of extruded products by 40 % in 2019. We are expecting very soon to be taking on new market opportunities for production of high – value profiles. In 2019, the new 2,500 tonnes extrusion machine was utilised, which contributed to the expansation of Alcomet's existing product mix. The share of the special profiles increased by 33%, painted profiles increased by 32%, and eloquent profiles by 2.2%. There is increase in demand for profiles which require additional machine hours. The demand for standard profiles decreased by 4%.

There are opportunities for signing contracts with companies from variety of sectors including automobile, engeneering, ship-building, and companies operating in the construction of different parts and components.

Comparison of sales for 2018/2019 according to type of extrusion products, in MT

Rolled products

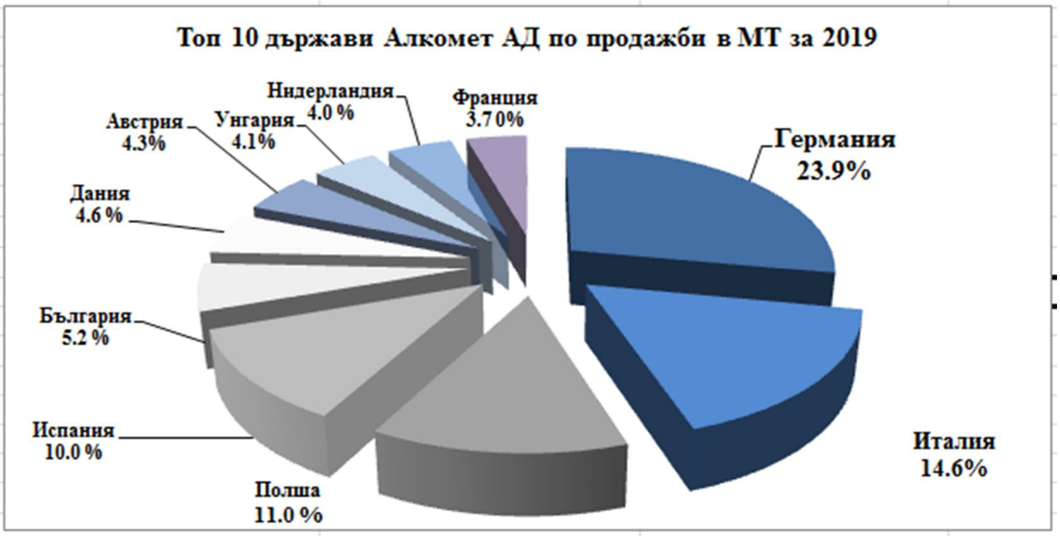
The local market dymanic is dependent on the processes happening in the global market. Despite the change to the product mix in 2019, Alcomet managed to keep the production of rolled products stable in 2019 compared to 2018. With positive trends are fin stock, tapes and leaves with increase of 32%, 8% and 3.4% respectively. There is a decrease in sales of technical foil of 23% and kitchen foil of 8.3%. The sales of coated foil in 2019 remained at the 2018 levels. Our expectations of increase in sales in 2020 are based on initiation of the new cold rolling mill, which will enable the production of products for the automobile, packaging, food and beverages, and engeering sectors.

Comparisson of sales for 2018/2019 according to type of rolled products, in MT

Sales analysis by markets

In 2019 Germany remains the largest market for Alcomet's products with a market share of approximately 24%. Italy takes over Poland and becomes the second largest market for Alcomet, while Spain and Bulgaria are foruth and fifth respectively. Next in market share are Denmark, Austria, Hungary, the Netherlands, which have similar market-share. The sales for 2019 by market share are presented in the graph below.   with The sales for the previous period are presented in the graphic below

Top 10 sales by country. Alcomet AD for 2019



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In terms of value, the sales analysis by market is as follows:

Production sold	**2018 (BGN'000)**	**2019 (BGN'000)**
Export	343 784	328 840
Domestic	18 560	18 349
Total	**362 344**	**347 189**

FINANCIAL INDICATORS

The table below lists several of the financial ratios monitored by the Company.

Ratios	**As of 31.12.2018**	**As of 31.12.2019**
Liquidity ratio – current assets/current liabilities	1.45	1.25
Earnings per share in BGN – net profit/number of shares	0.76	0.48
EBITDA/MT, BGN	437.5	399.5
EBITDA/Revenue %	8.0%	7.6%%

Analysis of the financial results

Analysis of the statement of financial position of the Company

The analysis of the main indicators of the statement of financial position of the Company by comparing the 2019 and 2018 reporting periods is as follows:

- property, plant and equipment – increase in cost of assets by approximately 7%
- Inventories – similar levels of assets compared in 2019 compared to 2018.
- Trade and other receivables – a decrease of about 6%, the decrease is due to decrease of the cost of aluminium on annual basis. For 2018 the average price for aluminium was 1 786 EUR/MT, while for 2019 that was 1 600 EUR/MT
- Ongoing lending – decrease of more than 21%.

Analysis of the income statement

Net revenue for nine months of 2019 amounts to BGN 366,727 thousand, where the income from sales of products amount to BGN 362,344 thousand and both amounts represent an increase of between 1.6 and 2.1 % compared to the sales for the previous year; the increase is due to the higher price levels of the main row material; just as a reference – the average price of aluminium at the

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London Metal Exchange for 2018 and 2019 are 1,743 and 1,786 EUR/MT. Net revenue from sales in 2019 were BGN 351 782 thousand. The revenue from sales of production was BGN 347 189 thousand. Both of the figures represent decrease of around 4% compared to 2018, due to the lower cost of aluminium for the two periods.

By analysing the reported expenses by separate items in the income statement, the following conclusions were reached:

- Decrease in cost of materials of around 6%;
- Increase in external hired service costs of about 9% as well as 12.3% increase in salaries and social security costs in absolute value.
- a decrease in interest expenses of about 16 % is indicated compared to 2018.

The final result for the reporting period is realised profit after taxation at the amount of BGN 8 558 thousand, while the profit for 2018 was at the amount of BGN 13 572thousand.

Company exposure to price risk, credit risk, liquidity risk and cash-flow risk.

The financial instruments used expose the Company to market, credit and liquidity risks.

Market risk

Market risk is the risk that the fair value or the future cash flows of financial instruments may vary due to the changes in market prices and this may manifest as currency risk, interest risk or price risk.

Currency risk

The Company enters into international transactions, denominated in foreign currencies. Therefore, the Company is exposed to market risk related to possible fluctuations in the currency exchange rates. Such risk is mainly connected to the USD/BGN exchange rate fluctuations, since the Company's transactions related to purchases of raw materials and sales of finished goods are denominated in USD. The Company has not received or been provided with interest loans denominated in USD. Transactions in EUR do not expose the Company to foreign currency risk as since January 1, 1999 the Bulgarian lev has been pegged to the Euro at a fixed exchange rate.

Interest risk

The Company is exposed to interest rate risk, because the main part of the loans received are contracted under the terms of floating interest rate.

The Company performs constant monitoring and analysis of its main interest exposures and devises various optimisation scenarios, such as: re-financing, renewal of existing loans, alternative financing (contracts for the sale and lease-back of assets), and also estimates the impact of the interest rate fluctuations in a certain range on the financial result.

Price risk

Price risk is related to possible changes in the market prices of equity instruments held for sale and of the Company's finished goods.

Changes in the sales prices of finished goods depend mostly on the fluctuation in the price of aluminium on the international stock exchange. The Company uses forward contracts to hedge the risks associated with changes in the market prices of aluminium on the London Metal Exchange. Such contracts are classified as cash flow hedging instruments, as they hedge the level of Company exposure to fluctuations in cash flows that are attributable to the particular price risk associated with forecasted sale and purchase transactions.

Credit risk

Financial assets, which potentially expose the Company to credit risk, are mainly trade receivables and advance payments. The Company is mainly exposed to credit risk in the event that its customers fail to perform their obligations. In order to mitigate the credit risk, the Company has concluded contracts with an international insurance company and a Bulgarian insurance company for the insurance of trade receivables. Additionally, the Company focuses its policy on entering sales transactions with customers with good credit standing and on using adequate collateral in order to mitigate the risk of possible financial losses. The assessments for a good credit standing of the customers are based on the financial position, previous experience and other factors. In case of customer insolvency, the company would receive 90% of the receivable value as compensation from the insurer.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to settle its financial liabilities on maturity. The Company manages this risk by securing enough liquid funds, which shall be used to settle the financial liabilities when they mature, including in extraordinary or unexpected circumstances. Management's goal to maintain a stable balance between constant availability and flexibility of the financial resources through the use of different forms of financing. Management of the liquidity risk is the responsibility of the Managing and Supervisory Boards and it includes maintaining sufficient monetary funds, successfully negotiating adequate credit lines, preparing, analysing and updating cash flows forecasts.

Change of share price of the Company

According to information published on www.investor.bg, for the previous year deals were made at the Bulgarian Stock Exchange for the sale of 112 940 dematerialised registered shares with realised value at the amount of BGN 1 199 659. The highest registered closing price for the period was BGN 11.90 per share and the lowest – BGN 7.00 per share. Share price fluctuation for 2019 can be seen by closing prices on the following diagram:

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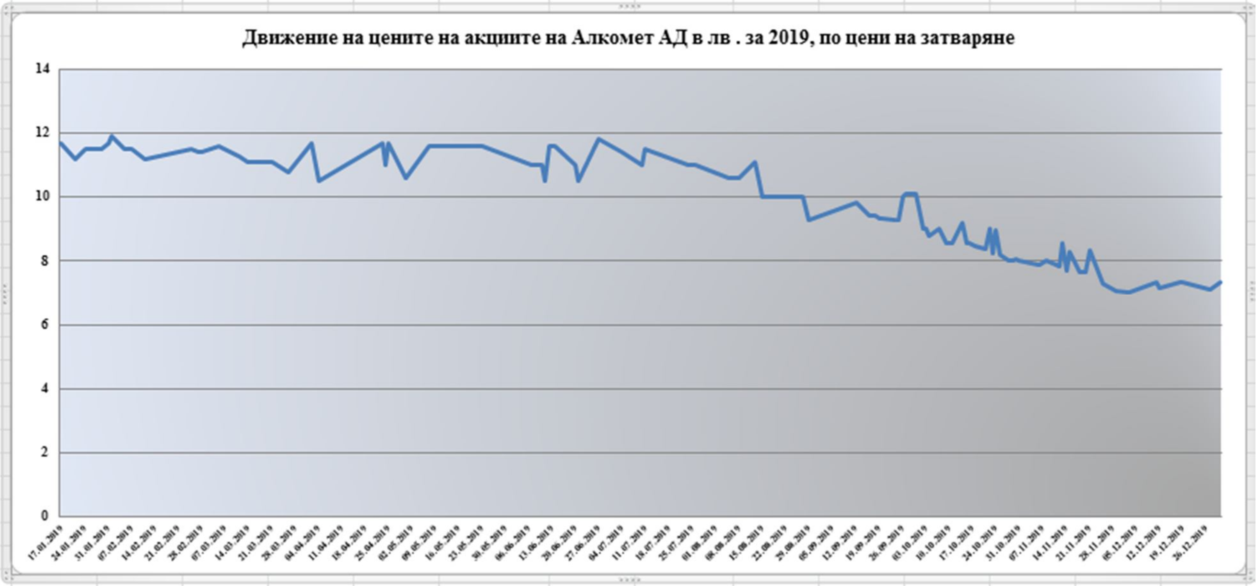
Price fluctuations for the shares of Alcomet AD in BGN for 2019



Quality control systems

An Integrated Management System (IMS) was developed and implemented in Alcomet AD, which has been certified by the internationally acclaimed auditor SGS, for the production process of aluminium products: coils, round billets, rolled sheets, strips and foil, extruded tubes, rods and profiles, painted profiles and sheets, anodised profiles. IMS covers Quality Control System ISO 9001, first certification date January 15, 2002, an Environmental Management System ISO 14001 and a Health and Safety Management System BS OHSAS 18001, first certification date December 16, 2010. Since March 1, 2012 the Company has also been certified under EN 15088:2005 in accordance with Regulation 305/2011 of the European Union for conformity of the production control according to the system 2+ for structural construction products for the construction industry. During the year, transactions for over 1200 T under Regulation 333/2011 / EU were handled. In November, the annual audit of the Integrated Management System was successfully carried out and no discrepancies were registered by the SGS – Bulgaria audit team. The company's operations were highly evaluated during the audit. The combination of policies and programs developed and company's risk management strategies insure the continuous improvement of the complex management system. In November, the first official audit of "Qualicoat" and "Qualanod" extruded products was successfully conducted.

Environment protection

The Integrated Management System (IMS) developed and implemented in Alcomet AD is also in compliance with the requirements of the ISO 14001:2004 standard. Regarding environment protection, Alcomet AD operates pursuant to an issued Complex Permit (CP).

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IV. SIGNIFICANT EVENTS AFTER THE PREPARATION DATE OF THE ANNUAL FINANCIAL STATEMENTS

In January 2020, an Annex 44 of the loan agreement B was signed, which extended the period of the loan to March 31, 2020

In January 2020, an Annex 45 of the loan agreement B was signed, which extended the period of the loan to January 31, 2021

In January 2020, an Annex 7 of the agreement for pledge of recevaibles part of loan agreement F was signed, which updated the list of pledged receivables

In January 2020, an Annex 8 of the agreement for pledge of goods part of loan agreement F was signed, which updates the list of pledged goods.

During February 2020, Annex 1 of the loan agreement O and Annex 1 of the agreement for pledge of assets (part of loan agreemen O) were signed, where contract clauses of the main agreement for pledges in the Central Pledge Registry and list of pledged assets were updated.

In April 2020, Annex 2 of the loan agreeent O was signed, which extended the loan period to 16 April 2021.

There was a recommendation to cancel the contract for bonds with Expressbank.

In January 2020, the Company opened documentary letters of credit in favour of a supplier for EUR 622 thousand and period of validity June 30, 2020.

In January 2020, the Company opened documentary letters of credit in favour of a customer for EUR 119 thousand and period of validity April 20, 2020 and March 11, 2020.

In January 2020, in favour of the Company advance guarantee accounts were opened by suppliers for a total of EUR 319 thousand with period of validity to November 5, 2020, July 17, 2020 and July 31, 2020.

In January 2020 and February 2020, the Company entered into contracts to purchase equipment for a total of BGN 3 716 thousand. The equipment will be delivered in 2020.

Effect of COVID-19 on the stand-alone financial statements of the Company.

Late in 2019, news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020, the virus spread globally. The Company considers this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these financial statements, to date there has been no discernible impact on the Company's regular business operations, however the future effects cannot be predicted. As the situation is still developing, management considers it impractical to provide a quantitative estimate of the potential impact of this outbreak on the Company.

As of the date of the stand-alone financial statements, the Company:

- continues to operate in accordance with its usual activities, in conjuction with its budgeted plan for sales and usual purchasing activity. The Company has taken all steps in restricting the spread of COVID-19 with attention to its employees.
- During the extraordinary measures implemented by the Bulgarian Government, all of the employees in the production departments were at work and the production remained at full capacity. Only a limited number of empoyees employed in the administration department worked remotely.
- The Company realised record sales during April 2020 (6.328 MT). The expectation of management is that sales in May 2020 can reach 6.000 MT. The company has received orders for sale of aluminium for full capacity during June 2020.
- Sales since the beginning of 2020 have increased significantly based on quantity, negatively affected by the decrease of prices. This is as a result of China's ambition to sell in the EU markets, due to the trade restrictions of sales to USA. The competition in the EU markets is high as a result of China's ambitions, however, the Company aims to benefit from this position and increase sales to the USA.
- It is management's expectation that higher part of the invemestment programme of the Company will be finalised by the end of June 2020, which will increase the production capacity for rolled products. As a result, fixed and indirect costs are expected to decrease, which in return will increase the operating profit of the Company.
- As of the date of signing the financial statements all raw materials needed for the production process are secured. Due to the highly fluctuating situation, Company's management are working hard to ensure all deliveries are finalised timely.

The magnititude and length of the pandemic are yet not known, but the expected downturn of the world economy, is expected to affect the business of the Company. The main risks as a result of this unstable situation with regards to COVID-19 are:

- Cost of Properties – Management thinks that cost of properties might be affected in the following financial periods, but is unable to determine the magnititude. The effect will not be monetary and the expectation is that it will be overturned in the future.
- Liquidity – While liquidity rations might be affected, the current financial position and the expected future cash flows will enable the Company to fulfill its liabilities.
- As of the date of signing these stand-alone financial statements, the Company does not have impairment of its current portfolio of trade receivables;
- As of December 31, 2019, the Company has short-term debt of BGN 66 783 thousand, Alcomet has a 20-year-old relationship with its banking partners and has their support. As of December 31, 2019, the Company has active credit lines for BGN 137,000 thousand, majority of which are not utilised. The banks see Alcomet as a company with low-risk of default, which can be see from the low interest rates on the existing loans (see note 26);
- As of the date of signing these stand-alone financial statements, significant part of the short-term loans are extended to 2021 (see noted 26);
- All bank loans with due date falling between the end of reporting period until the approval of these stand-alone financial statements have been paid timely.

Management of the Company will continue to monitor the potential effect of the pandemic and will take all necessary actions to mitigate and prevent all possible negative effects.

V. ANTICIPATED FUTURE DEVELOPMENT OF THE COMPANY

The anticipated development of the Company is based on the business plan for 2020 and the related investment intentions.

Estimated sales, financial ratios

Based on the assumption of maintaining the current prices of the main raw material and of the lack of modification of the regulatory framework dealing with customs clearance, as well as assumptions regarding the selling prices and market shares of the Company, the anticipated sales volume is as follows:
- extrusion products of around 24,000 MT, an increase of about 6 % as compared to the volumes achieved in 2019. This growth is expected as a result of the increased demand for extrusion products. The main focus again will be on higher sales of anodized, painted and special profiles, products bearing higher added value;
Launching of the above mentioned additional equipment theoretically increases the production capacity of the extrusion mill to 35,000 tonne per year.
- rolled products – estimated sales of around 46,000 MT, possible growth of about 7 % compared to 2019. This growth is expected as a result of the increased demand for rolled products and the higher resource need will be secured by putting into operation the new rolling machine. The main focus again will be on increased sales of foils – household, technical, coated and packaging foils, as well as sales of finstock products with steady market positions in the European market and having high value added. Launching of the above mentioned additional equipment theoretically increases the production capacity of the rolled mill to 96,000 tonne per year.

After evaluation of the above mentioned estimated volumes, while keeping similar the rates of the aluminium on the London Metal exchange, the management expectations for 2020 are for sales of around BGN 391 million, rates percentage in terms of EBIDTA around 9 %, and net revenue of around 5.5 %.

VI. RESEARCH AND DEVELOPMENT ACTIVITY

As a major manufacturer of rolled and extruded aluminum and aluminum alloy semi-finished products, the Company is increasingly focusing on development.

A team of experts from R&D in conjuction with experts from Sales, continue to conduct market research and develop new products, which are tailored and adapted to the specific needs of all customers.

In 2019, the development of new extruded profiles continued. The share of extra-treated profiles in the product mix increased. The development of new rolled products continued. The new rolled products experience good levels of demand in the European markets.

The Company continues development of new products for the American market.

VII. INFORMATION REQUIRED UNDER ARTICLE 187e OF THE COMMERCE ACT

No own shares were acquired or transferred in 2019. The Company does not own any of its own shares.

VIII. INFORMATION REQUIRED UNDER ARTICLE 247 OF THE COMMERCE ACT

1. The members of the Supervisory Board and the Managing Board do not own any shares from the capital of Alcomet AD

2. The participation of the members of the Supervisory and Managing Boards in trade companies as partners with unlimited liability, the ownership of more than 25% of the capital of another company, as well as the participation in the management of other companies or cooperatives as procurators, managers or members of boards are as follows:

Supervisory Board:	
Fikret Ince	FIGA 2012 EOOD – 100%; Alumetal AD – member of the Board of Directors (BD), FAF Metal AS, Turkey – shareholder (50%), Fin metal AS, Turkey – shareholder (30%)
Fikret Kuzucu	Alumetal AD – member of the BD, Euromet – Manager, FAF Metal AS, Turkey – shareholder (50%), Fin metal AS, Turkey – shareholder (40%)
Semih Koray	n/a
Bekir Yucel	n/a
Hristo Todorov Dechev	Havia – Consult OOD – Manager and shareholder, BIOGRUP BGNK AS – member of the BD
Osman Kerem Kuzucu	Alumetal Ad – member of the BD
Branimir Mladenov Mladenov	Sarten Bulgaria Ltd. – procurator, Director and sole shareholder of DMK Build EOOD

Managing Board:	
Huseyin Yorucu	n/a
Huseyin Umut Ince	Alumetal Ad – member of the BD
Semih Baturay	Semya OOD – shareholder (50%) and manager
Neli Kancheva Toncheva	n/a
Bulent Zeki Karakoc	n/a

3. In 2019, there were no contracts concluded with the members of the Managing Board or their related parties that go beyond the Company's ordinary operations or significantly deviate from market conditions.

IX. REGISTERED COMPANY BRANCHES

The Company has no registered branches in the country or abroad.

The Company has an investment in the subsidiary Euromet EOOD, Shumen.

X. FINANCIAL INSTRUMENTS APPLIED BY THE COMPANY

The Company hedges the risk of unfavourable changes in the price of its main raw material by means of futures contracts, which are traded with the assistance of several brokers, 1 rank members on the London Metal Exchange.

Alcomet AD has no significant foreign currency exposure, as far as the main raw material is quoted in EUR, and sales are focused entirely on the European market or Bulgaria (where the Bulgarian lev is pegged to the euro). In the event of a currency exposure to another currency, the most common tools for hedging the currency risk are currency forwards.

The Company insures each receivable on deferred payment in credit risk insurance companies.

XI. ADDITIONAL INFORMATION REGARDING NOTE 10 TO ARTICLE 32, PARAGRAPH 1, CLAUSE 2, ARTICLE 32A, PARAGRAPH 2, ARTICLE 41A, PARAGRAPH 1, CLAUSE 1 CONTENTS OF THE ANNUAL ACTIVITY REPORT FROM ORDINANCE NO 2 FROM 17 SEPTEMBER 2003 FOR THE PROSPECTS OF PUBLIC OFFERING AND ADMISSION TO TRADING ON THE REGULATED SECURITIES MARKET AND FOR THE DISCLOSURE OF INFORMATION

1. **Information presented in terms of value and quantity about the main categories of goods, products and/or services provided, by indicating their share in the revenue from the sales made by the issuer and the changes which have occurred during the reporting financial year**

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Production sold	2019 (MT)	2019 (BGN'000)	Relative weight
Extruded products	22 719	119 120	34.56%
Rolled products	43 020	28 069	65.44%
Total	**65 739**	**147 189**	**100%**

Production sold	2018 (MT)	2018 (BGN'000)	Relative weight
Extruded products	22 034	121 189	33.11%
Rolled products	44 504	241 155	66.89%
Total	**66 538**	**362 344**	**100%**

2. **Information about the revenue, sorted by separate activity categories, domestic and international markets, as well as information about the suppliers of raw materials required for manufacturing goods or the provision of services, along with the level of dependency regarding each individual seller or buyer/user; in the event that the relative share of any of these exceeds 10% of the sales costs or profits, information shall be provided for each separate person, their share in the sales and purchases and their relations to the issuer.**

Information about the revenue, sorted by main categories of activity:

	Year ended December 31, 2019	Year ended December 31, 2018
Export	328 840	343,784
Domestic	18 349	18,560
Total revenue	347 189	354 871

The information about the concentration of purchases by the Company from certain suppliers has been disclosed in the Section "Review of the activity and the state of affairs of the Company". The Company has no exposures exceeding 10% of the total revenue to any of its clients.

REVIEW OF THE ACTIVITY AND THE STATE OF AFFAIRS OF THE COMPANY

3. **Information about significant concluded transactions**

The Company has no significant transactions which could contribute to a change of 5% or over in the issuer's income or profits, in any other financial indicator, nor in the market price of the securities issued by the issuer; and/or which could influence the investors when making an investment decision or exercising their voting rights.

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4. **Information on transactions between the issuer and any related parties during the reporting period, propositions for the conclusion of such transactions, as well as transactions that go beyond the issuer's normal course of business or significantly deviate from the market conditions under which the issuer or any of its subsidiaries has become the party to such transaction, and specification of transaction value, the nature of the relation and any information required to assess the effect of the issuer's financial position**

During the reporting period, the Company has the following transactions concluded with related parties:

	December 31 2019	December 31 2018
Parent company		
Accrued interest on loans received	162	164
Principals paid under loans	(80)	(32)
Entities with significant influence over the Company		
Services received	21	12
Ultimate controlling shareholder		
Loans received	0	0
Accrued interest on loans received	28	29
Subsidiaries		
Interest on loans granted	-	-
	292	284
Company under common control		
Fin Metal Aluminyum San. Ve Tic. A.S.		
Purchase of materials	3,269	2,412
Purchase of fixed assets	54	6,682
Purchase of services	223	50

There are no transactions going beyond the Company's normal course of business or significantly deviating from the market conditions under which the issuer or any of its subsidiaries has become the party to such transaction.

5. **Information on events and indicators whose nature is unusual for the issuer and have significant effect on its activity and any revenue accrued or costs incurred by the issuer**

In 2019, there were no events or indicators whose nature is unusual for the issuer and have significant effect on its activity and any revenue accrued or costs incurred by the issuer.

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6. Information on off-balance transactions: nature and business purposes, indication of the financial effect of transactions on the activity where the risk and benefits of such transactions are significant for the issuer, and if the disclosure of such information is significant for the assessment of the financial standing of the issuer

Under the National Plan for allocation of allowances for trade with emissions of greenhouse gases for the period from 2013 to 2020, the Company has available 116,152 tons EU allowances. In 2019 and 2018, according to Annual Reports on the Emissions, prepared by the Company and verified by an authority, accredited by the Executive Agency Bulgarian Accreditation Service, respectively 24,790 and 24,553 tons greenhouse gases were emitted. For the greenhouse gases emitted in 2019 and 2018, EU Allowances received for the period 2014-2020 were used.

As at 31 December 2019, the Company has signed lease agreements for the purchase of equipment amounting to EUR 3,997 thousand (BGN 7,817 thousand). As of December 31, 2019, equipment amounting to EUR 3,997 thousand (BGN 6,491 thousand) was delivered, which has not yet been put into operation. Upon signing the finance lease agreements, a pledge on future equipment was registered.

In April 2011, the Company concluded a bank loan agreement under the condition of assuming credit commitments in the form of financial transactions whose limit as at December 31, 2019 amounted to EUR 1,000 thousand (December 31, 2018: EUR 1,000 thousand). As at December 31, 2019 and 2018, no funds were utilised under the agreement. Pursuant to Annex 8 dated August 7, 2017, the term of the agreement has been extended to June 30, 2026, and with Annex 9 dated June 27, 2018 the size of the agreement become EUR 1,000 thousand According to the Financial Collateral Arrangements Act, the Company has provided collateral in favour of the Bank in the form of a pledge on all its current and future receivables to all of the Company's accounts with the Bank.

As of December 31, 2019, the Company has an open letter of credit in favour of a supplier amounting to EUR 12,846 thousand and a term of validity until March 1, 2020. As a result of payments made during the year, the letter of credit obligation as of December 31, 2019 is EUR EUR 163 thousand.

In relation to the above mentioned lease agreements, as of December 31, 2019, the Company has an open letter of credit in favour of a supplier amounting to EUR 1,040 thousand and a term of validity until March 31, 2020. As a result of payments made during the year, the letter of credit obligation as of December 31, 2019 is EUR 130 thousand.

As of December 31, 2019, corporate guarantees amounting in total of EUR 63 thousand were issued in favour of the Company. The guarantees mature in 2020.

As of December 31, 2019, there is an open letter of credit in favour of the Company amounting to BGN 911 thousand and BGN 368 thousand which expires in 2020 and 2021.

As of December 31, 2019, the Company has concluded contracts with suppliers for the purchase of 62,000 tonnes of aluminium in 2020.

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7. Information on the issuer's shareholdings, main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate) and investments in equity securities outside its groups of enterprises, within the meaning of the Accountancy Act, in funding sources/methods

In 2019, Alcomet AD has not made any such investments.

Information on

contracts concluded by the issuer or any of its subsidiaries or Parent Companies in their capacity of borrower, and specification of their terms and conditions, including repayment deadlines, as well as information on any guarantees provided and liabilities assumed.

	December 31, 2019	
	Principal	Maturity
Bank loans		
- Loan B1	3,912	March 31, 2020
- Loan B2	2,527	March 31, 2020
- Loan B3	-	March 31, 2020
- Loan B4	1,705	March 31, 2020
- Loan V	5,590	April 10, 2024
- Loan G	21,817	June 30, 2020
- Loan E	887	April 30, 2021
- Loan I	39,881	October 31, 2023
- Loan P1	116	October 14, 2020
- Loan P2	-	July 31, 2020
- Loan P3	760	July 31, 2020
- Loan P4	2,054	March 19, 2020
- Loan P5	2,496	October 17, 2020
-Loan F	9,103	July 31, 2020
-Loan M	9,015	October 30, 2020
Total	99,863	

	December 31, 2019	Maturity
Parent company and ultimate parent company – trade loans received	5,735	December 31, 2023
Parent company and ultimate parent company – trade loans received	38	December 31, 2023
Ultimate controlling shareholder	1,437	December 31, 2023
Lease Contracts	6,122	December 20, 2024

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Total	13,322

The Parent company of the Company has received a trade loan by the ultimate controlling shareholder amounting to BGN 5,649 thousand, whose repayment term expires on December 18, 2023.

8. Information on loan contracts concluded by the issuer or any of its subsidiaries or Parent Companies in their capacity of borrower, the provision of any guarantees, including to related parties, and specification of their terms and conditions, including repayment deadlines, and the purpose of their granting.

The Company has concluded a loan contract with its subsidiary. The loan balance as at December 31, 2019 comprise interest of BGN 3,163 thousand. The repayment term expires on December 31, 2023.

A subsidiary of the issuer has granted a trade loan to a company with significant influence on Alcomet AD. The term of payment of the loan is December 31, 2023. As at December 31, 2019, the interest receivables under the loan amount to BGN 2,264 thousand.

The Parent Company has granted two trade loans to the issuer. Loans mature on December 31, 2023 and December 31, 2021, respectively.

As of December 31, 2019 the receivable on the first loan amounts to BGN 7 020 thousand, including principal of BGN 5 735 thousand and interest of BGN 1 285 thousand, and the receivable on the second loan amounts to BGN 42 thousand, including principal of BGN 38 thousand and interest of BGN 4 thousand.

The Company has received a trade loan from its ultimate controlling shareholder at the amount of BGN 1 516 thousand and maturity date on December 31, 2023

9. Information on the utilisation of new security emission funds during the reporting period

The Company has not issued any new shares during the reporting period in question.

10. Analysis of the ratio of financial results reflected in the annual financial statements for the financial year, and their previously published estimate.

The Company has not published any estimate for 2019.

11. Analysis and assessment of the financial resource management policy and indication of debt servicing options, potential threats and measures that have been or are to be undertaken by the issuer to avoid them.

Financial resource management is based on the requirement for achieving maximum effectiveness and, at the same time, observance of the payment terms agreed with suppliers and clients. This requires the predominant use of own funds, which results in lower financial costs and interest rate costs. On the other hand, this results in the maintenance of significant reserve of unutilised loans that can be used for the servicing of both current and investment costs, thus maintaining high payment liquidity.

Net debt to equity ratio for 2019 and 2018 is, as follows:

	December 31, 2019	December 31, 2018
Debt	114,563	125,797
Cash	(1,345)	(1,985)
Net debt	113,218	123,812
Equity	219,591	215,947
Adjustment for amounts transferred to equity with regard to cash-flow hedges	509	(1,461)
Adjusted equity	220,100	214,487
Debt-to- equity ratio	0.51	0.5

12. Assessment of investment intention realisation options, specification of available funds amount and reflection of possible changes in the structure of funding of the activity

This information is indicated in the “Future Development of the Company” section.

13. Information on changes of the issuer’s main management principles made during the reporting period

No changes of the Company’s main management principles were made.

14. Information on the main characteristics of the internal control system and the risk management system applied by the issuer during the preparation of the financial statements

In order to implement effective internal control and risk management, various procedures have been adopted and applied in Alcomet AD. They have been incorporated into an Integrated Management System (IMS). The system defines the rights, obligations and responsibilities of the management and the employees. The IMS procedures are used for standardisation of the processes of interaction with clients, suppliers, as well as for production organisation, investment project management and human resources management. The procedures for documentation and record management and transfer of information between structural units allow for primary documents information to be reliable and timely, which increases the accuracy of financial reporting processes. For the purposes of reliable control, a system of double approval by a line manager and a unit manager or executive director is used in the processes. A three-member audit committee has been created and is currently operating in Alcomet AD. Its main functions are to monitor financial reporting processes, internal control system effectiveness and risk management, and to provide suggestions and recommendations.

15. Information on changes of the members of the Managing Board and the Supervisory Board in 2018

During the reporting period, no changes were made to the Managing Board and the Supervisory board members.

16. Information on the size of remuneration, bonuses and/or benefits of each member of the management and control bodies for the reporting financial year paid by the issuer and its subsidiaries, regardless of whether included in the issuer's costs or resulting from distribution of profits, including:

A) amounts and non-cash remuneration received

B) conditional or deferred remuneration occurred during the year, even if due at a later stage

C) amount due by the issuer or its subsidiaries for the payment of pensions, retirement benefits or other compensations of the kind

The total amount of the remunerations of the members of the Company's management and control bodies comprises of only short - term income, amounting to BGN 3,435 thousand for 2019 and BGN 3,435 thousand for 2018.

The outstanding payables to key management as at December 31, 2019 and 2018 amount to BGN 226 thousand and BGN 234 thousand respectively.

17. Information on shares of the issuer owned by the management and control bodies' members, procurators, senior management, including shares owned by each of them individually and as a percentage of the shares of each class, as well as the issuer share options provided to them by the issuer – type and value of the securities on which they are established, exercise price of the options, purchase price (if any) and option term.

The members of the Managing and Supervisory Boards do not own shares in the Company.

18. Information on agreements known by the Company that may, in future periods, result in changes in the relative share owned by current shareholders

There are no such agreements.

19. Information on pending court, administrative or arbitration proceedings relating to liabilities or receivables of the issuer of at least 10% of its equity

As at December 31, 2019, the Company has no pending court, administrative or arbitration proceedings relating to liabilities or receivables of the issuer amounting to at least 10% of its equity.

20. Details of the Investor Communication Director

Petar Konstantinov Stanchev, tel. 054 858 651, mailing address: Alcomet AD, Second Industrial Zone, 9700 Shumen, e-mail: petar.stanchev@alcomet.eu

XI. INFORMATION ON APPENDIX NO 11 OF ORDINANCE NO 2 OF THE FSC

1. **Structure of the Company's capital, including securities deemed ineligible for trade on a regulated market in the Republic of Bulgaria or another member state and specification the respective share classes, rights and obligations related to each share class and the part of the total capital constituted by each share class**

This information is indicated in the "General Information about the Company" section, as follows:

As of the latest available data of the Central Depository, as of December 31, 2019 the share capital structure of the Company includes 52 entities holding 98.99 % of the share capital and 2,473 individuals with 1.01 % of the share capital.

The share capital is distributed in 17,952,959 dematerialized registered voting shares with a par value of BGN 1 each.

2. **Limitations on securities' transfer, such as securities ownership limitations or requirement for approval by the Company or another shareholder.**

There are no limitations on securities' transfer, securities ownership limitations or requirement for approval by the Company or another shareholder.

3. **Information on direct and indirect ownership of 5% or more of the voting rights at the general meeting of the Company, including shareholder details, the size of their share and the way of ownership of the shares.**

Information on direct and indirect ownership of 5% or more of the voting rights at the general meeting of the Company, including shareholder details, the size of their share and the way of ownership of the shares, is presented in the table below:

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Main shareholders whose share capital exceeds 5% are as follows:

Entity	Shares held	Share,%
Alumetal AD	13 149 951	73.25%
FAF METAL SANAYII VE TICARET AS	3 026 504	16.86%

4. Information on shareholders with special control rights and description of any such rights.

The Company has no information of shareholders with special control rights.

5. Voting control system for cases where the respective employees of the Company are also its shareholders and they do not exercise direct control.

The Company has not adopted any voting control system for cases where the respective employees of the Company are also its shareholders and they do not exercise direct control.

6. Voting rights limitations, such as limitations of voting rights of shareholders with a certain percentage or number of votes, voting deadline or systems where, with the cooperation of the Company, the financial rights to the shares are independent from their ownership.

No voting rights limitations, such as limitations of voting rights of shareholders with a certain percentage or number of votes, voting deadline or systems where, with the cooperation of the Company, the financial rights to the shares are independent from their ownership, are envisaged.

7. Agreements between the shareholders known to the Company that might lead to share transfer or voting right limitations

The Company does not know of any agreements between the shareholders that might lead to share transfer or voting right limitations.

8. Regulations on the appointment and removal of members of the management bodies of the Company and the implementation of amendments and supplements to the Articles of Association

The regulations on the appointment and removal of member of the management bodies of the Company and the implementation of amendments and supplements to the Articles of Association comply with the Commerce Act and the Company's Articles of Association.

9. **Powers of the Company's Managing Board and the Supervisory Board, including the right to make decisions on the issuance and redemption of shares of the Company**

The Company's Managing Board and the Supervisory Board have no right to make decisions on the issuance and redemption of shares of the Company.

10. **Essential contracts of the Company having effect or being amended or terminated due to changes in the Company's control of mandatory public offering and any consequences thereof, except where the disclosure of any such information may harm the Company; the exception under the previous sentence shall not apply in cases where the Company is bound to disclose such information by the law**

There are no essential contracts of the Company having effect or being amended or terminated due to changes in the Company's control.

11. **Agreements between the Company and its management bodies or employees regarding the payment of compensations upon leaving or dismissal without any legal grounds or employment termination for reasons related to public offering**

There are no agreements between the Company and its management bodies or employees regarding the payment of compensations upon leaving or dismissal without any legal grounds or employment termination for reasons related to public offering.

XII. OTHER INFORMATION AT THE DISCRETION OF THE COMPANY

The Company assesses that there is no other information not publicly announced by the Company that might be important to the shareholders or the investors in the making of a justified investment decision.

Signed on behalf of Alcomet AD on April 24, 2020.

H. Yorucu
Executive Director

H. Ince
Executive Director

SEPARATE INCOME STATEMENT
for the year ended December 31, 2019
All amounts in thousand of BGN, unless otherwise stated

	Note	Year ended December 31, 2019	Year ended December 31, 2018
Revenue	4	347,189	362,344
Cost of sales	5	(310,702)	(322,011)
Gross profit		36,487	40,333
Other income	6	4,593	4,513
Administrative expenses	7	(13,171)	(12,007)
Distribution expenses	8	(14,266)	(13,401)
Other expenses	9	(2,425)	(3,318)
Foreign exchange rate (loss)/gain, net	11	(59)	946
Interest expenses, net	12	(1,112)	(1,385)
Other financial expenses, net	13	(517)	(594)
Profit before tax		9,530	15,087
Income tax expense	14	(972)	(1,515)
Profit for the period		8,558	13,572
Earnings per share (BGN)	15	0.48	0.76

Approved for issuance by the Managing Board of Alcomet AD on April 24, 2020.

Huseyin Yorucu (signed)

Huseyin Umut Ince (signed) Executive Directors	Semih Baturay (signed) Financial Director	Vencislav Petrov (signed) Preparer

Stoyan Deevski Registered Auditor	Jock Nunan PricewaterhouseCoopers Audit OOD

The accompanying notes from p.6 to p.78 are an integral part of these separate financial statements.

ALCOMET AD

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2019
All amounts in thousand of BGN, unless otherwise stated

	Note	Year ended December 31, 2019	Year ended December 31, 2018
Profit for the period		8,558	13,572
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment		-	36,987
Tax effect on revaluation of property, plant and equipment		-	(3,699)
Actuarial loss, incurred during the period	25	(255)	(41)
Tax effect on actuarial loss, incurred during the period		25	4
		(230)	33,251
Items that may be reclassified subsequently to profit or loss:			
Adjustment of the hedging reserve for the loss/(gain) from forward contracts, transferred to the initial carrying amount of the hedged items	24	(1,623)	777
Tax effect on the adjustment of the hedging reserve for the result from forward contracts, transferred to the initial carrying amount of the hedged items		162	(78)
Unrealized profit/(loss) on forward contracts, recognized in the hedging reserve	24	(565)	1,623
Tax effect on the unrealized profit/(loss) on forward contracts, recognized in the hedging reserve	24	56	(162)
		(1,970)	2,160
Total other comprehensive income for the period, net of tax		(2,200)	35,411
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,358	48,983

Approved for issuance by the Managing Board of Alcomet AD on April 24, 2020:

Huseyin Yorucu (signed)

Huseyin Umut Ince (signed) Executive Directors	Semih Baturay (signed) Financial Director	Vencislav Petrov (signed) Preparer
Stoyan Deevski Registered Auditor	Jock Nunan PricewaterhouseCoopers Audit OOD	

The accompanying notes from p.6 to p.78 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION
as of December 31, 2019
All amounts in thousand of BGN, unless otherwise stated

	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	16	234,335	228,095
Right of use assets	16.1	9,347	-
Intangible assets	17	1,280	740
Investment properties	18	3,081	3,118
Receivables on loans granted	19	3,163	3,455
Investments in subsidiaries and associates	19	6	6
		251,212	235,414
Current assets			
Inventories	20	86,354	86,216
Trade and other receivables, net	21	46,338	49,472
Derivative financial instruments	24	-	1,623
Cash and cash equivalents	22	1,345	1,985
		134,037	139,296
TOTAL ASSETS		385,249	374,710
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	17,953	17,953
Legal reserve	23	1,795	1,795
Revaluation reserve	23	123,592	123,592
Hedging reserve	23	(509)	1,461
Retirement benefits obligation reserve	23	(1,457)	(1,227)
Retained earnings		78,217	72,373
		219,591	215,947
Non-current liabilities			
Retirement benefits obligations	25	858	794
Long-term borrowings and lease liabilities	26	47,780	50,412
Long term part of government grant	27	1,256	1,386
Deferred tax liabilities	14	8,524	9,452
		58,418	62,044
Current liabilities			
Trade and other payables	28	38,770	20,006
Short-term borrowings and lease liabilities	26	66,783	75,385
Short-term part of government grant	27	130	130
Derivative financial instruments	24	565	-
Income tax liability	29	56	302
Accruals	30	936	896
		107,240	96,719
TOTAL EQUITY AND LIABILITIES		385,249	374,710

Approved for issuance by the Managing Board of Alcomet AD on April 24, 2020.

Huseyin Yorucu (signed)

Huseyin Umut Ince (signed) Executive Directors	Semih Baturay (signed) Financial Director	Vencislav Petrov (signed) Preparer
Stoyan Deevski Registered Auditor	Jock Nunan PricewaterhouseCoopers Audit OOD	

The accompanying notes from p.6 to p.78 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS
for the year ended December 31, 2019
All amounts in thousand of BGN, unless otherwise stated

	Year ended December 31, 2019	Year ended December 31, 2018
Cash flows from operating activities		
Profit before tax	9,530	15,087
Adjustments for:		
Depreciation of property, plant and equipment (PPE) and right-of-use asset	15,002	13,004
Amortization of intangible assets	170	40
Loss on disposal of property, plant and equipment	74	42
Carrying amount of obsolete and written-off PPE	-	(6)
Impairment of investment properties	37	252
Receivables and payables written-off, net and impairment of receivables	40	1
Income from government grants and deferred income	(130)	(130)
Interest expense, net	1,112	1,385
Changes in accruals and retirement benefits obligations	(165)	(30)
Exchange rate gain/(loss)	24	(23)
	25,694	29,622
(Increase)/ decrease of inventory	(138)	(27,296)
(Increase)/ decrease of current receivables	2,927	2,837
Increase/ (decrease) of current liabilities	19,525	3,226
Cash, generated from operating activities	48,008	8,389
Interest received on loans from related parties	292	284
Interest received from trade receivables	27	27
Interest paid on loans and finance lease	(923)	(1,205)
Interest paid on lease liabilities	(13)	-
Income tax paid	(1,902)	(1,932)
Dividends paid	(2,711)	(4,623)
Net cash from operating activities	42,778	940
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(29,284)	(43,997)
Proceeds from sale of property, plant and equipment	122	53
Net cash used in investing activities	(29,162)	(43,944)
Cash flows from financing activities		
Proceeds from borrowings	478,772	485,388
Repayments of borrowings	(476,399)	(449,692)
Payments of lease obligations	(93)	20
Net cash from/(used in) financing activities	2,280	35,716
Net increase/(decrease) in cash and cash equivalents	15,896	(7,288)
Cash at the beginning of the period (see note 22)	(23,653)	(16,365)
Cash at the end of the period (see note 22)	(7,757)	(23,653)

Approved for issuance by the Managing Board of Alcomet AD on April 24, 2020.

Huseyin Yorucu (signed)

Huseyin Umut Ince (signed) Executive Directors	Semih Baturay (signed) Financial Director	Vencislav Petrov (signed) Preparer
Stoyan Deevski Registered Auditor	Jock Nunan PricewaterhouseCoopers Audit OOD	

The accompanying notes from p.6 to p.78 are an intergal part of these separate financial statements.

ALCOMET AD

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2019
All amounts in thousand of BGN, unless otherwise stated

	Share capital	Reserves	Retained earnings	Total
Balance at January 1, 2018	17,953	90,653	62,991	171,597
Profit for the period	-	-	13,572	13,572
Other comprehensive income	-	35,411	-	35,411
Total comprehensive income	-	35,411	13,572	48,983
Transactions with owners				
Dividends	-	-	(4,629)	(4,629)
Total transactions with owners	-	-	(4,629)	(4,629)
Other movments				
Revaluation reserve property, plant and equipment written-off, net	-	(443)	443	-
Other	-	-	(4)	(4)
Total other	-	(443)	439	(4)
Balance at December 31, 2018	17,953	125,621	72,373	215,947
Profit for the period	-	-	8,558	8,558
Other comprehensive income	-	(2,200)	-	(2,200)
Total comprehensive income	-	(2,200)	8,558	6,358
Transactions with owners				
Dividends	-	-	(2,714)	(2,714)
Total transactions with owners	-	-	(2,714)	(2,714)
Balance at December 31, 2019	17,953	123,421	78,217	219,591

Approved for issuance by the Managing Board of Alcomet AD on April 24, 2020.

Huseyin Yorucu (signed)

Huseyin Umut Ince (signed)
Executive Directors

Semih Baturay (signed)
Financial Director

Vencislav Petrov (signed)
Preparer

Stoyan Deevski
Registered Auditor

Jock Nunan
PricewaterhouseCoopers Audit OOD

The accompanying notes from p.6 to p.78 are an intergal part of these separate financial statements.

All amounts in thousand of BGN, unless otherwise stated

1 General information

1.1 Legal status

Alcomet AD (the Company) is a joint-stock company registered in Bulgaria in 1991. The Company is entered in the Trade Register of the Registry Agency under UIC 837066358. The address of the Company's principal place of business and head office is Shumen, Second Industrial Zone.

Alcomet AD is a public company, registered in the Public Companies Register, as per decision of the Financial Supervision Commission dated July 1, 1998**.** The Company's shares are traded on the Bulgarian Stock Exchange, Sofia.

The Company was initially established under the name of Alumina EAD and the sole shareholder of the Company was the Government of Bulgaria. On September 13, 1999 the Privatization Agency sold 1,116,361 shares of the Company to private investors, which presented 75 % of the share capital of the Company.

As of December 31, 2019 and 2018 the structure of the share capital of the Company is as follows:

	December 31, 2019	December 31, 2018
Alumetal AD	73.25%	73.25%
FAF Metal Sanayj Ve Ticaret AS, Turkey	16.86%	16.86%
ZUPF Allianz Bulgaria	3.95%	3.75%
Other	5.94%	6.14%
Total	100.00%	100.00%

1.2 Scope of activity

The main operations of the Company include production and sale of castings, rolled and extruded aluminum products, used in machine building, construction, food industry, etc. The Company is the leading Bulgarian producer of aluminum products and one of the largest manufacturers on the Balkans. The plant is unique in Bulgaria as it includes entire production cycle and by the modern technological equipment of the three main workshops - casting, rolling and extrusion, produces a wide range of rolled and extruded products, which technical parameters and quality conform to the international standards ISO 9001:2008, ISO 14000:2004, OHSAS 18000:2007, AA , EN, DIN, BDS. The annual production capacity of the casting workshop is 78 thousand tons, rolling workshop - 48 thousand tons and extrusion workshop - 36 thousand tons.

2 Basis for preparation of the separate financial statements

2.1 2.1Financial reporting framework

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).

2 Basis for preparation of the separate financial statements (continued)

2.1 Financial reporting framework (continued)

The Company has not prepared its consolidated financial statements as of the date of preparation of these separate financial statements for the Company and its subsidiary, as required by IFRS 10. The company has applied the interpretation contained in the memorandum issued by the European Commission - Internal Market and Services on the meeting of the Accounting Regulatory Committee (document ARC / 08/2007), which examines the relationship between the Regulations of the Adoption Regulation of IAS and Company Directives 4 and 7. The European Commission is of the opinion that if the Company selects or is required to prepare its separate financial statements in accordance with IFRSs adopted by the European Union, they may be prepared and presented independently of the preparation and presentation of the consolidated financial statements.

In the consolidated financial statements, the subsidiary will be consolidated. These individual financial statements have been prepared due to the requirements of the legislation in Bulgaria.

In order to gain a complete picture of the financial position, results of operations, as well as changes in the financial position of the Company and its subsidiary as a whole, users of these separate financial statements need to read it together with the consolidated financial statements for the financial year. ending on December 31, 2019, as soon as it is granted.

Bulgarian legislation does not prohibit a decision of the General Meeting of the Company to accept the annual financial statements to be revoked (in due course) and, if necessary, to compile and publish a new amended annual accounting report for the same accounting year.

The preparation of financial statements in conformity with IFRS requires the application of specific accounting estimates. The Company's management is required to make its own judgments and assumptions in applying the accounting policies. Items in the financial statements whose presentation requires a higher degree of subjective judgment, as well as those items for which estimates have a significant effect on the financial statements as a whole, are disclosed separately in Note 3.

(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 January 1, 2019.

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)

Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019)

2 Basis for preparation of the separate financial statements (continued)

2.1 Financial reporting framework (continued)

(a) New and amended standards adopted by the Company (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019)

Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019)

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019)

The Company changed its accounting policy after the adoption of IFRS 16.

The effect of IFRS 16 on the Financial Statements of the Company
The Company decided to apply the Simplified Transitional Approach as at 1 January 2019 and will not recalculate the comparative figures for a year prior to the initial recognition. All rights of use will be measured at the amount of lease receivables (adjusted for any prepaid or accrued lease expenses). This means that 2018 and 2019 amounts are not comparable as they are based on the different accounting policies described in the notes. The adoption of IFRS 16 did not have an effect on equity (retained earnings) as at 1 January 2019.

As of January 1, 2019, the Company recognizes right-of-use assets amounting to BGN 5,503 thousand and a lease liabilities amounting to BGN 3,383 thousand (after adjustments for advance and accrued payments recognized as of December 31, 2018).

The Company's activity as a lessor is not significant and the Company does not expect significant impact on the financial statements.

All other changes of the adopted standards listed above have no impact on the amounts recognized in previous periods and it is not expected to have a significant effect on 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 2019 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 the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

2 Basis for preparation of the separate financial statements (continued)
2.1 Financial reporting framework (continued)

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

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)

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

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021)

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)

Amendments to IAS 1 “Presentation of Financial Statements”: Classification of Liabilities as Current or Non-Current (Effective date January 1, 2020)

2.2 Historical cost and fair value

The present separate financial statements have been prepared under the historical cost convention as modified by the revaluation of land, buildings, machinery, plant and equipment, the fair value of investment property and derivative financial instruments and the present value of retirement liabilities, as specified in Annexes 3.7, 3.9, 3.13 and 3.5 below.

The historical cost is usually based on the fair value of the consideration received in return for goods and services.

2 Basis for preparation of the separate financial statements (continued)

2.2 Historical cost and fair value (continued)

In determining the fair value of an asset or liability, the Company considers the characteristics of that asset or liability if market participants would have considered those characteristics in valuing the asset or liability at the valuation date. The fair value for measurement and / or disclosure purposes in these separate financial statements is determined on this basis, except for share-based payment, which is within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, as well as and estimates that have some similarity to fair value but are not at fair value as net realizable value in accordance with IAS 2 or value in use in accordance with IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 - the input data are quoted prices (unadjusted) on an active market for identical assets or liabilities to which the Company has access at the valuation date;
- Level 2 – input data is different from active market prices included in level 1, which are directly or indirectly available for monitoring;
- Level 3 - input data is unobservable input data for an asset or liability.

2.3 Functional and presentation currency

Functional currency is the currency of the primary economic environment, in which an entity operates and in which it generates and expends cash. The entity carries out its transactions mainly in Bulgarian Lev, and for this reason the functional and presentation currency is the Bulgarian Lev, which since January 1, 1999 has been pegged to the EURO at a fixed exchange rate of EUR 1: BGN 1.95583.

These separate financial statements have been prepared in thousands of BGN, unless otherwise stated.

2.4 Going concern basis

The separate financial statements of the Company have been prepared on the going concern basis, which assumes that the Company will continue in operation for the foreseeable future. The company has realized profit after taxes for 2019 in the amount of BGN 8,558 thousand (2018: BGN 13,572 thousand), positive cash flows from operating activities for 2019 in the amount of BGN 42,778 thousand (BGN 940 thousand) and net short-term assets in the amount of BGN 26,797 thousand (2018: BGN 42,577 thousand). As of December 31, 2019, the Company has short-term bank loans of BGN 66,783 thousand (2018: BGN 75,385 thousand). Most of the maturities of short-term bank loans have been renegotiated for 2021, and the rest are in the process of renegotiation. Based on the assessment of the expected future cash flows, the Company's management believes that the going concern principle should be applied in the preparation of these separate financial statements and, therefore, will be able to settle its liabilities in the normal course of its business.

Despite what is happening on the market caused by COVID-19, which occurred after the date of preparation of the separate financial statements, the management came to the conclusion that there is no uncertainty regarding the ability of the Company to continue its activities. For more details on the current situation, see Note 34 Events after the date of the separate financial statements.

3 Significant accounting policies

3.1 Revenue and expense recognition

Revenues from contracts with clients

Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Revenue is only recognized to the extent that it is highly probable that a significant reversal would not occur. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Expenses

Expenses are recognized in the income statement when a decrease of the future economic benefits arise, regarding decrease of an asset or increase of a liability, which can be reliably measured. Expenses are recognized on the basis of a direct association between the costs incurred and the revenue.

When economic benefits are expected to incur during more than one financial period and the corresponding revenue cannot be measured precisely but only indirectly, the expenses shall be recognized based on procedures for rational and systematic allocation.

Income from government grants

Income from government grants related to assets is recognized in profit or loss on a systematic basis over the whole useful lives of the related assets (see also note 3.15).

3.2 Interest income

Interest income is accrued on a time basis, based on the outstanding principal and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the asset.

3.3 Borrowing costs

Borrowing costs are recognized in the period in which they are incurred and are determined on the basis of the outstanding principal and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the liability.

3 Significant accounting policies (continued)

3.3 Borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset, that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the asset in accordance with the requirements of IAS 23 Borrowing costs. The borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are those borrowing costs that would have been avoided, if the expenditure on the qualifying asset had not been made.

The amount of borrowing costs eligible for capitalization is determined as the actual borrowing costs incurred on the borrowings during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred**.** Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

3.4 Foreign currency

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the closing exchange rates of the Bulgarian National Bank. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported as current financial income or current financial expense in the period in which they arise.

3.5 Employee benefits

Short-term employee benefits

Labor and social relationships between the employees and the Company are arranged under the provisions of the Labour Code (LC) and the social security legislation requirements enforceable in the Republic of Bulgaria.

Short-term employee benefits including remunerations, bonuses and social payments and benefits (payable within 12 months after the period in which employees have rendered their service or satisfied the necessary conditions) are recognized as an expense in the income statement for the period in which the service is rendered or the vesting conditions are met, and as a current liability (after reduction of any amounts paid and deductions) to its undiscounted amount. The Company's contributions for social security and health insurance are recognized at their undiscounted amount as current expense and liability together with and for the period, when the respective employee benefits are accrued.

3. Significant accounting policies (continued)

3.5 Employee benefits (continued)

Unused paid annual leaves accruals

As of the reporting period end, the Company recognizes as a liability the undiscounted amount of the estimated expenses on paid leaves, expected to be paid to employees during following reporting periods as compensation to their labor in the previous reporting period, as well as the respective to these accruals expenses on social security contributions.

Long-term employee benefits

Defined contributions plan

The Bulgarian government has responsibility to ensure retirement benefits based on definite contributions. Expenses, concerning the Company's responsibility to transfer installments on the definite contributions plan, are recognized in the income statement for the period in which they arise.

Additionally, the Company takes part in a defined contributions plan, which is a retirement plan. The Company pays additional defined contributions to an independent company (pension fund) in favor of the employees, included in the plan and has no legal or constructive obligation to pay additional contributions in case the fund has insufficient assets to pay all employees the compensations, regarding their length of service from the current or previous periods. The Company's contributions for this definite contributions plan are reported in the income statement for the respective period and are included in employee benefits.

Defined benefits plan

Under the provisions of the Labor Code, the employees are entitled to retirement benefits amounting to two gross monthly salaries on attainment of retirement age if the accumulated length of service in the Company is under 10 years, or six gross monthly salaries if the length of service in the Company is over 10 consecutive years.

Additionally, on early retirement due to disability, the employees are entitled to benefits amounting to two monthly salaries, provided that their length of service is at least five years, and they have received no other such benefits during the last five years of service. Based on the Company's Collective Labor Agreement dated 2006, the employees that due to disease are disabled to perform the work assigned and in case of length of service over ten consecutive years, are entitled to an additional benefit from the Company, amounting to one minimal monthly salary determined for the country.

The retirement benefits liability presents the present value of the defined retirement benefits liability as of the date of the statement of financial position. The present value of the defined liability is estimated based on the expected future cash outflows, using the interest rate of the government bonds, which have a maturity term similar to the maturity of the respective liability.

3. Significant accounting policies (continued)

3.5 Employee benefits (continued)

Defined benefits plan (continued)

By the use of the Projected Unit Credit Method:

- is determined what portion of the benefits is attributable to the current period and the portion for previous periods, and estimates are made (actuarial assumptions) about demographic variables (such as employee turnover and mortality of employees) and financial variables (such as future increases in salaries and expenses on medical services) that will affect the cost of the benefits;
- so defined benefits are discounted to determine the present value of the obligation for defined benefits and the expenses for current service cost;

The current and past service costs and the interest on the liability of the defined benefits plan are recognized in profit or loss for the period.

Revaluations of liabilities on the defined benefits plan (actuarial gain or loss) are recognized through other comprehensive income in equity as a reserve for retirement benefits liabilities. Released from this reserve amounts are transferred through other comprehensive income to retained earnings.

Pension costs are charged or reflected in profit or loss for the period of service of the respective employees. Past service costs are recognized immediately to the extent that the benefits are already vested.

The amount of the retirement benefits obligation, reported in the statement of the financial position represents the present value of the defined benefits obligation of the Company.

3.6 Taxation

According to the Bulgarian tax legislation, the Company is subject to corporate income tax. The corporate income tax rate for 2019 and 2018 is 10 % on the taxable profit.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before taxes as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s current tax expense is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilized.

3. Significant accounting policies (continued)

3.6 Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Furthermore, at the end of each reporting period deferred tax assets not-recognized in previous reporting periods are reviewed. Such assets are recognized to the extent that it is probable to generate sufficient taxable profit in future, against which the deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is recognized charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.7 Property, plant and equipment

Property, plant and equipment are initially carried at cost, including purchase cost and any related costs, less any subsequently accumulated depreciation and any impairment losses.

After initial recognition, land, buildings, plants and equipment are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by licensed appraisers with sufficient regularity so that the carrying amounts do not differ materially from that which would be determined using fair values at the end of each reporting period. The other categories of property, plant and equipment are subsequently reported at cost of acquisition, reduced by the amount of accrued depreciation and any subsequent impairment loss.

Increases in the carrying amount of assets as a result of the revaluation are credited directly to equity as a revaluation surplus. Decreases in carrying amounts of assets as a result of the revaluation are recognized as expenses. However, a revaluation decrease is debited directly to revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of those assets. The accumulated depreciation of revalued assets at the date of the revaluation is restated proportionally with the change in the gross carrying amount of the assets, so that the carrying amount of the assets after the revaluation equals the revalued amount.

On subsequent disposal of a revalued property, plant and equipment the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings, net of deferred taxes. At the end of each reporting period the management of the Company analyzes the transfer value of property, plant and equipment for which no valuations have been prepared by a licensed appraiser and assesses the existence of indications for their possible impairment.

All amounts in thousand of BGN, unless otherwise stated

3 Significant accounting policies (continued)

3.7 Property, plant and equipment (continued)

Land and buildings, which are held to earn rentals are presented as investment property (see also note 3.9 and note 18).

The depreciation charge starts after putting the respective assets into operation and commences on the earlier of their date of reclassification as held for sale, as required by IFRS 5 Non-current assets held for sale and discontinued operations and their date of disposal. Depreciation of property, plant and equipment is charged over their estimated useful lives under the straight-line method. The estimated useful lives of the assets in years are, as follows:

	2019	2018
Buildings	25 - 30	25 - 30
Plant and equipment	5 - 17	5 - 17
Vehicles	10	10
Office equipment	6-7	6-7
Other non-current assets	5	5

Depreciation is not provided for land, fully depreciated assets and assets in process of acquisition or construction.
Assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

3.8 Intangible assets

Intangible assets are carried at cost less accumulated amortization and any subsequent impairment losses.

Amortization of intangible assets is charged over their estimated useful lives, under the straight-line method, which period is from 2 to 7 years.

European Union Emissions Trading Scheme and emission reduction units of greenhouse gases

The EU Allowances (EUA), received under the National Plan for allocation of allowances for trade with emissions of greenhouse gases, are reported as intangible assets. Upon their initial acquisition, the allocated allowances for emissions of greenhouse gases are recognized as intangible assets at nominal value (zero value). The purchased allowances are recognized upon their acquisition at purchase price. The allowances for emissions of greenhouse gases are not depreciated.

As at the end of each reporting period, for the amount of greenhouse gases emitted during the period over the available distributed and purchased allowances, the Company recognizes a liability in the statement of financial position. The liability is valued at cost of the allowances purchased, used to cover the excess and on market prices as at the date of the statement of financial position for the excess over the available allowances, as the liability amount and the changes therein are recognized in profit or loss for the reporting period.

3 Significant accounting policies (continued)

3.9 Investment properties

Investment property is property held to earn rentals and is carried at fair value. As a part of property, plant and equipment of the Company, investment properties are revaluated to their fair value by licensed appraisers to the date of their classification as investment property. If an asset's carrying amount is increased as a result of such revaluation, the increase is credited directly to equity as revaluation reserve.

The revaluation decrease is recognized in the income statement or is debited directly to equity as revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. After transfer of assets to investment property, subsequent gains or losses from changes in fair value are recognized in the net profit for the period when they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is calculated as the difference between the disposal proceeds and the carrying amount of the asset and is included in the income statement.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.10 Impairment of property, plant and equipment, intangible assets and investment properties

At the end of the reporting period, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and investment properties to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the recoverable amount of an asset cannot be reliably measured, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized as expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 Significant accounting policies (continued)

3.10 Impairment of property, plant and equipment, intangible assets and investment properties (continued)

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is recognized in the income statement but only to the extent to which it has been recognized there in prior periods and the difference is treated as a revaluation reserve increase.

3.11. Investment in subsidiaries

The Company reports its investment in subsidiary at historical cost in these separate financial statements.

3.12 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost comprises all costs of purchase, transportation, customs duties and other related costs.

Net realizable value represents the estimated selling price less all estimated costs for completion and costs to sell.

The costs of conversion of inventories include costs directly attributable to the units of production. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The costs of conversion of each product, which are not separately identifiable, are allocated between the products on a rational and consistent basis.

Assignment of the cost is determined on a weighted average basis.

3.13 Financial instruments

Financial assets

(i) Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

(i) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

The company classifies its financial assets as measured at amortised cost only if the following requirements are met:

- Asset is held as part of a business model for collection of contractual cash flows;
- The conditions agreed upon generate cash flows, which are only for interest and principal repayment

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

Initial recognition

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. The company classifies its debt instruments into the following category:

3 Significant accounting policies (continued)

3.13 Financial assets (continued)

Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(Iosses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The company subsequently measures all equity investments except for investments in subsidiaries, at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. (for more details please see note 31)

Trade receivables from related parties and receivables from loans from related parties are subject to individual credit risk assessment, which takes into account the available qualitative and non-statistical quantitative information. Impairment is determined based on expected credit losses using a "three-step" approach.

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

Investments and other financial assets (continued)

(iv) Impairment (continued)

The Company follows a three-stage model for impairment for financial assets other than the trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition. The expected credit losses are determined based on the probability of default within 12 months (i.e. the entire expected credit loss multiplied by the probability that the loss will occur within the next 12 months);
- Stage 2 – comprises balances for which there has been a significant increase in credit risk since initial recognition but which do not have objective evidence of impairment; the expected credit losses are determined based on the probability of default over the entire contractual period (lifetime);
- Stage 3 – comprises balances with objective evidence of impairment.

Trade receivables are classified either to Stage 2 or Stage 3:

- Stage 2 – comprises receivables for which the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3;
- Stage 3 – comprises trade receivables which are overdue more than the normal operating cycle or individually identified as impaired.

Financial assets are derecognised, in whole or in part, when the Company has substantially exhausted all ways of collecting them or there is no realistic expectation that they will be collected. This usually happens after they are at least 5 years overdue.

The Company considers the following indicators for assessing a significant increase in the credit risk of the loans:

- the loan is overdue by at least 30 days;
- there have been legislative, technological, or macroeconomic changes with a significant negative impact on the borrower;
- there is information about significant adverse events in relation to the loan or other loans of the same borrower with other lenders, such as termination of loans, breach of covenants, renegotiations due to financial difficulties, etc.;
- the borrower has lost a significant customer or a supplier or otherwise experienced significant adverse changes in its market.

Financial liabilities

Financial liabilities are recognized in the statement of financial position of the Company in case it becomes a party to the contractual relationship of the respective instrument. Financial liabilities are written off from the statement of financial position when and only when they are repaid - ie. the obligation specified in the contract has been terminated, canceled or its term has expired.
Upon initial recognition, financial liabilities are measured at fair value plus all transaction costs that arise as a result, except for financial liabilities at fair value through profit or loss.

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

(iv) Impairment (continued)

Financial liabilities (continued)

Financial liabilities include trade and other payables, loans received, finance lease liabilities and derivative financial instruments. The classification in the respective group depends on the purpose and term with which the respective contract has been concluded.

Debt instruments and equity instruments issued by the Company are classified as financial liabilities or as equity according to the nature of the terms of the contracts and the definitions of financial liabilities and equity instruments. Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.13.1 Cash and cash equivalents

For the purposes of cash flow presentation, cash and cash equivalents represent unrestricted cash on hand and at banks, deposits maturing within 3 months. For the purposes of the cash flow statement presentation cash receipts from customers and cash payments to suppliers are presented as gross amounts, including value added tax (VAT). VAT on purchase of property, plant and equipment and intangible assets is presented as payments to suppliers in the cash flows from operating activities. Bank overdrafts and restricted cash are stated as decrease in cash and cash equivalents in the statement of cash flows.

3.13.2 Investments in subsidiaries and loans granted

Investments are non-tradable and are stated at cost less impairment loss, if any.
Long-term loans granted are initially carried at fair value and subsequently measured at amortized cost using effective interest rate, which, due to the substance of the loan agreement, coincides with the interest rate negotiated.

3.13.3 Trade and other receivables

Trade receivables represent amounts due from customers for the supply of inventories or services that are performed as part of the normal activity of the Company. They are generally due for repayment within one year and are therefore all classified as current. Trade receivables are initially recognized at the unconditional price, unless there is a significant component of financing, in which case they are recognized at fair value. The Company holds trade receivables for the purpose of obtaining agreed cash flows and therefore measures them subsequently at amortized cost using the effective interest rate model. For current receivables that will be settled within the normal credit terms, their amortized cost is approximately equal to their nominal value.

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.4 Trade and other payables

Trade and other payables incurred as a result of purchases of goods or services, which are not classified as financial liabilities measured at fair value through profit or loss, are stated in the statement of financial position at amortized cost, calculated under the effective interest rate method. For current payables, which will be settled within normal credit terms, the amortized cost approximates their nominal value.
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3.13.5 Borrowings and leasing

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

3.13.6 Interest rate risk

Interest rate risk is the risk that the value of the Company's borrowings will fluctuate due to changes in market interest rates. Part of the Company's borrowings are contracted at a floating interest rate and thus expose the Company to eventual interest rate risk (see also notes 26 and 31).

3.13.7 Credit risk

Financial assets, which potentially expose the Company to credit risk, consist mainly of trade receivables and advance payments. The Company is primarily exposed to credit risk in the event where its customers fail to perform their obligations. The Company's policy is to enter into sales transactions with customers having favorable credit reputation. In addition, the trade receivables are secured against future risks by credit limits, which are defined by the insurance company based on preliminary client research. The Company would receive 90 % of the respective trade receivable as a compensation, if the clients fail to pay their obligations (see also note 31).

3.13.8 Foreign currency risk

The Company enters into international transactions related mainly to the purchases of raw materials, sales of finished goods and loans (see note 2.3). Metal hedge operations are completed at cross currency rates to eliminate the currency risk between the selling price currency and purchase currency of metals for each order. Therefore, metal hedge operations cover both risk associated with changes in market prices of the metals on the London Metal Exchange and foreign currency risk (see also notes 24 and 31).

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

3.13.9 Liquidity risk

The liquidity risk arises from the time difference in the contracted maturities of the monetary liabilities and the possibility that the liabilities are not settled on maturity. The Company manages this risk by using appropriate methods of planning, including providing overdrafts, daily liquidity reports, short-term and mid-term cash flows forecasts (see also note 31).

3.13.10 Derivative financial instruments

The Company uses forward contracts to hedge the risks associated with the market prices of aluminum on the London Metal Exchange. These contracts are classified as cash flow hedging instruments because they hedge the degree of risk of fluctuations in cash flows as a result of the specific risk associated with planned sales and purchases. Derivative financial instruments are initially recognized at fair value at the date of the contract and are subsequently measured at their fair value at the end of each reporting period. The fair value of forward contracts is determined based on the current prices of those contracts on the London Metal Exchange.
Unrealized gains or losses on forward contracts that are classified as effective are reported through other comprehensive income and accumulated in a hedging reserve. When a hedged transaction affects the net gain or loss, unrealized gains or losses previously carried in a hedging reserve are included in the cost of the inventory acquired.

3.14 Accruals

Accruals are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Accruals are measured at the management's best estimate of the expenditure required to settle the obligation at the date of the separate financial statements, and are discounted to present value where the effect is material.

3.15 Government grants

Government grants (financing, government grants), are assistance by the government, government agencies and similar bodies in the form of transfers of resources to the Company in return for future compliance with certain conditions relating to the operating activities of the Company. Government grants may be (i) related to assets and (ii) related to income.

Government grants are recognized when there is reasonable assurance that: (i) the Company will comply with the conditions attaching to them; and (ii) the grants will be received.

All amounts in thousand of BGN, unless otherwise stated

3 Significant accounting policies (continued)

3.15 Government grants (continued)

The government grants received by the Company are related to assets and the main condition is to purchase, produce or acquire in other manner property, plant and equipment. They are presented in the statement of financial position as deferred income, that are recognized as income on a systematic and rational basis over the useful life of the acquired assets.

Grants related to income are presented as part of profit or loss in the income statement as other income.

3.16 Leases – the Company as a Lessee

The Company has adopted IFRS16 Leases from 1 January 2019, which has resulted in changes in the accounting policies and adjustments to the amounts recognised in the financial statements.

IFRS 16 Leases was issued in January 2016. It resulted in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

In accordance with the transitional provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on 1 January 2019. Comparatives for the 2018 financial year have not been restated.

(a) The effect from adoption of IFRS 16 on the Company's financial statements

On adoption of IFRS 16, the company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted as of January 1, 2019 using the Company's financing interest rate specified in the lease contracts. The weighted average incremental borrowing rate of the Company applied to the lease liabilities on 1 January 2019 was 1.65%.

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	155
Discounted using the company's incremental borrowing rate of 1.65%	(3)
Add: Finance lease liabilities recognized as at 31 December 2018	3,383
Add: Finance lease liabilities recognized as at 31 December 2018	(152)
Lease liability recognized as at 1 January 2019	3,383
Of which are:	
Current lease liabilities	592
Non-current lease liabilities	2,791

3 Significant accounting policies (continued)

3.16 Leases – the Company as a Lessee (continued)

(a) The effect from adoption of IFRS 16 on the Company's financial statements

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The initial value of the right-of-use assets as of January 1, 2019 is equal to the assets classified as property, plant and equipment as at 31 December 2018, acquired under a finance lease (see Notes 16 and 16.1).

The first-time application of IFRS 16 affected the following balance sheet items as at 1 January 2019:
- Right of use assets – increase by BGN 5,503 thousand;
- Lease liabilities – increase by BGN 3,383 thousand;
- Property, plant and equipment – decrease by BGN c 5,503 thousand;
- Investment property – increase by BGN 3,383 thousand;
- There was no impact on retained earnings on 1 January 2019.

Practical expedients applied:
In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:
- reliance on previous assessments on whether leases are onerous, according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets;

(b) Accounting policies applied from 1 January 2019

Until the 2018 financial year payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining 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 on a straight-line basis.

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:

3 Significant accounting policies (continued)

3.16 Leases – the Company as a Lessee (continued)

(b) Accounting policies applied from 1 January 2019 (continued)

- fixed payments (including in-substance 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.

Depreciation on assets acquired under finance lease is calculated over their estimated useful lives on the same basis as their own assets (see Note 16.1). In cases where there is uncertainty about the transfer of ownership at the end of the lease term, the assets are depreciated within the shorter of the lease term and their expected useful life.

3 Significant accounting policies (continued)

3.16 Leases – the Company as a Lessee (continued)

(b) Accounting policies applied from 1 January 2019 (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.

(c) Accounting policies applied until 31 December 2018

A lease contract is classified as a finance lease when the risks and rewards of ownership of the asset have been transferred substantially to the lessee. All other contracts are classified as operating leases.

Assets leased under finance contracts are recognized as an asset in the statement of financial position at the lower of the present value of the minimum lease payments and their fair value at the acquisition date. The related liability to the lessor is reflected in the statement of financial position as a finance lease liability. Financial expenses that represent the difference between the total amount of lease payments and the fair value of the assets acquired are recognized in the income statement using a constant interest rate on the residual balance of the lease liability.

(d) The Company's leasing activities

The Company leases various properties. Leases are negotiated on an individual basis and for each machine, the Company enters into a separate financial lease agreement. The contracts for all rented machines and equipment have the same conditions.
The main lease features are summarised below:

- Retail stores are rented for a fixed period of 5 to 7 years.
- The contracts contain an option to renew the lease;
- Lease payments are fixed.

The lease agreement have the following covenants:Договорите за лизинг имат следните ковенанти:

- The lessee may distribute a dividend only upon notification to the lessor;
- The lessee must maintain certain financial ratios until the full repayment of the obligation to the lessor.

Leased assets are used as collateral under finance leases.

3 Significant accounting policies (continued)

3.16 Leases – the Company as a Lessee (continued)

(d) Variable lease payments (continued)

The Company is a party to lease agreements only with certain fixed lease payments.

(e) Extension and termination options

The lease agreements to which the Company is a party have a fixed term without options for extension or termination.

(f) Residual value guarantees

The company does not provide residual value guarantees in relation to equipement leases.

(g) Short-term leases

The company has only short-term real estate leases (apartments and warehouses) for which the cost are recognised on a straight-line basis during the reporting period. The total cost of the company's short-term leases as of December 31, 2019 is BGN 0.

3.17 Critical accounting judgements and key sources of estimation uncertainty

The application of IFRS requires management to apply certain accounting assumptions and accounting estimates that affect the reported values of assets, liabilities and disclosures of contingent assets and liabilities at the end of the reporting period and the reported values of income and expenses during the reporting period. These estimates are based on the information available at the date of preparation of the separate financial statements, and the actual results may differ from these estimates.

The key assumptions about the future and other sources of uncertainty about the estimates at the end of the reporting period that have a serious risk of leading to significant adjustments in the carrying amount of assets and liabilities within the next financial year are: useful life and fair value of property, plant and equipment (Annex 3.7); asset impairment (Note 3.10), fair value of investment property (Note 3.9), retirement benefit obligations (Note 3.5), fair value of derivative financial instruments and impairment of financial assets (Note 3.13).

All amounts in thousand of BGN, unless otherwise stated

4 Revenue

Revenue can be analyzed by markets as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Export	328,840	343,784
Domestic	18,349	18,560
Total revenue	347,189	362,344

Revenue can be analyzed by products as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Foils	152,001	171,383
Extrusion, pipes and other	119,120	121,189
Strip and sheets	76,068	69,772
Total revenue by products	347,189	362,344

5 Cost of sales

Cost of sales consists of the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Materials, fuels, electricity and hired services	274,762	299,839
Personnel costs	22,128	19,700
Depreciation	14,528	12,835
Other	453	470
Changes in inventories of work in progress and finished goods, net of capitalized expenses	(1,169)	(10,833)
Total cost of sales	310,702	322,011

Cost of sales can be analyzed by products as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Foils	126,407	144,342
Extrusion, pipes and other	107,042	107,102
Strip and sheets	77,253	70,567
Total cost by products	310,702	322,011

All amounts in thousand of BGN, unless otherwise stated

6 Other income

Other income consists of the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Sales of materials	3,076	3,634
Insurance income	142	135
Sales of services	514	362
Payables written-off	152	1
Income from rents	137	81
Income from government grants	130	130
Other	442	170
Total other income	4,593	4,513

7 Administrative expenses

Administrative expenses consist of the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Personnel expenses	7,528	7,281
Depreciation	637	576
Insurance expenses	694	565
Repairs and maintenance	381	404
Security	570	545
Transportation and business travels	467	334
Taxes	368	324
Donations	617	451
Ecology	466	576
Materials	111	143
Communication expenses	86	72
Receivables written-off	155	1
Consulting services	202	173
Fines	13	3
Rents	86	90
Entertainment expenses	199	110
Other	591	359
Total administrative expenses	13,171	12,007

Expenses on audit of the financial statements of the Company, presented as part of the administrative expenses for 2019 and 2018 amount to BGN 63 thousand and BGN 43 thousand, respectively.

All amounts in thousand of BGN, unless otherwise stated

8 Distribution expenses

Distribution expenses are, as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Transportation	9,620	8,806
Sales commissions	2,330	1,894
Personnel expenses	1,101	945
Claims paid	437	415
Insurances	209	541
Advertisement expenses	193	406
Materials	86	152
Depreciation	37	31
Other	253	211
Total distribution expenses	14,266	13,401

9 Other expenses

Other expenses are, as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of materials and services sold	2,317	3,023
Impairment of investment property	37	252
Loss on sales of property, plant and equipment	71	43
Total other expenses	2,425	3,318

10 Operating expenses by nature

The expenses classified by function can be further analyzed by nature, as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Materials	276,156	303,241
Personnel costs	30,378	27,040
Depreciation and amortization	15,172	13,044
Hired services	16,460	15,136
Other expenses	3,530	2,857
Impairment of property, plant and equipment and investment properties	37	252
Changes in inventories of finished goods and work in progress	(1,169)	(10,833)
Total	340,564	350,737
Cost of sales	310,702	322,011
Administrative expenses	13,171	12,007
Distribution expenses	14,266	13,401
Impairment of assets under construction and investment properties (Other expenses)	37	252
Assets written-off (Other expenses)	71	43
Cost of materials sold (Other expenses)	2,308	2,997
Cost of services (Other costs)	9	26
Total	340,564	350,737

All amounts in thousand of BGN, unless otherwise stated

11 Foreign exchange rate gain/ (loss), net

Foreign exchange rate gain/(loss), net comprises the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Foreign exchange rate gain	286	1,331
Foreign exchange rate loss	(345)	(385)
Total foreign exchange rate loss/gain, net	(59)	946

12 Interest expenses, net

Interest expenses, net include the following:

	Year ended December 31, 2019	Year ended December 31, 2018
Interest expenses on loans	(1,113)	(1,398)
Interest expenses on lease liabilities (Note 26.1)	(13)	-
Interest income	27	27
Interests on retirement benefits	(13)	(14)
Total interest expenses, net	(1,112)	(1,385)

In 2019, interest expenses in the amount of BGN 771 thousand were capitalized in the value of assets eligible for capitalization. (2018: BGN 656 thousand).

13 Other financial expenses, net

	Year ended December 31, 2019	Year ended December 31, 2018
Bank charges	(517)	(594)
Total other financial expenses, net	(517)	(594)

14 Income taxes

The deferred tax assets and liabilities accrued, are as follows:

	December 31, 2017	Other comprehensive income	(Expense)/ income in profit or loss	December 31, 2018
Deferred tax assets:				
Expenses related to employee benefits	166	4	(1)	169
Accruals for remunerations	25	-	(2)	23
Derivative financial instruments	78	(78)	-	-
Total deferred tax assets	269	(74)	(3)	192

All amounts in thousand of BGN, unless otherwise stated

14 Income taxes (continued)

The deferred tax assets and liabilities accrued, are as follows:

	December 31, 2017	Other comprehensive income	(Expense)/ income in profit or loss	December 31, 2018
Deferred tax liabilities:				
Property, plant and equipment	6,173	3,699	(565)	9,307
Investment properties	200	-	(25)	175
Derivative financial instruments	-	162	-	162
Total deferred tax liabilities	6,373	3,861	(590)	9,644
Total deferred tax liabilities, net	6,104	3,935	(587)	9,452

	December 31, 2018	Other comprehensive income	(Expense)/ income in profit or loss	December 31, 2019
Deferred tax assets:				
Expenses related to employee benefits	169	25	(14)	180
Accruals for remunerations	23	-	(1)	22
Derivative financial instruments	-	56	-	56
Total deferred tax assets	192	81	(15)	258

	December 31, 2018	Other comprehensive income	(Expense)/ income in profit or loss	December 31, 2019
Deferred tax liabilities:				
Property, plant and equipment	9,307	-	(695)	8,612
Investment properties	175	-	(5)	170
Derivative financial instruments	162	(162)	-	-
Total deferred tax liabilities	9,644	(162)	(700)	8,782
Total deferred tax liabilities, net	9,452	(243)	(685)	8,524

14 Income taxes (continued)

A reconciliation of the effective tax rate is provided in the table below:

	Year ended December 31, 2019	Year ended December 31, 2018
Profit before taxation	9,530	15,087
Tax rate	10%	10%
Income tax	(953)	(1,509)
Tax effect of permanent differences	(19)	(6)
Income tax expense	(972)	(1,515)
Effective tax rate	10.2%	10.04%

Income tax expense is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Current tax expense on taxable profit	(1,657)	(2,102)
Deferred tax income from origination and reversal of temporary differences during the current period	685	587
Income tax expense	(972)	(1,515)

Deferred tax for 2019 and 2018 charged directly to equity amounts to BGN 243 thousand and BGN 3,935 thousand, respectively (see also the Statement of comprehensive income).

15 Earnings per share

Earnings per share are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Average number of shares	17,952,959	17,952,959
Profit for the period (BGN'000)	8,558	13,572
Earnings per share (BGN)	0.48	0.76

All amounts in thousand of BGN, unless otherwise stated

16 Property, plant and equipment

Property, plant and equipment, owned by the Company, are as follows:

	Land and Buildings	Plant and Equipment	Vehicles and other	Assets under construction	Total
Cost or revalued amount					
Balance at December 31, 2017	**38,751**	**221,742**	**3,372**	**39,414**	**303,279**
Acquisitions	-	2,270	542	42,187	44,999
Disposals	-	(469)	-	-	(469)
Increase due to revaluation	20,038	17,157	43	-	37,238
Decrease due to impairment	(134)	(118)	-	-	(252)
Balance at December 31, 2018	**58,655**	**240,582**	**3,957**	**81,601**	**384,795**
Adjustment for change in accounting policy (IFRS 16)	-	(737)	-	(4,818)	(5,555)
Balance as of January 1, 2019 after adjustment	**58,655**	**239,845**	**3,957**	**76,783**	**379,240**
Acquisitions	-	728	337	25,792	26,857
Disposals	-	(213)	(214)	-	(427)
Transerred	-	19,334	-	(19,334)	-
Balance at December 31, 2019	**58,655**	**259,694**	**4,080**	**83,241**	**405,670**
Accumulated depreciation and impairment					
Balance at December 31, 2017	**(19,528)**	**(122,175)**	**(2,370)**	**-**	**(144,073)**
Depreciation for the period	(1,192)	(11,539)	(273)	-	(13,004)
Written-off	-	377	-	-	377
Balance at December 31, 2018	**(20,720)**	**(133,337)**	**(2,643)**	**-**	**(156,700)**
Adjustment for change in accounting policy (IFRS 16)	-	52	-	-	52
Balance as of January 1, 2019 after adjustment	**(20,720)**	**(133,285)**	**(2,643)**	**-**	**(156,648)**
Depreciation for the period	(1,817)	(12,818)	(283)	-	(14,918)
Written-off	-	17	214	-	231
Balance at December 31, 2019	**(22,537)**	**(146,086)**	**(2,712)**	**-**	**(171,335)**
Carrying amount at December 31, 2018	37,935	107,245	1,314	81,601	228,095
Carrying amount at January 1, 2019	37,935	106,560	1,314	76,783	222,592
Carrying amount at December 31, 2019	36,118	113,608	1,368	83,241	234,335

As of December 31, 2019 the Company has assets in process of acquisition related to purchase of equipment and construction works at the amount of BGN 83,241 thousand (December 31, 2018: BGN 81,601 thousand). The total amount of the investment is EUR 50 million, which includes the three main workshops – the casting, rolling and extrusion shops.

16 Property, plant and equipment (continued)

The planned investments are connected to the increase of capacity, diversifying the product range, increase of production efficiency, optimization and improvement of technical and technological parameters of the processes and ensuring higher quality of rolled and extruded products.

The investments are expected to be as follows:

1. Assembling of a new cold rolling mill for rolling strip
2. Assembling of the following ancillary equipment connected to the operation of the cold rolling mill:
   - Filter system for purification of oil aerosols from the emissions into the atmosphere from the cold rolling mill
   - Machine for coil slitting
   - Two gas furnaces for annealing of coils with servicing operator
   - Cooling chamber for coils after annealing
   - Cooling tower for circulating water – 3 cooling towers
   - Two gas furnaces for annealing foil
   - Assembling of a machine for grinding of working shafts
3. Reorganization of the 3 electric furnaces for aluminum foil annealing for operation with natural gas in the rolling shop
4. Assembling of furnace for artificial aging of profiles in the extrusion shop

After completing the overall investment program, the total volume of production of the Company is expected to increase by a minimum of 35 % with retaining the same level of profitability.

As of December 31, 2018 a valuation of the Company's buildings, plant and equipment was performed by a licensed appraiser, to determine the fair value of buildings, plant and equipment. The valuation was performed in accordance with the International Valuation Standards in compliance with the following assessment approaches and methods:

Approaches and methods in land and building valuation

Revenue approach

Method of capitalization of future cash income

According to the method of capitalization of future cash income, the market value is calculated based on the assessment of the expected future return on the site. As an indicator of the income of the real estate, for the purposes of this valuation, the incomes from the renting of similar properties on the market are accepted. The method includes the following calculations:

- - Determining the gross income received from renting the building on the basis of similar properties on the market;
- Calculation of deductions from gross income, which are the risk of dropping out of rent and non-rent, operating costs for management and maintenance of the building and fixed costs - building tax, garbage tax, insurance;
- Calculation of net rental income;
- Determining the rate of capitalization of net rental income;
- Determining the capitalization multiplier of the expected income based on the residual life of the building and the capitalization rate;
- Conversion of net income into the value of real estate;
- Deduction of the necessary investment costs;
- Determining the final value of the property by the Method of future cash income.

16 Property, plant and equipment (continued)

Market approach

Method of market analogues

The method of market analogues aims to determine the value of the property based on the price of comparable objects on summarized indicators, taking into account the specific features of the particular object. The procedures of the method allow on the basis of the so-called market multipliers to reach an estimate for the market value of the assessed object, using the information for the market price of the reference properties.

The reference properties should be similar, analogous to the assessed by location, method of construction and degree of completion. In order for a property to be selected as a benchmark, its price must be known - this can be information from sales that have already taken place or information about offering similar properties, which can serve as a guide after making a selection based on expert opinions of brokers from real estate agencies and a number of assumptions are accepted.

Information from real estate agencies was used to determine the market value of the land. The obtained data, based on proposals for sale of undeveloped properties in the area of the appraised, depend on the location of the property, the size of the plot and the degree of construction of the engineering infrastructure. In order to achieve maximum market adequacy, an additional adjustment was made with a correction factor for construction, as construction was performed in the assessed properties of Alcomet AD.

To determine the market value of the buildings, information from real estate agencies in the town of Shumen was used, as well as information from specialized websites. As a direct comparison is not possible due to differences in the size of the properties and their location, certain assumptions have been used:

- Sales ratio - reports the market realization of the property;
- Furnishing ratio - takes into account the included furniture;
- Coefficient of operation - reports the operation of the property;
- Coefficient for technical conformity - takes into account the differences in the technical implementation of the finishing works and the degree of maintenance;
- Coefficient for area - takes into account the difference in areas between the analogue and the assessed property;
- Coefficient for location - takes into account the location of the property.

All amounts in thousand of BGN, unless otherwise stated

16 Property, plant and equipment (continued)

Approaches and methods in the evaluation of machinery, equipment and vehicles

Cost approach

Amortized replacement value method

Due to the specific nature of the machinery and equipment, as well as the fact that some of them are manufactured specifically for the Company according to technical specifications and in the absence of such assets to be freely available on the market, the appraiser used the historical value of the assets which is considered to be the best estimate of their replacement value.

The fair market value of an individual asset is the impaired replacement value due to its physical, moral and economic depreciation.

The following techniques are used to determine physical depreciation:

- Observations (expert inspection) - according to the developed quality scale the physical depreciation, respectively suitability of the assets is determined;
- Calculation of the ratios - the coefficient of physical suitability is determined as a ratio of the expertly determined residual term and the total service life;

The moral depreciation reflects the loss of value of the equipment due to differences: in construction, materials, accuracy, technical innovations, capacity, service and other functional characteristics of the newly produced assets, compared to the assessed.

Economic depreciation is a decrease in the value of an asset due to external factors: competition, inflation, interest rates, legal changes, restrictions related to environmental protection, etc. Management has considered the main assumptions used by the appraiser in the models and confirms that they are reasonably determined according to market conditions. There is no change in the methods used compared to previous estimates.

As of December 31, 2019, the management of the Company has analyzed the transfer value of property, plant and equipment and found that it does not differ significantly from their fair value.

The table below shows the carrying amount of property, plant and equipment as of December 31, 2019, grouped by asset type and valuation methods applied.

	Land and buildings	Machinery, equipment and vehicles
December 31, 2019		
A combination of the market analogue method and the capitalized future cash flow method	36,118	-
Amortized replacement value method	-	114,695
	36,118	114,695

16 Property, plant and equipment (continued)

For the purposes of IFRS 13 the Company classifies its property, plant and equipment into Level 3 – unobservable inputs.

Have the Company's property, plant and equipment been measured at historical cost, their carrying amount would have been:

	Land and Buildings	Plant and Equipment	Vehicles and other	Assets under construction	Total
Carrying amount at December 31, 2019	2,791	65,261	2,035	83,241	153,328
Carrying amount at December 31, 2018	3,652	48,675	1,235	81,601	135,163

Property, plant and equipment at carrying amount of BGN 7,983 thousand are completely amortized as of December 31, 2019 (December 31, 2018: BGN 5,901 thousand).

Property, plant and equipment have been pledged as collateral of the Company's borrowings (see note 26).

16.1 Right-of-use assets

Right-of-use assets (by class of assets)	31 December 2019 BGN'000	1 January 2019 BGN'000
Machinery and equipment	1,264	685
Assets under construction	8,083	4,818
At the end of the period	9,347	5,503

Right-of use asset	Machinery and equipment	Assets under construction	Total
Cost:			
Balance at 1 January 2019	737	4,818	5,555
Additions – new lease contracts	421	3,507	3,928
Transferred	242	(242)	-
Balance at 31 December 2019	1,400	8,083	9,483
Depreciation:			
Balance at 1 January 2019	(52)	-	(52)
Depreciation for the year	(84)	-	(84)
Balance at 31 December 2019	(136)	-	(136)
Net Book Value as at 1 January 2019	685	4,818	5,503
Net Book Value as at 31 December 2019	1,264	8,083	9,347

All amounts in thousand of BGN, unless otherwise stated

17 Intangible assets

Intangible assets are as follows:

	Allowances for emissions of greenhouse gases	Software	Assets under construction	Total
Cost				
Balance at December 31, 2017	26	895	45	966
Additions	160	62	476	698
Disposals	-	521	(521)	-
Balance at December 31, 2018	186	1,478	-	1,664
Additions	398	135	177	710
Transferred	-	177	(177)	-
Balance at December 31, 2019	584	1,790	-	2,374
Accumulated amortization				
Balance at December 31, 2017	-	(884)	-	(884)
Amortization for the period	(1)	(39)	-	(40)
Written-off	-	-	-	-
Balance at December 31, 2018	(1)	(923)	-	(924)
Amortization for the period	(2)	(168)	-	(170)
Written-off	-	-	-	
Balance at December 31, 2019	(3)	(1,091)	-	(1,094)
Carrying amount at December 31, 2018	185	555	-	740
Carrying amount at December 31, 2019	581	699	-	1,280

Under the National Plan for allocation of allowances for trade with emissions of greenhouse gases for the period from 2013 to 2020 the Company has available 116,152 tons EU allowances. In 2019 and 2018, according to Annual reports on the emissions, prepared by the Company and verified by an authority, accredited by the Executive Agency Bulgarian Accreditation Service 24,790 and 24,533 tons greenhouse gases, respectively, were emitted. For the emitted in 2019 and 2018 greenhouse gases were used EU Allowances from the received ones for the period from 2014 to 2020.

Intangible assets at carrying amount of BGN 883 thousand are fully amortized as of December 31, 2019 (December 31, 2018: BGN 883 thousand).

All amounts in thousand of BGN, unless otherwise stated

18 Investment properties

As at December 31, 2019 and 2018 investment properties comprise a hotel and a restaurant, situated in the village of Kranevo, Varna district, at the amount of BGN 3,081 thousand and BGN 3,118 thousand.

	December 31, 2019	December 31, 2018
Investment properties at the beginning of the period	3,118	3,370
Impairment charged for the period	(37)	(252)
Investment properties at the end of the period	3,081	3,118

The investment properties are pledged as collateral for received loans. (see also Note 26).

As at December 31, 2019 and 2018 valuations of investment property have been made by an independent appraiser. The valuations conform to the International Valuation Standards, and are based on market information for sales prices for similar properties using the market approach. In 2019 and 2018 an impairment was accrued in the amount of BGN 37 thousand and BGN 252 thousand, respectively.

Approaches and methods in valuation of investment properties - market approach:

The method of market analogues aims to determine the value of the property based on the price of comparable objects on summarized indicators, taking into account the specific features of the particular object. The procedures of the method allow on the basis of the so-called market multipliers to reach an estimate for the market value of the assessed object, using the information for the market price of the reference properties.

The reference properties should be similar, analogous to the assessed by location, method of construction and degree of completion. In order for a property to be selected as a benchmark, its price must be known - this can be information from sales that have already taken place or information about offering similar properties, which can serve as a guide after making a selection based on expert opinions of brokers from real estate agencies and a number of assumptions are accepted.

The market multiplier is the ratio between the market price of a given real estate and another of its indicators. It can be built-up area, unfolded built-up area, built-up volume, plot area. The market multiplier used in the estimates of Alcomet AD is the price per square meter of total built-up area.

Information from real estate agencies was used to determine the market value of the land. The obtained data, based on proposals for sale of undeveloped properties in the area of the appraised, depend on the location of the property, the size of the plot and the degree of construction of the engineering infrastructure. In order to achieve maximum market adequacy, an additional adjustment was made with a correction coefficient for construction, as construction was performed in the assessed properties of Alcomet AD.

All amounts in thousand of BGN, unless otherwise stated

18 Investment properties (continued)

Approaches and methods in valuation of investment properties - market approach (continued):

To determine the market value of the real estate, part of the investment properties was used information from real estate agencies in Varna and Dobrich, as well as information from specialized websites. As a direct comparison is not possible due to differences in the size of the properties and their location, certain assumptions have been used:

- Sales ratio - reports the market realization of the property;
- Furnishing ratio - takes into account the included furniture;
- Coefficient of operation - reports the operation of the property;
- Coefficient for technical conformity - takes into account the differences in the technical implementation of the finishing works and the degree of maintenance;
- Coefficient for area - takes into account the difference in areas between the analogue and the assessed property;
- Coefficient for location - takes into account the location of the property.

Management has considered the main assumptions used by the appraiser in the models and confirms that they are reasonably determined according to market conditions at the end of the reporting period. There is no change in the methods used compared to the previous year.
Ръководството е разгледало основните предположения, използвани от оценителя в моделите и потвърждават, че те са разумно определени съобразно пазарните условия към края на отчетния период. Няма промяна в използваните методи в сравнение с предходната година.

Increase / decrease by 1% in the used market price per sq.m. by the method of market analogues would lead to increase / decrease of the book value of the investment properties and of the current result by BGN 29 thousand respectively.

For the purposes of IFRS 13 the Company classifies investment property in level 3 - the input data is unobservable for an asset or liability.

19 Receivables on loans granted and investments in subsidiaries and associates

Receivables on loans granted and investments in subsidiaries and associates include:

	December 31, 2019	December 31, 2018
Long-term loan granted to related party	3,163	3,455
Investments	6	6
Total	3,169	3,461

As of December 31, 2019 and 2018 the Company's investments include BGN 5 thousand, representing 100 % of the capital of Euromet EOOD and other investments amounting to BGN 1 thousand.

As of December 31, 2019 the long-term loan includes interest at the amount of BGN 3,163 thousand (2018: interest at the amount of BGN 3,455 thousand). In accordance with the additional agreement dated December 8, 2019 the deadline for repayment of the loan was extended until December 31, 2023. In August 2017 the principal has been repaid.

All amounts in thousand of BGN, unless otherwise stated

20 Inventories

Inventories consist of the following:

	December 31, 2019	December 31, 2018
Materials	20,110	13,987
Work in progress	33,838	36,158
Finished goods	25,744	22,255
Dispatched materials	6,662	13,816
Total inventories	86,354	86,216

Breakdown of work in progress is presented below:

	December 31, 2019	December 31, 2018
Work in progress in rolling workshop	15,490	14,360
Work in progress in casting workshop	8,840	13,856
Work in progress in extruding workshop	9,508	7,912
Work in progress in ancillary workshops	-	30
Total work in progress	33,838	36,158

Further breakdown of materials is presented below:

	December 31, 2019	December 31, 2018
Raw materials	16,614	10,586
Tools	47	19
Spare parts	1,518	2,318
Fuel and lubricants	316	290
Packaging materials	1,100	611
Auxiliary materials	334	60
Other	181	103
Total materials	20,110	13,987

Further breakdown of finished goods is presented below:

	December 31, 2019	December 31, 2018
Rolled products	17,072	15,814
Extruded products	8,672	6,437
Other	-	4
Total finished goods	25,744	22,255

As of December 31, 2019 inventories have been pledged as collateral of the Company's borrowings (see note 26).

All amounts in thousand of BGN, unless otherwise stated

21 Trade and other receivables, net

Trade and other receivables, net are as follows:

	December 31, 2019	December 31, 2018
Trade receivables, gross	*38,936*	*43,904*
Less impairment	-	-
Trade receivables, net	38,936	43,904
VAT refundable	4,675	2,910
Advances to suppliers	1,177	1,041
Advances to personnel	67	106
Loan granted	2	12
Receivables from related parties (note 32)	1,447	1,447
Other receivables	34	52
Total trade and other receivables, net	46,338	49,472

The fair value of receivables is approximately equal to their carrying amount, as the effect of discounting would be negligible.

The maximum credit risk exposure is the carrying amount of trade and other receivables (see Note 31).

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	December 31, 2019	December 31, 2018
Euro	36,995	41,405
Bulgarian levs	8,703	7,705
British pound	420	56
US dollars	220	306
Total trade and other receivables, net	46,338	49,472

Trade and other receivables as of December 31, 2019 have been pledged as collateral of Company's borrowings (see also note 26).

The company has no collateral for its receivables, except for received bank guarantees for some receivables. Most of the trade receivables are insured.

22 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	December 31, 2019	December 31, 2018
Cash at banks	1,016	1,859
Cash on hand	23	4
Deposits	259	121
Cash equivalents	47	1
Total cash and cash equivalents in the Statement of Financial Position	1,345	1,985
Bank overdrafts (note 26)	(9,103)	(25,638)
Total cash and cash equivalents in the Cash Flow Statement	(7,757)	(23,653)

All amounts in thousand of BGN, unless otherwise stated

22 Cash and cash equivalents (continued)

The Company's cash is denominated in the following currencies:

	December 31, 2019	December 31, 2018
Euro	626	1,696
Bulgarian levs	491	220
British pound	221	1
US dollars	7	68
Total cash and cash equivalents	1,345	1,985

23 Capital and reserves

The Company's share capital as at December 31, 2019 and 2018 amounts to BGN 17,952,959 distributed in 17,952,959 shares with par value of BGN 1 each.

The structure of the Company's share capital according to the last available extract from the Central Depository as of December 31, 2019 includes 52 juridical persons holding 98.99% of the share capital and 2,473 individuals holding participation of 1.01 %. The table below describes the shareholders owing over 3% of the Company's share capital.

Shareholder	Share
Alumetal AD	73.25%
FAF METAL SANAYII VE TICARET AS	16.86%
Mandatory Universal Pension Fund Allianz Bulgaria	3.95%

In accordance with the Bulgarian Commerce Act requirements, the Company is obliged to set up a legal reserves (reserve fund). The sources of financing the reserve fund are:

- at least one tenth of the profit which is set aside until the fund's assets reach one tenth or more of the Company's share capital or such other larger portion as the Company's statute may provide;
- the proceeds obtained in excess of the nominal value of shares and obligations upon their issuing;
- the amount of the additional payments made by the shareholders for preferences given them with shares;
- other sources provided for by the Company's statute or by a general meeting resolution.

Disbursements from the reserve fund may be made only for covering losses. When the amount of the reserve fund exceeds one-tenth of the Company's share capital, the excess amount may be used for increase of the share capital.

In 2019 according to a decision of the Company's General meeting of the shareholders dividend was distributed at the amount of BGN 2,714 thousand (2018: BGN 4,629 thousand). As of December 31, 2019 the liabilities for outstanding dividend amount to BGN 30 thousand (December 31, 2017: BGN 27 thousand).

Concerning establishment and use of the revaluation reserve, hedging reserve and reserve on retirement benefits obligation see notes 3.7, 3.13 and 3.5, respectively.

All amounts in thousand of BGN, unless otherwise stated

23 Capital and reserves (continued)

Movement of the Company's reserves is, as follows:

	Legal reserve	Revaluation reserve	Hedging reserve	Reserve on retirement benefits obligation	Total
Balance at December 31, 2017	1,795	90,747	(699)	(1,190)	90,653
Changes in equity for 2018					
Revaluation reserve of property, plant and equipment disposed	-	(443)	-	-	(443)
Comprehensive income for the period					
Revaluation of property, plant and equipment, net of taxes		33,288	-	-	33,288
Actuarial loss, net of taxes	-	-	-	(37)	(37)
Unrealized gain on forward contracts recognized in the hedging reserve, net of taxes	-	-	2,160	-	2,160
Balance at December 31, 2018	1,795	123,592	1,461	(1,227)	125,621
Changes in equity for 2019					
Comprehensive income for the period					
Actuarial loss, net of taxes	-	-	-	(230)	(230)
Unrealized gain on forward contracts recognized in the hedging reserve, net of taxes	-	-	(1,970)	-	(1,970)
Balance at December 31, 2019	1,795	123,592	(509)	(1,457)	123,421

All amounts in thousand of BGN, unless otherwise stated

24 Derivative financial instruments

Derivative financial instruments consist of the following:

	December 31, 2019	December 31, 2018
Cash flow hedge derivative financial assets/(liabilities)	(565)	1,623
Including		
Non-current derivative financial assets/(liabilities)	-	-
Current derivative financial assets/(liabilities)	*(565)*	*1,623*

The Company has concluded forward contracts for purchase and sale of metal on the London Metal Exchange (LME) to hedge the risk associated with changes in market prices of the metals related to forecasted sales and purchases.

As at December 31, 2019 the Company has outstanding forward contracts for sale and purchase of metal for the period from January till October 2020. Under the terms of the forward contracts the Company will sell 13,000 tons of aluminum with contracted value of BGN 40,194 thousand. The Company does not expect any projected deals that would not be finalized.

For the period from January 2020 till the date of these separate financial statements the Company sold forward contracts for 34,400 tons of aluminum and purchased forward contracts for 37,450 tons of aluminum. The remaining contracts are expected to be realized until October 2020. The Company does not expect any projected deals that would not be finalized.

As at December 31, 2019 and 2018 the Company has assessed the cash flow hedge as highly effective, and, as a result the gains and losses from changes in fair value of hedging instruments have been reported as other comprehensive incomes, as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Gains/(losses) arising during the period	(2,188)	2,400
Adjustment for amounts transferred to the carrying amount of the hedged items	1,623	(777)
Unrealized gains/(losses) on hedging at the end of the period	(565)	1,623
Less: Tax effect	56	(162)
Total unrealized gains/(losses) on hedging at the end of the period, net of tax	(509)	1,461

All amounts in thousand of BGN, unless otherwise stated

25 Retirement benefits obligation

The financial assumptions used for the calculation of the retirement benefits obligation are as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.70%	1.70%
Expected rate of salary increase for the first year	1.00%	1.00%
Expected rate of salary increase for the second and third year	0.60%	0.60%
Expected rate of salary increase for the following years	0.60%	0.60%

As of December 31, 2019 and 2018, the demographic actuarial assumptions used are based on the following:

a) mortality of the Bulgarian population during the period 2016 - 2018, according to data of the National Statistical Institute;

б) statistical data of the National Health Information Center about peoples' disability and early retirement.

The employee turnover is, as follows:

Age	Year ended December 31, 2019	Year ended December 31, 2018
18 – 30 years	47 %	33%
31 – 40 years	18 %	31%
41 – 50 years	17 %	21%
51 – 60 years	15 %	7%
over 60 years	4 %	8%

The amounts, recognized in the statement of comprehensive income related to retirement benefits obligation are, as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Current service cost	52	50
Net interest	13	14
Expenses, recognized in profit or loss	65	64
Actuarial loss arising from changes in the financial assumptions	-	8
Actuarial loss arising from changes in demographic assumptions	1	(30)
Actuarial (gain)/ loss arising from experience adjustments	254	63
Actuarial loss, recognized in other comprehensive income	255	41
Total	320	105

All amounts in thousand of BGN, unless otherwise stated

25 Retirement benefits obligation (continued)

The movement of retirement benefits obligation is presented below:

	December 31, 2019	December 31, 2018
Balance at the beginning of the period	794	843
Current service cost	52	50
Payments for the period	(256)	(154)
Interest costs	13	14
Actuarial loss arising from changes in the financial assumptions	-	8
Actuarial loss arising from changes in demographic assumptions	1	(30)
Actuarial (gain)/loss arising from experience adjustments	254	63
Balance at the end of the period	858	794

The retirement benefits obligation at December 31, 2019 and 2018 comprises the following:

	December 31, 2019	December 31, 2018
Benefits on attainment of retirement age	843	780
Benefits on early retirement	15	14
Total retirement benefits obligation	858	794

The movement of the reserve on retirement benefits obligation is, as follows:

	December 31, 2019	December 31, 2018
Reserve at the beginning of the period, gross	1,363	1,322
Actuarial loss, recognized in Other comprehensive income	255	41
Reserve at the end of the period, gross	1,618	1,363

Defined benefit plan exposes the Company to the following actuarial risks:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate of Bulgarian government securities, denominated in BGN, with maturity up to 10 years, and the data for the following periods is received by data interpolating.
Interest risk	A decrease in the interest rate of the Bulgarian government securities will increase the defined benefit plan liability.
Longevity risk	The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants.

25 Retirement benefits obligation (continued)

Defined benefit plan exposes the Company to the following actuarial risks:

Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan's liability.

A sensitivity analysis based on reasonably possible changes in the respective assumptions, at the end of the reporting period, assuming all other assumptions held constant is, as follows:

	Minus 0.5%	\ssumptions and results used	Plus 0.5 %
Discount rate	1.20%	1.70%	2.20%
Amount of the liability (BGN thousand)	889	858	830
Difference (BGN thousand)	31	-	(28)
Difference (%)	4%	-	-3%
Salary growth	0.10%	0.60%	1.10%
Amount of the liability (BGN thousand)	829	858	888
Difference (BGN thousand)	(29)	-	30
Difference (%)	-3%	-	3%
Probability of early retirement	7.50%	8.00%	8.50%
Amount of the liability (BGN thousand)	892	858	826
Difference (BGN thousand)	34	-	(32)
Difference (%)	4%	-	-4%
Mortality assumption	- 1 год.	Таблица за смъртност	+ 1 год.
Amount of the liability (BGN thousand)	864	858	852
Difference (BGN thousand)	6	-	(6)
Difference (%)	1%	-	-1%

The sensitive analysis presented above may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above calculations the projected unit credit method is used, the same as that applied in calculating the retirement benefit obligation liability, recognized in the Statement of Financial Position.

All amounts in thousand of BGN, unless otherwise stated

26 Borrowings and Lease liabilities

Borrowings of the Company, including interest can be analyzed as follows:

	December 31, 2019	December 31, 2018
Short-term bank loans	52,745	66,934
Current portion of long-term bank loans	12,908	7,894
Decrease of unamortized initial fees	(35)	(35)
	12,873	7,859
Current portion of finance lease liabilities (IAS 17)	-	592
Current portion of lease liabilities (IFRS 16)	1,165	-
Current portion of long-term loans and lease liabilities	14,038	8,451
Total short-term bank loans and lease liabilities	66,783	75,385
Long-term bank loans	34,348	39,291
Decrease of unamortized initial fees	(103)	(138)
	34,245	39,153
Long-term trade loans and finance lease liabilities (IAS 17)	8,578	11,259
Non-current portion of lease liabilities (IFRS 16)	4,957	-
Total long-term bank loans and lease liabilities	47,780	50,412
Total loans and lease liabilities	114,563	125,797

Loans of the Company can be analyzed as follows:

	December 31, 2019		
	Principal	Interest	Total
Bank loans			
- Long-term bank loans	34,245	-	34,245
- Current portion of long-term bank loans	12,873	-	12,873
- Short-term bank loans	52,745	-	52,745
Total	99,863	-	99,863
Trade loans and leases			
- long term trade loans	7,210	1,368	8,578
- non-current portion of lease liabilities (IFRS 16)	4,957	-	4,957
- current portion of lease liabilities (IFRS 16)	1,165	-	1,165
Total	13,332	1,368	14,700
Total loans and lease liabilities	113,195	1,368	114,563

All amounts in thousand of BGN, unless otherwise stated

26 Borrowings and Lease liabilities (continued)

	December 31, 2018		
	Principal	Interest	Total
Bank loans			
- Long-term bank loans	39,153	-	39,153
- Current portion of long-term bank loans	7,859	-	7,859
- Short-term bank loans	66,934	-	66,934
Total	113,946	-	113,946
Trade loans and leases			
- long-term trade loans and finance lease liabilities (IAS 17)	10,071	1,188	11,259
- current portion of finance lease liabilities (IAS 17)	582	10	592
Total	10,653	1,198	11,851
Total loans and leases	124,599	1,198	125,797

The Company’s bank loans are as follows:

	December 31, 2019			December 31, 2018		
	Principal	Interest	Total	Principal	Interest	Total
Bank loans						
- Loan B1	3,912	-	3,912	3,912	-	3,912
- Loan B2	2,527	-	2,527	3,471	-	3,471
- Loan B3	-	-	-	-	-	-
- Loan B4	1,705	-	1,705	4,890	-	4,890
- Loan V	5,590	-	5,590	4,518	-	4,518
- Loan G	21,817	-	21,817	27,933	-	27,933
- Loan E	887	-	887	1,552	-	1,552
- Loan I	39,881	-	39,881	38,878	-	38,878
- Loan P1	116	-	116	1,090	-	1,090
- Loan P2	-	-	-	2,064	-	2,064
- Loan P3	760		760	-	-	-
- Loan P4	2,054		2,054	-	-	-
- Loan P5	2,496		2,496	-	-	-
- Loan F	9,103	-	9,103	25,638	-	25,638
- Loan M	9,015	-	9,015	-	-	-
Total	99,863	-	99,863	113,946	-	113,946

Trade loans and leases are, as follows:

	December 31, 2019			December 31, 2018		
	Principal	Interest	Total	Principal	Interest	Total
- Loan Z	5,735	1,285	7,020	5,735	1,125	6,860
- Loan L	38	4	42	118	2	120
- Loan N	1,437	79	1,516	1,437	51	1,488
- Finance lease liabilities	-	-	-	3,363	20	3,383
- Lease liabilities	6,122	-	6,122	-	-	-
Total	13,332	1,368	14,700	10,653	1,198	11,851

26 Borrowings and Lease liabilities (continued)

Loan B

On June 12, 2008 the Company concluded a facility agreement with a Bulgarian bank. Subject of the agreement is a revolving facility for working capital of up to EUR 9,000 thousand and the term of the agreement is up to May 31, 2009. Subsequently the loan agreement is renegotiated several times. In 2015 the limit was increased up to EUR 12,000 thousand. The loan was renegotiated as a multi-purpose revolving facility for working capital, usable under revolving conditions, as follows:
- sublimit B1 up to EUR 2,000 thousand - credit line for financing of VAT related payments;
- sublimit B2 and B3 up to EUR 7,500 thousand - credit line for financing of trade receivables and issuance of bank guarantees and letters of credit. The limit amounting to EUR 7,500 thousand is distributed as follows:

a) sublimit B2 up to EUR 5,000 thousand - credit line for financing of trade receivables under deferred payment contracts for sale of goods, insured by Atradius or another insurer approved by the Bank;

b) sublimit B3 up to EUR 3,000 thousand – credit line for trade financing, servicing contingent liabilities of the Company, including issuance of bank guarantees and letters of credit;

The total amount of the utilized portion of Sublimits B2 and B3 at each moment may not exceed EUR 7,500 thousand.

c) sublimit B4 up to EUR 5,000 thousand from which EUR 2,500 – credit line for working capital and for issuance of bank guarantees/letters of credit and EUR 2 500 thousand credit line without commitment for the bank for issuing bank guarantees / opening of letters of credit.

In subsequent annexes dated February 2019, the loan maturity is renegotiated to January 31, 2020.

Collaterals for the loan sublimits are as follows:
- sublimit B1, B3 and B4 are secured with a registered pledge on plant and equipment, owned by the Company, with carrying amount of BGN 9,913 thousand as of December 31, 2019 (December 31, 2018: BGN 14,720 thousand);
- sublimit B2 is secured with a registered pledge on a group of current and future receivables resulting from trade transactions with certain counterparties at the amount of BGN 9,163 thousand as of December 31, 2019 (December 31, 2018: BGN 9,779 thousand);
- sublimit B3 is secured with a registered pledge on a current and future group of inventories at the amount of 125% of the utilized sum. As of December 31, 2019, the inventories pledged amount to BGN 5,476 thousand (December 31, 2018: BGN 5,476 thousand);
- a guarantee, signed by the ultimate owner for the whole limit of the loan.

As of December 31, 2019 and December 31, 2018 the loan liabilities are as follows:

Loan	limit in EUR '000	balance as of 31.12.2018 in EUR '000	balance as of 31.12.2018 in BGN '000	balance as of 31.12.2018 in EUR '000	balance as of 31.12.2018 in BGN '000
B1	2,000	2,000	3,912	2,000	3,912
B2	7,500	1,292	2,527	1,775	3,471
B3	3,000	-	-	-	-
B4	5,000	872	1,705	2,500	4,890
Total:	17,500	4,164	8,144	6,275	12,273

26 Borrowings and Lease liabilities (continued)

Loan V

On July 26, 2017 the Company entered into a long-term loan agreement (Loan V) with a Bulgarian leasing company in the total amount of EUR 3,234 thousand in order to finance investments. The loan is repaid in 61 monthly installments, the first of which was due on May 10, 2019.

As of December 31, 2019 and 2018, the loan liabilities amount is EUR 2,858 thousand (BGN 5,590 thousand) and EUR 2,310 thousand (BGN 4,518 thousand), respectively.

The loan is secured by a pledge on the equipment and machinery purchased with the loan with a carrying amount as of December 31, 2019 in the amount of BGN 11,030 thousand.

Loan G

On March 16, 2010 the Company concluded an agreement with a Bulgarian bank for loan commitments under a revolving credit line (Loan G) for the amount of EUR 10,000 thousand. The loan is a multipurpose credit line, as follows:
- revolving loan for working capital;
- limit for issuance of bank guarantees and issuance of documentary letters of credit;
- limit for issuance of credit cards under the terms and conditions of a separate contract.

The loan limit had been increased several times until April 3, 2014 when an annex was signed, which defined the maximum amount of the credit line at EUR 20,000 thousand, allocated as follows:

- EUR 15,000 thousand – a revolving loan for working capital, a limit for issuance of bank guarantees and letters of credit and a limit for issuance of credit cards;
- EUR 5,000 thousand – a limit provided to the Company by the bank of up to 90% of the amount of sales invoices with VAT included, in accordance with a list of clients, previously approved by the bank, whose receivables are pledged in its favor.

In accordance with annexes from June 18, 2019 to the loan agreement, the loan repayment term is extended to June 30, 2020.

As of December 31, 2019 and 2018, the utilized funds amount is EUR 11,155 thousand (BGN 21,817 thousand) and EUR 14,282 thousand (BGN 27,933 thousand), respectively.

The collateral of the loan is as follows:
- first rank pledge on machinery and equipment with a carrying amount of BGN 25,322 thousand as of December 31, 2019 (December 31, 2018: BGN 25,382 thousand);
- first rank mortgage on lands and buildings with a carrying amount of BGN 33,951 thousand as of December 31, 2019 (December 31, 2018: BGN 35,652 thousand);
- a pledge on receivables under the Law on financial collateral arrangements – on all receivables, current and future;
- a pledge under the Law on registered pledges of all receivables, current and future ones, of the borrower on all accounts in national or foreign currency that the Company holds at the bank, at the total amount of EUR 3,850 thousand at any moment of the agreement term. As of December 31, 2019 the carrying amount of the receivables from customers that are pledged in favor of the bank amounts to BGN 8,675 thousand (December 31, 2018: BGN 11,302 thousand).

26 Borrowings and Lease liabilities (continued)

Loan E

On April 23, 2014 the Company entered into an agreement for a long-term loan (Loan E) with a Bulgarian commercial bank at the total amount of EUR 1,700 thousand, to finance investments. The repayment is in 60 equal monthly installments, first of which falling due on May 31, 2016 and the last one - on April 30, 2021.

Collateral of the loan is a pledge on machinery and equipment, owned by the Company, with carrying amount at December 31, 2019 of BGN 2,062 thousand (December 31, 2018: BGN 2,312 thousand). As of December 31, 2018 and 2017 the outstanding liability in respect to the loan is EUR 793 thousand (BGN 1,552 thousand) and EUR 1,144 thousand (BGN 2,237 thousand), respectively.

As of December 31, 2019 and 2018, the loan liabilities amount to EUR 453 thousand (BGN 887 thousand) and EUR 793 thousand (BGN 1,552 thousand), respectively.

Loan I

On November 15, 2016, the Company concluded an agreement with a Bulgarian bank for an investment loan for financing the purchase of machinery and equipment in accordance with the Company's investment program for 2016-2018 with an included option for a letters of credit for equipment supply. The loan's limit is BGN 44,984 thousand (EUR 22,000 thousand) and it will be utilized in tranches for a period of 24 months effective from the date of the agreement. The repayment term is 84 months, where 24 months represent a grace period on the principal and the repayment is to be made in equal monthly installments.

As of December 31, 2019 and 2018, the loan liabilities amount to BGN 39,881 thousand and BGN 38,878 thousand, respectively.

Collaterals on the loan are as follows:
- first rank registered pledge on production equipment, purchased with the utilized loan amounts, as well as a pledge on another equipment accepted by the bank.
- first rank registered pledge on machinery and equipment with a carrying amount of BGN 21,899 thousand as of December 31, 2019 (December 31, 2018: BGN 24,725 thousand), as well as equipment not put into operation with an acquisition value as of December 31 2019 in the amount of BGN 28,852 thousand;

Loan K and F

On October 31, 2007 a tripartite agreement was concluded between the Company, a foreign commercial bank and its branch in Bulgaria for the provision of an overdraft or a line for issuing letters of credit (Loan F) and working capital loan (Loan K).

As of December 31, 2019, the total credit limit on Loan F and Loan K is EUR 24,500 thousand, of which EUR 4,500 thousand are for the Bulgarian branch of the Bank.

As of December 31, 2019 and 2018, the liability amount under loan F is EUR 4,653 thousand (BGN 9,102 thousand) and EUR 13,109 thousand (BGN 25,638 thousand), respectively.

There are no disbursed amounts under loan K as of December 31, 2019 and 2018.

26 Borrowings and Lease liabilities (continued)

Loan K and F (continued)

Collateral of all credit facilities, received by the Company upon the tripartite contract, comprises of pledge on goods in turnover (work in progress, production and finished goods) at the amount up to EUR 24,500 thousand as of December 31, 2019 and 2018, pledge on current and future receivables of the Company at bank accounts in the bank branch in Bulgaria at the amount up to EUR 24,500 thousand as of December 31, 2019 and 2018, pledge on machinery and equipment with carrying amount as at December 31, 2019 of BGN 12,583 thousand (December 31, 2018: BGN 14,194 thousand), pledge on receivables of the Company on contracts with clients at the amount of EUR 15,000 thousand as at December 31, 2019 and 2018 and a promissory note at the amount of EUR 24,500 thousand as of December 31, 2019 and 2018 with guarantors ultimate owners.

As of December 31, 2019 the carrying amount of the receivables pledged under loans K and F amounts to BGN 16,564 thousand (December 31, 2018: BGN 16,909 thousand).

Loan P

On November 23, 2010 the Company entered into an agreement with a foreign commercial bank with the purpose of financing the Company's main activity for the amount of EUR 1,750 thousand. In 2017 an annex to the contract was signed to increase the credit limit up to EUR 5,000 thousand. The Bank gives the possibility to the Company to utilize the limit of the loan as overdraft or a credit line, including for issuance of bank guarantees for purchase of goods. The Company can utilize new amounts in the form of overdraft, reducing its total exposition due to the Bank until reaching the approved limit. In 2018, an agreement was signed for EUR 500,000 in the form of an overdraft against a pledge of insured receivables from customers within the total credit limit.
In 2019, 2 agreements were signed for EUR 1,050 thousand in the form of overdraft and EUR 1,280 thousand in the form of overdraft, which do not exceed the repaid principal on the loan with monthly repayments. The loan is utilized according to two sublimits – P1 and P2 (redesigned to P3, P4 and P5 in 2019).

- Sub-limit P1 amounts to EUR 2,000 thousand. Within the approved sub-limit, the Company may use an amount of up to EUR 1,000 thousand as a loan with monthly repayments. As of December 31, 2019 and 2018, the liabilities under sub-limit P1 amount to EUR 59 thousand (BGN 116 thousand) and EUR 557 thousand (BGN 1,090 thousand)

- Sub-limit P2 has a limit of up to EUR 3,000 thousand. After full utilization in 2018, the loan was transformed into one with monthly repayment installments for a period of 36 months, the last of which is due on July 31, 2020. With an annex from 2019, sub-limit P2 is transformed into 3 new sub-limits, as follows: long-term part of the repayment plan - P3 - EUR 2,000 thousand, sub-limit of EUR 1,050 thousand - P4 and sub-limit of EUR 1,280 thousand - P5.

As of December 31, 2019 the liabilities are: sub-limit P3 in the amount of EUR 388 thousand (BGN 760 thousand), sub-limit P4 in the amount of EUR 1,050 thousand (BGN 2,054 thousand) and sub-limit P5 in the amount of EUR 1,280 thousand BGN 2,496 thousand)

26 Borrowings and Lease liabilities (continued)

Loan P (continued)

The loan is secured by a mortgage on the investment properties of the Company in the village of Kranevo with a book value as of 31.12.2019 of BGN 1,441 thousand (see also Note 18), as well as by a promissory note for the amount of EUR 1,925 thousand. BGN), issued by the Company and endorsed by related parties - ultimate owner, as well as with a guarantee of the same related parties, as well as the first special pledge of insured receivables from customers worth BGN 146 thousand as of 31.12.2019.

Loan M

On October 16, 2019, the Company entered into a loan agreement with a Bulgarian commercial bank in the amount of EUR 7,500 thousand or their equivalent in USD to finance its core business. The loan limit is allowed in two limits: in the overdraft regime on the current account and a limit for issuing bank guarantees and letters of credit, and at any time the amount of the two sub-limits may not exceed the loan amount. The term for disbursement of the loan is until October 30, 2020, and at the request of the company and after a decision of the competent body of the bank the term is extended until October 30, 2024.

As of December 31, 2019, the loan liabilities amount to EUR 4,609 thousand (BGN 9,015 thousand).

Collaterals on the loan are as follows:
- pledge on machinery and equipment with book value as of December 31, 2019 in the amount of BGN 15,153 thousand;
- pledge of receivables within the meaning of the Financial Collateral Agreements with the right to use all receivables on all accounts of the Borrower opened and opened with the Bank, including deposits in the amount of EUR 7,500 thousand.

Loan O

On October 16, 2019, the Company entered into a loan agreement with a Bulgarian bank in order to finance up to 85% of the total investment costs for specific machinery and equipment, including the possibility to open letters of credit. The loan has a limit of 10,000 thousand euros and can be divided into several sub-limits. Each individual sub-limit will be used to finance individual equipment or part of equipment within 12 months from the date of the contract, but not later than October 16, 2020. The term of the subsequent utilizations is up to 24 months from the date of the first utilization, but not later than October 16, 2022. The deadline for repayment of the loan is October 30, 2027, of which 3 years grace period on the principal, and will be repaid in equal monthly installments.

26 Borrowings and Lease liabilities (continued)

Loan O (continued)

Collaterals on the loan are as follows:
- pledge on future machines and equipment worth EUR 11,764 thousand;
- pledge of receivables within the meaning of the Financial Collateral Agreements with the right to use all receivables on all accounts of the Borrower opened and opened with the Bank, including Deposits in the amount of EUR 10,000 thousand.

As of December 31, 2019, no loan amount has been utilized.

Loan Z

In 2002 the Company received from a related party (the Parent company) USD 3,178 thousand and EUR 215 thousand as a fulfillment of an agreement for financial support of the business operations and the investment activities of the Company (Loan Z). The loan term is negotiated to 3 years with effect from the first fund utilization under the loan and the interest rate is one-year libor of +2%. According to an annex from December 2, 2005 the parties have agreed and converted the liability from USD to EUR 2,932 thousand. According to annex from 2017 the payment date for principal and interest due is December 31, 2021. The interest rate is changed to one-year euribor +3%.
As at December 31, 2019 and 2018 the outstanding liabilities of the loan are at the amount of BGN 7,020 thousand (principal BGN 5,735 thousand and interest BGN 1,285 thousand) and BGN 6,860 thousand (principal BGN 5,735 thousand and interest BGN 1,125 thousand), respectively.

Loan L

On August 29, 2017 the Company concluded a loan agreement with the Parent company (Loan L) at the total amount of BGN 150 thousand. The repayment deadline is December 31, 2020 and the interest amounts to 1,5% annually. With an annex in 2019, the loan repayment term is extended to 2023.

As of December 31, 2019 and 2018 the liabilities under the loan amount to BGN 42 thousand (principal BGN 38 thousand and interest BGN 4 thousand) and BGN 120 thousand (principal BGN 118 thousand and interest BGN 2 thousand) respectively.

Loan N

On January 3, 2017 the Company concluded a loan agreement with the ultimate parent (Loan N) at the total amount of EUR 750 thousand. The repayment deadline is December 31, 2019 and the interest amounts to 2% annually. With an annex in 2019, the loan repayment term is extended to 2023.

As of December 31, 2019 the liabilities under the loan amount to EUR 775 thousand (BGN 1,516 thousand) out of which principal of EUR 735 thousand (BGN 1,437 thousand) and interest of EUR 40 thousand (BGN 79 thousand).

As of December 31, 2018 the liabilities under the loan amount to EUR 761 thousand (BGN 1,488 thousand) out of which principal of EUR 735 thousand (BGN 1,437 thousand) and interest of EUR 26 thousand (BGN 51 thousand).

All amounts in thousand of BGN, unless otherwise stated

26 Borrowings and Lease liabilities (continued)

26.1 Lease liabilities

The company has finance lease liabilities for purchase of machinery which as of December 31, 2019 amount to BGN 6,122 thousand (December 31, 2018: BGN 3,383 thousand).

The net book value of the assets purchased under the lease terms, incl. the self-participation and the additionally capitalized expenses as of December 31, 2019 is BGN 9,347 thousand (December 31, 2017: BGN 5,503 thousand).

Lease liabilities	31 December 2019	1 January 2019
Short-term lease liabilities	1,165	592
Long-term lease liabilities	4,957	2,791
Total lease liabilities	6,122	3,383

Lease liabilities as of December 31, 2019 are as follow:

	31 December 2019 Minimum lease payments	31 December 2019 Present value of lease payments
Up to 1 year	1,259	1,165
Between 1 and 5 years	5,140	4,957
Total minimum lease payments	6,399	6,122
Reduced by the amounts representing finance costs	(277)	-
Present value of the minimum lease payments	6,122	6,122

The following amounts are recognised in profit or loss:

	IFRS 16 2019	IAS 17 2018
Depreciation charge for the right-of-use assets by class of assets (2018: PPE)		
Machinery and equipment	84	52
Total depreciation charge	84	52
Interest expense on lease liabilities (included in finance cost)	13	-
Expense relating to short-term leases - vans (included in administrative expenses)	108	-
Operating lease expense (IAS17) (included in administrative expenses)	-	90
Total expenses related to leases	121	90

All amounts in thousand of BGN, unless otherwise stated

26 Borrowings and Lease liabilities (continued)

26.1 Lease liabilities (continued)

The following amounts are recognised in the cash flow statement:

	IFRS 16 2019	IAS 17 2018
Cash outflow for leases (IFRS16) – financing activity		
Principal	93	(20)
Total cash outflow for leases (IFRS16) – financing activity	93	(20)
Cash outflow for leases – operating activity		
Short-term leases (IFRS 16)	108	-
Operating leases (IAS 17)	-	90
Interest	13	10
Total cash outflow for leases – operating activity	121	100
Total cash outflows	214	80

The table below analyses the movement in debt for each of the periods presented:

	Notes	Borrowings	Finance lease liabilities	Lease liabilities	Total debt
Balance at 1 January 2018		(60,887)	(579)	-	(61,466)
Cash flows, net		(34,491)	(20)	-	(34,511)
New lease contracts		-	(2,784)	-	(2,784)
Interest accrued		(1,398)	-	-	(1,398)
Balance at 31 December 2018		(96,776)	(3,383)	-	(100,159)
IFRS16 adjustment	3.16	-	3,383	(3,383)	-
Balance at 1 January 2019		(96,776)	-	(3,383)	(100,159)
Cash flows, net		(1,449)	-	106	(1,343)
New lease contracts		-	-	(2,832)	(2,832)
Interest accrued		(1,113)	-	(13)	(1,126)
Balance at 31 December 2019		(99,338)	-	(6,122)	(105,460)

All amounts in thousand of BGN, unless otherwise stated

27 Government grants

	December 31, 2019	December 31, 2018
Deferred income at the beginning of the year	1,516	1,646
Recognized in the Income statement	(130)	(130)
Deferred income at the end of the year	1,386	1,516
Including:		
Short-term part	130	130
Long-term part	1,256	1,386

In 2014 the Company received BGN 2,057 thousand related to the performance of project "Investments to expand the activity of Alcomet AD and protection of the environment" under government grant contract № BG161PO003-2.3.01-0032-C001 dated July 12, 2012 under Operational Programme "Development of the Competiveness of the Bulgarian Economy" 2007-2013.

In 2014 the Company concluded a government grant contract № 33 dated July 23, 2014 with the Fund "Working Conditions" for the performance of project "Improving the working environment and working conditions in "Alcomet" AD" and in 2015 the Company received financing at the amount of BGN 25 thousand.

28 Trade and other payables

Trade and other payables consist of the following:

	December 31, 2019	December 31, 2018
Suppliers	33,620	15,808
Payables to employees	1,527	1,352
Advances from customers	484	584
Social security payables	754	662
Payables to state budget	440	395
Trade payables to related parties (note 32)	517	136
Dividend payable	30	27
Accruals for payables to suppliers	1,398	1,042
Total trade and other payables	38,770	20,006

29 Income tax liabilities

	December 31, 2019	December 31, 2018
Income tax liabilities/(receivables) at the beginning of the period	302	132
Income tax accrued	1,656	2,102
Income tax paid	(1,902)	(1,932)
Income tax liabilities at the end of the period	56	302

All amounts in thousand of BGN, unless otherwise stated

30 Accruals

	December 31, 2019	December 31, 2018
Unused paid annual leaves of personnel	786	757
Social and health security	150	139
Total accruals	936	896

Movements in accruals for unused paid annual leaves of personnel are as follows:

	December 31, 2019	December 31, 2018
Balance at the beginning of the period	896	822
Accrued	936	896
Used	(896)	(822)
Balance at the end of the period	936	896

31 Financial instruments and risk management

The carrying amounts of financial assets and liabilities as at December 31, 2019 and 2018 by are presented in the tables below:

Financial assets by categories:

	December 31, 2019	December 31, 2018
Depreciated cost		
Cash (note 22)	1,345	1,985
Loan receivables (note 19)	3,163	3,455
Trade and other receivables, net (note 21)	40,385	45,363
Fair value in profit or loss		
Investments	1	1
Fair value in other comprehensive income		
Derivative financial instruments for hedging (note 24)	-	1,623
Total	44,894	52,427

Financial liabilities by categories:

	December 31, 2019	December 31, 2018
Depreciated cost		
Trade and other payables (note 28)	34,167	15,971
Loans liabilities (note 26)	108,441	122,414
Lease liabilities (note 26.1)	6,122	-
Finance lease liabilities (note 26.1)	-	3,383
Fair value in other comprehensive income		
Derivative financial instruments for hedging (note 24)	565	-
Total	149,295	141,768

31 Financial instruments and risk management (continued)

The financial instruments used expose the Company to market, credit and liquidity risk. Information in regard to purposes, policies and processes concerning the management of those risks, as well as the capital management is provided below.

Market risk

Market risk is the risk that the fair value or the future cash flows of financial instruments may vary due to the changes in market prices. The associated market risk is foreign currency risk, interest risk or price risk.

Foreign currency risk

The Company enters into international transactions, denominated in foreign currencies. Therefore, the Company is exposed to market risk related to possible foreign currency fluctuations. Such risk is mainly connected to the USD/BGN exchange rate fluctuations, because the Company's transactions related to purchases of raw materials and sales of finished goods are denominated in USD. The Company does not have any loans received or granted in a currency other than the euro. Transactions in EUR do not expose the Company to foreign currency risk as since January 1, 1999 the Bulgarian lev has been pegged to the Euro at a fixed exchange rate.

Financial assets and liabilities, denominated in USD and British pounds, are presented in the table below:

	December 31, 2019		December 31, 2018	
	Original currency (in thousands)	BGN'000	Original currency (in thousands)	BGN'000
Trade and other receivables	232	449	253	432
Total financial assets	232	449	253	432
Trade and other payables	(600)	(1,119)	(126)	(215)
Total financial liabilities	(600)	(1,119)	(126)	(215)
Total financial assets/(liabilities), net	(368)	(670)	127	217

The sensitivity analysis of foreign currency risk is calculated at a change of 5% of the USD/BGN and GBP/BGN exchange rate. Management believes that this change is reasonably possible, based on statistical data for the dynamics in variations for the previous year. If as at December 31, 2019 and 2018 the USD/BGN and GBP/BGN exchange rate had increased by 5%, and, with all other variables held constant, the profit after tax would have decreased by BGN 34 thousand for 2019, and would have increased by BGN 11 thousand for 2018, mainly as a result of exchange rate differences arising from revaluation of trade receivables for 2019 and trade payables, denominated in USD for 2018. The difference in the sensitivity of the profit after taxation for 2019 to changes in the exchange rate of the USD compared to 2018 is insignificant.

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Foreign currency risk (continued)

The sales of the Company are concentrated in countries from the European Union, including Bulgaria, as 97 % of the sales are realized in this region. Transactions with customers from those countries are negotiated in EUR, that basically eliminates foreign currency risk. In addition, owing to the increasing importance of the EUR as a global currency, the Company has the opportunity to realize some of its sales in EUR outside the European Union as well, that further mitigates the foreign currency risk.

Interest rate risk

The Company is exposed to interest rate risk, because the main part of the loans received are contracted under the terms of floating interest rate, negotiated as a base interest rate (LIBOR, EURIBOR) with a certain margin, which varies between 1,55% and 3%. In 2019 and 2018 the loans with a floating interest rate are denominated in BGN and EUR.

The Company continuously monitors and analyses its main interest exposures and develops certain scenarios in regard to their optimization, including re-financing, renewal of existing loans, alternative financing (contracts for sale and lease-back of assets), as well as develops estimates of the impact of the interest rate fluctuations in a certain range over the financial result.

As of the date of these financial statements the structure of the interest-bearing financial instruments is as follows:

	December 31, 2019	December 31, 2018
Instruments with a fixed interest rate	61,741	54,996
Financial assets	3,163	3,455
Financial liabilities	58,578	51,541
Instruments with a floating interest rate	55,985	74,256
Financial liabilities	55,985	74,256

If the interest rate increases or decreases by 1 %, the interest amount for the past one-year-period could affect the income statement, as follows:

For the year ending December 31, 2019	Accrued interest	Interest amount at a possible fluctuation of the interest rate by	
		c +1%	c -1%
Bank loans	923	1,476	370
Trade loans	190	253	127
Lease liabilities	13	13	13
Total interest expenses	1,126	1,742	510
Total interest expenses, net	1,126	1,742	510

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Interest rate risk (continued)

For the year ending December 31, 2018	Accrued interest	Interest amount at a possible fluctuation of the interest rate by	
		+1%	-1%
Bank loans	1,064	1,846	282
Trade loans	193	279	107
Lease liabilities	21	21	21
	93	93	93
Total interest expenses	1,371	2,239	503
Total interest expenses, net	1,371	2,239	503

Price risk

Price risk is related to possible changes in the market prices of equity instruments held for sale and of the Company's finished goods.
Changes in selling prices of finished goods depend vastly on movements in the price of aluminum on the international stock exchange. The Company uses forward contracts to hedge the risks associated with changes in market prices of aluminum on the London Metal Exchange.

These contracts are classified as cash flow hedges as they hedge the Company's exposure to variability in cash flows that is attributable to the particular price risk associated with forecasted sale and purchase transactions (see note 24).

Credit risk

Credit risk is the risk that a party to a financial instrument is unable to pay its liabilities and thus cause financial loss to the other party. Financial assets, which potentially expose the Company to credit risk, are mainly trade receivables and interest-bearing loans granted. Primarily, the Company is exposed to credit risk in the event where its customers fail to perform their obligations. In order to mitigate the credit risk the Company has concluded contracts with an international and a Bulgarian insurance companies in regard of trade receivables insurance. Additionally, the Company directs its policy to enter into sales transactions with customers having favorable credit reputation, and, to use adequate collaterals in order to mitigate the risk of possible financial losses. The estimations for favorable credit reputation of the customers are based on the financial position, previous experience and other factors. Credit limits are determined, which are strictly monitored.

As at December 2019 the Company does not have any substantial credit exposure to any counterparty or a group of counterparties with similar characteristics. Counterparties are defined as counterparties with similar characteristics if they are related parties.

The credit limits and the carrying amounts from the top five customers of the Company to which it has the most significant exposure as of December 31, 2019 and 2018 are presented in the tables below:

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Credit risk (continued)

Receivables from sales from these customers as of December 31, 2019 and 2018 amount to BGN 11,884 thousand and BGN 10,980 thousand respectively, which represents respectively 31% and 25% of the gross amount of sales receivables.

	December 31, 2019	
	Carrying amount	Credit limit
INVESTA Sp. z o.o	3,565	5,867
SPHERE FRANCE S.A.S.	2,676	3,912
THYSSENKRUPP SCHULTE GMBH	1,946	3,912
CEDO SP.Z O.O.	1,924	3,912
ALIBERICO FOOD PACKAGING S.L.	1,773	3,716
	11,884	**21,319**

	December 31, 2019	
	Carrying amount	Credit limit
CEDO SP.Z O.O.	2,926	6,063
SPHERE FRANCE S.A.S.	2,188	4,890
THYSSENKRUPP SCHULTE GMBH	2,048	3,912
ALIBERICO FOOD PACKAGING S.L.	2,026	3,325
CUKI COFRESCO S.R.L.	1,792	2,934
	10,980	**21,124**

The tables present the credit limits and the carying amount of the receivables from the five clients of the Company, to which it has the most significant sales in 2019 and in 2018.

	December 31, 2019	
	Carrying amount	Credit limit
THYSSENKRUPP SCHULTE GMBH	1,946	3,912
FORTI-FOLIEN GmbH	1,021	3,912
ETF Aluminium GmbH	-	1,173
INVESTA Sp. z o.o	3,565	5,867
CEDO SP.Z O.O.	1,924	3,912
	8,456	**18,776**

	December 31, 2019	
	Carrying amount	Credit limit
CEDO SP.Z O.O.	2,926	6,063
INVESTA Sp. z o.o	1,776	5,867
ETF Aluminium GmbH	-	1,173
ALUMECO A/S	108	1,173
THYSSENKRUPP SCHULTE GMBH	2,048	3,912
	6,858	**18,188**

31 Financial instruments and risk management (continued)

Credit risk (continued)

In 2019 the Company realizes 17% of the revenue through sales to the five biggest customers (2018: 17%). As at December 31, 2019 and 2018 trade receivables from these customers amount to BGN 8,456 thousand and BGN 6,858 thousand, respectively, that represent 22% and 16% of the gross amount of trade receivables.

Impairment of financial assets - trade and other receivables and receivables on loans

The company has the following types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- trade receivables
- trade receivables from related parties
- intercompany cash pool receivable

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. The credit risk of cash on bank accounts and derivative financial instruments is minimal, as the Company works only with banks with a high credit rating.

For short-term trade receivables without a significant financial component, the Company applies the simplified approach required by IFRS 9 and measures the allowance for impairment against expected credit losses over the entire period from the time of initial recognition of receivables. The Company uses a provision matrix that calculates provisions for losses on trade receivables that fall into different aging or overdue periods.
In order to measure expected credit losses, trade receivables are grouped on the basis of shared credit risk characteristics and the days past due in relevant categories.

The percentages for expected credit loss by groups are determined based on the probability of default and the loss in case of default. The probability of default is determined on the basis of the profile of payments from sales for a period of 12 months before December 31, 2019, and the loss in case of default is determined on the basis of historical credit losses for a period of 12 to 36 months.
Regarding trade receivables, the non-recoverability analysis is performed over the past 3 years to determine the overall default ratio. The default values are calculated for the following aging intervals: (1) up to 30 days; (2) from 30 to 60 days; (3) from 60 to 90 days and (4) over 90 days, as well as the insured part of the exposures and the collaterals on them are taken into account.

The loss allowance shall be calculated by taking into account the default rate corrected for the impact of the forecast information and the residual receivable at the balance sheet date for each aging interval. The Company assessed the impact of the forward looking information and concluded that the impact is immaterial.

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Credit risk (continued)

As of December 31, 2019, trade receivables in the amount of BGN 35,900 thousand are insured (December 31, 2018: BGN 39,997 thousand).

Based on this analysis, the Company has established that the expected credit losses on trade receivables are insignificant (less than 1%). For this reason, the Company has not recognized impairment of trade receivables from customers as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018 the aging structure of the Company's trade receivables is as follows:

	December 31, 2019	December 31, 2018
Not due	28,977	33,308
up to 30 days	7,395	7,825
30-60 days	828	1,385
60-90 days	15	33
over 90 days	3,170	2,812
Total trade receivables	40,385	45,363

Trade receivables from related parties, as well as loans granted to related parties are subject to individual credit risk assessment, which takes into account the available qualitative and non-statistical quantitative information. Based on this information, management has not accrued impairment of receivables from Fin Metal Aluminum San. Ve Tic. A.S and Euromet EOOD as of December 31, 2019 and 2018, as the expected credit loss is insignificant.

The carrying amount of financial assets represents to the maximum extent the credit risk to which the Company is exposed.

Liquidity risk

Liquidity risk is the risk that the Company is not able to settle its financial liabilities on maturity. The Company manages this risk by securing enough liquid funds, which should be used to settle the financial liabilities when they become executable, including in extraordinary or unexpected circumstances. The aim of the management is to maintain a stable balance between constant availability and flexibility of the financial resources through use of different forms of financing. Management of the liquidity risk is the responsibility of the Managing and Supervisory Boards. and includes maintaining of sufficient monetary funds, successfully negotiating of adequate credit lines, preparing, analyzing and updating of cash flows forecasts.

The following table presents the agreed maturities of non-derivative financial liabilities and assets based on the earliest date on which the Company may be required to repay them and in its right to receive them. The table presents the undiscounted cash flows, including principal and interest:

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Liquidity risk (continued)

December 31, 2019	Up to 1 month	Between 1 and 3 months	Between 3 months and one year	Between 1 and 5 years	Over 5 years	Total
Financial liabilities						
Long-term bank loans	1,159	2,303	10,738	36,148	-	50,348
Short-term bank loans	8,196	78	44,761	-	-	53,035
Trade receivables from related parties	-		-	8,985	-	8,985
Lease liabilities	-	315	944	5,140	-	6,399
Payables to suppliers	31,261	2,309	50	-	-	33,620
Trade payables to related parties	517	-	-	-	-	517
Dividends	30	-	-	-	-	30
Total	41,163	5,005	56,493	50,273	-	152,934

December 31, 2019	Up to 1 month	Between 1 and 3 months	Between 3 months and one year	Between 1 and 5 years	Over 5 years	Total
Financial assets						
Trade loans receivables from related party	-	-	-	3,163	-	3,163
Cash and cash equivalents	1,345	-	-	-	-	1,345
Trade receivables	24,939	13,769	228	-	-	38,936
Receivables from related parties	1,447	-	-	-	-	1,447
Trade receivables	2	-	-	-	-	2
Total	27,733	13,769	228	3,163	-	44,893

December 31, 2018	Up to 1 month	Between 1 and 3 months	Between 3 months and one year	Between 1 and 5 years	Over 5 years	Total
Financial liabilities						
Long-term bank loans	164	329	7,483	47,856	1,265	57,097
Short-term bank loans	12,273	54,827	-	-	-	67,100
Trade loans from related parties	-	-	-	8,838	-	8,838
Finance lease liabilities	-	-	592	2,797	91	3,480
Payables to suppliers	12,086	3,374	48	-	-	15,508
Trade payables to related parties	136	-	-	-	-	136
Dividends	27	-	-	-	-	27
Total	24,686	58,530	8,123	59,491	1,356	152,186

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Liquidity risk (continued)

December 31, 2018	Up to 1 month	Between 1 and 3 months	Between 3 months and one year	Between 1 and 5 years	Over 5 years	Total
Financial assets						
Trade loans receivables from related parties	-	-	-	3,455	-	3,455
Cash and cash equivalents	1,985	-	-	-	-	1,985
Trade receivables	29,307	13,677	920	-	-	43,904
Receivables from related parties	1,447	-	-	-	-	1,447
Trade loans receivables	12	-	-	-	-	12
Total	32,751	13,677	920	3,455	-	50,803

Fair value measurements

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (valuation techniques and inputs used).

Financial assets/ (liabilities)	Fair values		Level	Valuation techniques and inputs
	December 31, 2019	December 31, 2018		
Derivatives for cash flow hedging	(565)	1,623	Level 1	Quoted prices on primary market

Information about the financial liabilities, measured at fair value as at December 31, 2019 and December 31, 2018 is presented, as follows:

Fair value measurement at the end of the reporting period:

Description	December 31, 2019	Level 1	December 31, 2018	Level 1
Recurring fair value measurements				
Derivatives for cash flow hedging	(565)	(565)	1,623	1,623
Total recurring fair value measurements	(565)	(565)	1,623	1,623

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Fair value measurements (continued)

The tables below present the fair value of financial assets and financial liabilities, that are not measured at fair value, but its presentation is required by IFRS's. The management of the Company considers that the fair value of financial assets and liabilities that are not included in the table, is approximately equal to their carrying amount.

December 31, 2019	Carrying amount	Fair value
Financial assets		
Receivables on interest bearing loans (note 19)	3,163	3,163
Financial liabilities		
Bank loans (Note 26)	99,863	99,863
Lease liabilities (note 26.1)	6,122	6,122

December 31, 2018	Carrying amount	Fair value
Financial assets		
Receivables on interest bearing loans (note 19)	3,455	3,455
Financial liabilities		
Bank loans (Note 26)	113,946	113,946
Finance lease liabilities (note 26.1)	3,383	3,383

Equity management

The Company manages its capital to ensure its operation as a going concern and at the same time strives to maximize shareholder wealth through optimization of the debt-equity ratio (return on invested capital). The purpose of the Management is to support the trust of investors, creditors and market and to guarantee future development of the Company.

The Management of the Company observes the equity structure on the basis of debt-to-equity ratio. Net debt includes long-term and short-term interest-bearing loans, as well as long-term and short-term finance lease liabilities less cash.

The Management of the Company determines the amount of necessary capital proportionally to the risk level, with which the separate activities can be characterized (projects, business segments). Support and correction of equity structure is done in relation with changes in economic conditions as well as the risk level of the respective assets (projects), in which it is invested. Basic instruments which are used for equity management are: issuance of equity and debt instruments, sales of assets with the purpose to decrease level of obligations, debt refinancing through issuance of instruments with longer maturity, etc. All decisions for changes in this direction are based on balance of price and risk, attributable to different sources of financing.

All amounts in thousand of BGN, unless otherwise stated

31 Financial instruments and risk management (continued)

Equity management (continued)

Net debt to equity ratio for 2019 and 2018 is, as follows:

	December 31, 2019	December 31, 2018
Debt (see note 26)	114,563	125,797
Cash (see note 22)	(1,345)	(1,985)
Net debt	113,218	123,812
Equity	219,591	215,947
Adjustment for amounts accumulated in equity relating to cash-flow hedges (see note 24)	509	(1,461)
Adjusted equity	220,100	214,486
Debt to equity ratio	0.51	0.58

In accordance with the requirements of Art. 252 of the Commerce Act, the Company should maintain the value of its net assets above the value of its registered share capital. As at December 31, 2019 and 2018 the Company adheres to these requirements, as its net assets amount to BGN 219,591 thousand and BGN 215,947 thousand, respectively, and the registered share capital amounts to BGN 17,953 thousand.

The Company manages its capital in a proper manner in order to ensure its activity as a going concern. As at December 31, 2019 and 2018 the Company's current assets exceed the current liabilities by BGN 26,797 thousand and BGN 42,577 thousand, respectively.

Management of the Company believes that in the future it could sustain its normal activities through self-financing and increase of the operating efficiency.

32 Related parties

Related parties of the Company are:

1. Alumetal AD – Sofia – Parent company and ultimate Parent company;
2. FAF Metal Sanayj Ve Ticaret AS – Istanbul, Turkey – entity with significant influence over the Company through direct and indirect participation in the Company's share capital;
3. Euromet EOOD, Shumen – subsidiary;
4. Fin Metal Aluminyum San. Ve Tic. A.S., Turkey – entity under common control;
5. Fikret Ince – ultimate controlling party

All amounts in thousand of BGN, unless otherwise stated

32 Related parties (continued)

The main transactions with related parties during 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Parent company		
Accrued interest on loans received	162	164
Interest paid on loans received	-	-
Loans received	-	-
Loan principal paid	(80)	(32)
Entities with significant influence over the Company		
Services received	21	12
Ultimate controlling party		
Loans received	-	-
Accrued interest on loans received	28	29
Subsidiaries		
Accrued interests on loans granted	-	-
Received Interests on loans granted	292	284
Entities under common control		
Fin Metal Aluminyum San. Ve Tic. A.S.		
Purchase of materials	3,269	2,412
Purchase of fixed assets	54	6,682
Purchase of services	223	50

The outstanding accounts receivable from related parties include:

	December 31, 2019	December 31, 2018
Subsidiaries		
Euromet EOOD – trade receivable (note 21)	5	5
Euromet EOOD – loans granted (note 19)	3,163	3,455
Enitity under common control		
Fin Metal Aluminyum San. Ve Tic. A.S. – trade receivable and advances for purchase of fixed assets	1,442	1,442
Total receivables from related parties	4,610	4,902

All amounts in thousand of BGN, unless otherwise stated

32 Related parties (continued)

The outstanding amounts payable to related parties are as follows:

	December 31, 2019	December 31, 2018
Parent company		
Alumetal AD – trade loans received (note 26)	7,062	6,980
Ultimate controlling party		
Ultimate controlling party (note 26)	1,516	1,488
Entity under common control		
Fin Metal Aluminyum San. Ve Tic. A.S. – trade payable	517	136
Total payables to related parties	9,095	8,604

The remuneration of key management includes only short-term benefits, which as at December 31, 2019 and 2018 are at the amount of BGN 3,445 thousand and BGN 3,435 thousand, respectively. The outstanding payables to key management as at December 31, 2019 and 2018 amount to BGN 226 thousand and BGN 234 thousand, respectively.

In 2019 and 2018, the Company has distributed dividends (see note 23).

33 Contingent assets, liabilities and capital commitments

As of December 31, 2019 the Company has signed lease agreements for purchase of equipment at the total amount of EUR 3,998 thousand (BGN 7,817 thousand). As of December 31, 2019, equipment was delivered at the amount of EUR 3,319 thousand (BGN 6,491 thousand), which is still not put into operations. The finance lease is secured with special pledge on the future equipment.

In April 2011, the Company signed a bank loan agreement under the condition of making loan commitments in the form of financial transactions with a limit of EUR 1,000 thousand as of December 31, 2019 (December 31, 2018: EUR 1,000 thousand). As of December 2019 and 2018 there are no amounts utilized under the contract. In accordance with annex 8 dated August 7, 2017, the agreement term is extended to June 30 2026 and with annex 9 dated June 27, 2018, the amount of the loan is increased to EUR 1,000 thousand. In compliance with the Law on financial collateral arrangements, the Company has provided a collateral to the Bank in the form of a pledge on all its current and future receivables on all of the Company’s accounts in the Bank.

As of December 31, 2019 the Company has an open letter of credit in favour of a supplier at the amount of EUR 12,846 thousand and with validity term until March 1, 2020. As a result of payments made during the year, the letter of credit obligation as of December 31, 2019 is EUR 163 thousand.

In relation to the signed lease agreements as of December 31, 2019, the Company has an open letter of credit in favour of a supplier at the amount of EUR 1,040 thousand and a term of validity until March 31, 2020. As a result of payments made during the year, the letter of credit obligation as of December 31, 2019 is EUR 130 thousand.

33 Contingent assets, liabilities and capital commitments (continued)

As of December 31, 2019 the Company has an open letter of credit in its favour at the total amount of EUR 63 thousand which expire in 2020.

As of December 31, 2019 the Company has in its favour issued bank guarantees at the total amount of BGN 911 thousand and EUR 368 thousand. The guarantees mature in 2020 and 2021.

As of December 31, 2019 the Company has signed agreements with suppliers for purchase of 62,000 tons aluminum in 2020.

34 Events after the date of the separate financial statements

In January 2020 annex 44 to loan agreement B was signed according to which the loan term is extended until March 31, 2020

In January 2020 annex 45 to loan agreement B was signed according to which the loan term is extended until January 31, 2021

In January 2020 annex 7 to an agreement for pledge on receivables to loan agreement F is signed according to which the list of pledged receivables is updated.

In January 2020 annex 8 to an agreement for pledge on goods to loan agreement F is signed according to which the list of pledged goods is updated.

In February 2020 annex 1 to loan agreement O was signed and annex 1 to an agreement for pledge on assets (to loan O) according to which the clauses are updated under the main agreement for entering the pledges in the Central Pledge Register and the list of pledged assets.

In April 2020 annex 2 to loan agreement O was signed according to which the loan term is extended until April 16, 2021.

Proposal for termination of a contract for debt securities transactions with Expressbank.

In January 2020 the Company opened a documentary letter of credit in favour of a supplier at the amount of EUR 622 thousand and with validity term until June 30, 2020.

In January 2020 documentary letters of credit were opened in favor of the Company by a client at the amount of EUR 119 thousand and with validity term until April 20, 2020 and March 11, 2020.

In January 2020 advance guarantees from suppliers in the amount of EUR 319 thousand and a validity period of November 5, 2020, July 17, 2020 and July 31, 2020 were opened in favor of the Company.

In January and February 2020 the Company has concluded contracts for the purchase of machinery and equipment at the amount of BGN 3,176 thousand. The equipment will be delivered in 2020.

34 Events after the date of the separate financial statements (continued)

Effect of COVID-19 on the separate financial statements of the Company

At the end of 2019, news from China about COVID-19 (Coronavirus) appeared for the first time. The situation at the end of the year was determined by a limited number of cases of an unknown virus reported to the World Health Organization. In the first few months of 2020, the virus spread globally and its negative impact gained momentum.

Management considers this outbreak to be a non-adjusting post balance sheet event.

While this is still an evolving situation at the time of issuing these financial statements, the Company is not able to assess the impact of COVID-19 on the future financial condition and financial results of the activity, but the management expects that the impact will be negative.

As of the date of issuance of these separate financial statements, the Company:

- continues to operate in accordance with its normal activities, in fulfillment of the forecast sales plan and in its normal purchasing process, taking all precautions to limit the spread of COVID-19 with attention to all employees;
- during the state of emergency, all employees from production departments were at work and the production cycle was at full capacity. Only some of the employees in the administrative departments worked remotely.
- the company has achieved record sales for April 2020 (6,328 MT). The management expects that in May the sales may reach 6,000 MT. The company also received orders for sales of aluminum for the entire production capacity for June 2020.
- the sales of the Company from the beginning of 2020 until now have increased significantly in terms of quantity, but prices have fallen. This is a result of China's focus on selling in European markets, stemming from a ban on exports to US markets. Competition in European markets is stronger as a result of their positioning, but the Company intends to take advantage of the change in order to increase its sales in the United States.
- The expectations of the management are that a large part of the investment program of the Company will be completed by the end of June 2020 and this will increase the production capacity for rolling. As a result, fixed and indirect costs are expected to decrease, which will lead to an increase in the Company's operating profit.
- at that moment the deliveries of the goods and services, which are necessary for the Company for the production process, are provided. In view of the dynamic and changing situation, the management of the Company works hard to deliver the products offered by it on time.

The scale and duration of this pandemic remain unknown, but the expected slowdown in the global economy is also expected to affect the Company's business. The main risks arising from this precarious situation with regard to COVID-19 are:

- Property valuation: Management believes that the property valuation may be affected by subsequent reporting dates, but it is not possible to assess to what extent. The impact will not have a monetary effect and is expected to be reversed in the future;

34 Events after the date of the separate financial statements (continued)

Effect of COVID-19 on the separate financial statements of the Company (continued)

- liquidity: While the liquidity of the Company will be affected, the financial position and the expected cash flows will allow the Company to meet its obligations;
- as of the date of approval of these separate financial statements, the Company has no impaired collection of its trade receivables;
- as of December 31, 2019, the Company has a short-term debt of BGN 66,783 thousand. Alcomet has 20-year strong positions with its banking partners and has their support. As of December 31, 2019, the Company has active credit limits of BGN 137,000 thousand, most of which have not been utilized. Banking institutions value the company at low risk, as evidenced by the low interest rates with which they finance it (see Note 26);
- as of the date of approval of these separate financial statements, a significant part of short-term bank loans have been extended until 2021 (see Note 26);
- all matured liabilities on bank loans for the period from the date of the separate financial statements until its approval for issuance are paid without delay.

The Company's management will continue to monitor the potential impact and will take all possible steps to mitigate any effects.

There are no other events after the date of the statement of financial position which require adjustments to or additional disclosures in the Company’s separate financial statements.