SOFIA MED AD

INDEPENDENT AUDITOR’S REPORT
ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2024

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

CONTENT

General overview

Throughout 2024, the external environment presented significant headwinds. Global energy prices fluctuated markedly, with oil and gas costs peaking mid – year before declining toward the end of 2024. Energy intensive industries across Europe, including metals processing, were directly impacted.

At the same time, interest rates remained elevated during the first half of the year before central banks, including the ECB, began a gradual easing cycle. This monetary easing helped relieve some pressure on financing costs, through higher rates earlier in the year continued to impact the working capital and the investment planning.

Metal prices on the LME remained high during the year. The average price of copper stood at EUR 8,453/tn versus EUR 7,842/tn the respective prior year, increased by 7.8% while the average price for of Zinc was EUR 2,569/tn versus EUR 2,449/tn in 2023, increased by 4.3%.

Despite the persistent volatility in commodity prices and macroeconomic uncertainty, Sofia Med achieved solid financial results in 2024, demonstrating adaptability and strength amid external pressures from global energy markets and monetary policy shifts. Sofia Med's financial performance benefited from an optimized product mix, lower energy prices, increased scrap usage, reduced costs and a favourable average copper price. As a vertically integrated manufacturer of copper and copper alloy products, the Company remained focused on delivering high value-added solutions to a diversified customer base across Europe and North America and continued to strengthen its position in key markets.

Sales volume dropped by 1,3%, reaching 93 597 tons of copper products and alloy products compared with 94 816 tons of basic production products sold in 2023, due to lower demand of rolled products in Europe. However, revenue amounted to BGN 1 760 500 thousand in 2024, compared to BGN 1 700 040 thousand in 2023, supported by increasing selling prices for its copper and copper alloys products and a balanced product mix.

Profitability also improved significantly. Specifically, the Company recorded a growth of 30% in gross profit and 34% in operating profit, reaching BGN 180 216 thousand and 149 379 thousand respectively, compared to BGN 138 875 thousand and BGN 111 754 thousand in 2023. Earnings before tax (EBT) stood at BGN 131 027 thousand (2023: BGN 91 584). Earnings after tax (EAT) amounted to BGN 118 041 thousand, increased by BGN 37 868thousand, compared to 2023.

Earnings before tax, interest, depreciation and amortisation (EBITDA) amounted to BGN 164 381 thousand in 2024, which represented a 24% rise compared to BGN 132 402 thousand in 2023, reflecting discipline cost management and improved productivity across manufacturing operations. Adjusted Earnings before tax, interest, depreciation and amortisation (a-EBITDA), which represents the operational profitability of the Company, recorded a growth of 9%, reaching BGN 152 898 thousand in 2024 compared to BGN 140 358 thousand of the previous year.

In 2024, Sofia Med sustained the implementation of its investment program, primarily targeting the expansion of the production capacity, digitalization and product mix improvements. A total of BGN 35 901 thousand in payments of capital investments that were executed at the Sofia Med's plant (2023: BGN 27 688 thousand). The investments form part of a broader multi-year growth strategy aimed at improving production flexibility, reducing environmental footprint, and supporting the transition to a circular economy through greater use of recycled metals.

Net debt decreased by BGN 64 544 thousand due to the improved cash flows from operating activities. Distribution of dividend amounted to BGN 39 117 thousand was approved by the General Meeting that took place on May 2024, following recommendation of the Board of Directors.

The Company also continued its commitment to sustainability and employee development, implementing energy-saving initiatives, reinforcing workplace safety measures, and enhancing ESG (Environmental, Social, Governance) practices in line with parent company ElvalHalcor's, the parent company, sustainability goals.

Looking forward, Sofia Med is well-positioned to capitalize on long-term trends in the energy transition, e-mobility, and digital infrastructure—sectors where copper-based solutions are critical. The Company's resilience, customer-centric approach, and continuous investment in innovation provide a strong foundation for sustained value creation in the coming years. Sofia Med is on track to increase capacity with targeted investments in high added value products as well as working on several process optimization initiatives that will support the Company's performance in 2025.

Current period results and financial position overview – Financial highlights

In BGN thousand	**2024**	**2023**
Sales revenue	1 760 500	1 700 040
Earnings before interest and tax (EBIT)	149 379	111 754
Earnings before interest, tax, depreciation and amortization (EBITDA)*	164 381	132 402
Earnings before taxes (EBT)	131 027	91 584
Working capital excluding cash and cash equivalents**	331 166	336 913
EBITDA / Sales	9.3%	7.8%
Working capital / Sales	18.8%	19.8%
Current ratio	1.96	2.12
Debt*** / Equity	0.23	0.44
Debt*** / EBITDA	0.72	1.40

***EBITDA:** It measures profitability of the entity before net financial cost, income tax, depreciation and amortization and amortization of government grants. It is calculated by adjusting the depreciation and amortization, interest charges and interest income in profits/ (losses) before tax as reported in the Statement of Comprehensive Income.

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

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

In BGN thousand	**2024**	**2023**
EBIT	149 379	111 754
Adjustments for:		
+ Depreciation of property, plant and equipment (related only COGS)	13 400	19 347
+ Depreciation of right of use assets	1 188	913
+ Amortization of intangible assets	523	497
- Amortization of government grant	(109)	(109)
EBITDA	**164 381**	**132 402**

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

- Metal result
- Restructuring costs
- Idle costs related to unused assets
- Impairment and obsolescence of fixed assets
- Impairment and obsolescence of investments
- Gains / (Losses) from sales of fixed assets and investments
- Gains / (Losses) from write offs of fixed assets
- Other impairment and non-recurring expenses and losses

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

In BGN thousand	**2024**	**2023**
EBITDA	**164 381**	**132 402**
Adjustments for:		
Profit from Metal result	(12 206)	7 950
Loss from disposals of non-current assets, net	-	6
Other exceptional expenses	723	**-**
a-EBITDA	**152 898**	**140 358**
a-EBITDA/ Sales	8.7%	8.3%

The metal result stems from:

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

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

Sustainable Development

Sustainable Development is a strategic priority for Sofia Med. In this context, the company management has approved a revised and upgraded sustainability strategy during 2024, whereas the company commitment was reemphasized by ensuring that the relevant issues are communicated to all key stakeholders via implementing and developing all relevant activities. As part of the Sustainability Strategy, Sofia Med has adopted six key policies, a Business Code of Conduct and a Business Partners' Code of Conduct that cover the entire range of environmental, social and governance issues related to the company activities, as well as its supply chain. All the policies and codes were revised and updated in 2024 so to ensure alignment of the company operations with the latest European Sustainability Reporting Standards. Each policy is supported by relevant procedures and indicators, internal and external audits for adequate due diligence in important matters, as well as to ensure regulatory compliance. In addition, national legislation is also taken into account in terms of sustainability requirements to ensure a transparent and accountable operation of all its activities in accordance with European and national legislation.

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

More on:
https://www.sofiamed.com/en/capability/sustainable-development
https://www.sofiamed.com/en/company/corporate-governance/codes-of-conduct

Commitment to the UN Sustainable Development goals

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

Stakeholder engagement

In 2024 the company kept its intensive and transparent its dialogue with its stakeholder groups to better understand how they believe the company can improve its business practices and partnerships. Sofia Med ensured the participation of a large group of internal and external stakeholders in the double materiality analysis, that was carried out.

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

Responsible supply chain

Sofia Med chooses its suppliers carefully, so that they demonstrate a shared commitment to making a positive contribution to society. Sofia Med has adopted a Business Partners' Code of Conduct, which sets out the minimum standards that the company suppliers are required to adhere to. Furthermore, the company has developed and adopted new Responsible Sourcing Policy in 2024, which clearly defines what sustainability means in the context of procurement.

More on: https://www.sofiamed.com/en/company/corporate-governance/codes-of-conduct

EcoVadis

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

In early 2024 Sofia Med completed its second thorough EcoVadis assessment of its sustainability practices and performance. The company achieved higher overall score and showed improved performance in the terms of increased requirements in the four core pillars – Environment, Labour & Human Rights, Ethics and Sustainable Procurement, compared to the previous EcoVadis evaluation completed in 2023.

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

Sustainability management

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

Whistleblowing mechanism

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

More on: https://www.sofiamed.com/en/capability/integrity-hotline

Customer focus

Customer satisfaction is another top priority for Sofia Med. The company has implemented a certified management system on Quality Assurance in compliance with the international standards ISO 9001:2015 and IATF 16949:2016, relating to a big part to the technical specifications from the automotive industry. Furthermore, the wide range of its products meets the requirements of prevailing standards, such as European standards (EN), and others like BS, DIN, ASTM, JIS.

Management commitments, described in the company Quality Policy, include:
• continuous improvement in customer satisfaction,
• high quality products to ensure they meet customer requirements and a high degree of effectiveness,
• maintaining and improving the company reputation in terms of quality, customer service and reliability,
• continuously adapting to new market needs,
• closely cooperating with customers to develop specialized bespoke products according to their needs.

Market overview

In 2024 Sofia Med consolidated its growth path. Despite challenging and uncertain economic, geopolitical and market conditions, the company managed to gain market share while stabilizing sales volumes, conversion price and profitability. Following its path of continuous evolvement, alignment with the global megatrends, and the higher demand of the energy related and electrical industries, Sofia Med is further expanding its production capabilities to support the needs of the dynamic market.

Furthermore, the Product and Process Development Department (PPD Dpt.) of the company, succeeded during 2024 in the optimization of production processes, targeting mainly to shorten the production time, reduce energy consumption and increase the recycled rate. In addition, a new department for Technical Marketing and Strategic business development was created in 2024 with the aim to improve the company's performance and our customer-oriented culture.

Caring for our people

Sofia Med is committed to the continuous growth and development of its employees, fostering an inclusive and supportive work environment. The company invests in people by offering ongoing training programs, career advancement opportunities, and personal development pathways at every level. Sofia Med adheres to equal opportunity policies, ensuring fairness and equity across all functions. The company also prioritizes the cultivation of a positive, rewarding work culture that deeply respects human rights and promotes a high standard of employee well-being. A core objective is to maintain a safe and secure workplace where responsible working practices are not only encouraged but embedded in daily operations.

In 2024, Sofia Med continued investing in extensive training program, targeting the majority of its workforce. The aim is to foster internal knowledge enhancement, elevate employee qualifications, and deepen understanding across a wide array of critical topics, including ethics, diversity and inclusion, anti-corruption, and more. By offering a diverse range of training opportunities, the company aimed to ensure that its employees not only excelled in their respective roles but also contributed to a culture of integrity, respect, and social responsibility.

The Company training plan covered 54% of the employees, supporting skills upgrades and collaboration across the organization. This investment in professional growth supports the company's mission to remain innovative, competitive, and ethically responsible in an ever-evolving business landscape.

The company also focused on raising awareness through internal communications on issues related to sustainability and ongoing dialogue. As part of its social policy, Sofia Med provides additional health insurance for its employees and family members, a medical centre onsite, which operates daily within the company facilities, as well as a fitness hall. The extensive social policy includes also: canteen onsite subsidized daily, free coffee and tea, remote work internal regulations, food vouchers monthly, gift vouchers for Easter and Christmas, partially subsidized Multisport card, summer camp and Christmas party for the children of the employees. Additional "Loyalty" paid leave for long service in the company was introduced to the employees.

As part of our ongoing commitment to enhancing working conditions and support and motivate our employees, a several improvements of the working conditions were implemented in the company. These include an increase in the compensation for employees working night shifts, as well as those covering our 24/7 shift schedule – a team demonstrating the highest level of efficiency and productivity will be eligible for an additional performance bonus.

Following its Human Rights Policy, the company has developed and adopted a Human Rights Due Diligence Procedure in 2024. Furthermore, a Human Rights Officer has been appointed with the main responsibility to safeguard basic human rights, monitor compliance with the procedure and applicable legal requirements, as well as initiate improvements in thematic areas that are included in the human rights list.

In 2024 a series of focus group discussions and surveys have been done. The main focus was analyzing the results in the area of attrition of the personnel and reasons for leaving, mainly among blue-collar staff. Based on the insights gathered, most of the weak points were addressed, leading to a significant increase in retaining the existing personnel.
A People Survey, part of the global VIOHALCO initiative, was conducted, including the whole company staff.
Successful introduction of blue-collar staff from countries outside the EU, reinforcing the company's diversity and inclusion policies and supporting the business growth.

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Occupational health and safety

Sofia Med has implemented a certified management system on Occupational Health and Safety in compliance with the international standard ISO 45001:2018. The company commitment to protecting the health and safety of its people and associates is an absolute and non-negotiable priority. The company is committed to achieving the “zero accidents” goal and works methodically towards it. In 2024, an intensive health and safety training programme was implemented for all employees. At the same time, several initiatives took place aiming to enhance information and accident recording.

Safety dialogues – Understanding why employees want to stay safe is a key to changing health and safety behavior. In regards with this, in 2024 Sofia Med continue the program in order to enrich the health and safety culture of its employees through safety observations based on honest and thoughtful dialogue, with the aim to improve the health and safety awareness and minimize the risks arising from people’s behaviour.

Internal H&S inspections – identifying risks and areas for improving the safety conditions at the working places is a key priority for the company amongst the other topics related to health and safety. Following this, in 2023 the company invested more time and efforts in the procedure for internal health and safety inspections, resulting to increase in the total number of conducted inspections by 19% in 2024, compared with 2023.

Machine safety – the company continues with the implementation of its ambitious critical safety program for machine guarding, zero access and other engineering and technical measures for improvement of the safety working conditions. Several new machines and equipment were covered within the scope of the action plan in 2024, as the total spending on these projects are increased by 30% in 2024 compared with 2023.

Environmental protection and energy efficiency

Sofia Med takes care of the protection of the environment and the efficient use of natural resources. The company has established and implements policies in the areas of Environment, Energy and Climate Change, under which it is committed to environmentally responsible business.

Sofia Med has implemented certified systems on Environmental Management and Energy Management in compliance with the international standards ISO 14001:2015 and ISO 50001:2018. Sofia Med’s practices in this field aim continuous improvement of its environmental footprint and its energy efficiency, while investing in environmental protection infrastructures.

- **Water management -** Sofia Med strengthened its efforts in optimizing the water consumption by implementing a series of actions and projects, intended to investigate and improve the condition of the plant water network, identifying and removing sources of water losses, expanding the coverage of the water consumption monitoring system, and improving the wastewater management and wastewater recycling process. Although the investments made in water infrastructure improvements, the company could not achieve the target set for water intensity, mainly due to the high temperatures during the summer and the need to withdraw larger volumes of water to satisfy its production needs. Appropriate actions and projects were undertaken after the summer in order to improve the water performance and reduce the water intensity. The plan and target set for 2025 are to continue with the improvement actions and achieve reduction in water intensity, compared with 2024.

- **Certified Water Efficiency Management System** - Sofia Med successfully completed a process of implementation and certification of Water Efficiency Management System according to the international standard EN ISO 46001:2019 at the end of 2024. Being one of the first certified large industrial companies in Bulgaria, this certification reflects the company commitment to systematically optimizing water consumption while aligning with sustainable practices across the business processes. This tool will be used for establishing of more systematic and robust approach in water management, as well as improve the overall performance.

Environmental protection and energy efficiency (continued)

- **Energy performance -** as a follow-up of an Energy efficiency audit that was conducted by external specialized company in 2023, the company has started the execution of an action plan with projects and measures for improvement in the field of electricity and natural gas consumption. Several projects for improving the energy intensity per specific processes and equipment were completed in 2024 as part of the action plan for improving the energy performance of the company which is considered also a key instrument for reducing the Carbon footprint.

- **Carbon inventory and Low Carbon Pathway** – an important step was made by the company towards its efforts in reducing its Carbon footprint. As a follow-up of a specialized study that was conducted in 2023, aiming to evaluate the performance of Sofia Med in terms of Corporate Climate Governance and Carbon footprint, the company has validated internally the relevant action plant and scenario modelled, and 2030 targets commitment. Furthermore, the company has initiated a process to improve the accuracy of the carbon footprint calculations, starting a dialogue with its primary raw materials suppliers, which are considered the most significant source of CO_2 emissions from the value chain.

- **Carbon footprint –** following the previous point regarding Carbon emissions, the company achieved a reduction of its Scope 1 & 2 Carbon footprint in 2024 by 34,66 % compared with 2023, as a result of its energy intensity and the increased share of low-carbon electricity in the energy mix.

- **Recycling –** Increasing the use and recycling of secondary raw materials, in order to contribute to a circular economy and minimize the company products' carbon footprint, is one of the main environmental goals and commitments of Sofia Med. During the last year, the company achieved an increase in the recycled content in final products from 34,7 % in 2023 to 40.4 % in 2024, expressed as quantity of recycled external pre-consumer and post-consumer scrap vs. quantity of final products produced following the guidelines given in the standard ISO 14021:2016. The achievement was a result of the intensive efforts made in finding the appropriate secondary materials on the market and pre-processing them in the proper way in order to secure the quality needed.

Supporting local communities

In 2024 our activities, related to the local communities, kept on evolving. As one of the biggest industrial companies in Bulgaria, we try to have a positive impact as much as possible to the local communities, focusing our attention and efforts on areas such as education, health care, and people in need.

Education

In 2024, we continued to enhance our long-term cooperation with the University of Chemical Technology and Metallurgy – Sofia, the Technical University of Sofia, and Sofia University "St. Kliment Ohridski".

We welcomed more students for plant visits from different faculties, we provided versatile internship and annual practice programs to graduates. We initiated discussions for bilateral cooperation on projects related to processes and products optimization and/or for our experts visiting the universities for lectures.

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

Health Care

In 2024 Sofia Med supported the local state hospital "St.Anna" aiming to support therefore the wellbeing of the local community.

People in need

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

We continuously support the national campaign "Caps for future", which collects separately plastic caps, plastic bottles and Alu cans and sends them for recycling. The money collected is used for the buying of neonatological ambulances and hospital equipment for hospitals in small towns around Bulgaria. Sofia Med has provided and placed dedicated containers on the company territory to support the efforts of the employees and their family members, who have been participating in the campaign successfully for years on end, and with higher amount of separate waste collected every time.

In 2024 the company provided Christmas gifts for the children of its employees, supporting two charity organizations, where people with special needs are involved.

For 2024, the Company aims to increase its support to local communities by focused actions that will respond to the key needs of the identified local community; we plan to engage more with these needs, as well as cooperate further on technical and production optimization projects with targeted universities. In parallel, we will seek to increase our positive social impact by improving the levels of local employment (both in the city of Sofia and in the nearby towns and villages), as well as by expanding the business relations with local suppliers.

Participation in professional networks and organizations

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

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

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

Research and development

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

Branch network

The company does not have a branch network.

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

In 2024, the Company did not repurchase its own shares and as of December 31, 2024, it does not own any repurchased shares. The members of the Board of Directors do not own shares or bonds of the Company. There is no decision of the General Meeting of Shareholders giving the members of the Board of Directors rights to acquire shares and bonds in the Company. The members of the Board of Directors have not declared that they or other persons related to them have concluded contracts with the Company that go beyond its usual activity or significantly deviate from market conditions. The remuneration of the members of the Board of Directors for 2024 is BGN 309 thousand (2023: BGN 236 thousand).

The members of the Company's Board of Directors as of December 31, 2024 are the following persons:

1. **IOANNIS PAPADIMITRIOU;**
2. **SPIRIDON KOKOLIS;**
3. **ANTONIOS KRITIKOS ;**
4. **ATHANASIOS ATHANASOPOULOS;**
5. **ANDREAS MAVROUDIS;**
6. **DIMITRIOS DIMITRIADIS;**
7. **PANAGIOTIS LOLOS;**
8. **LIDIYA ATANASOVA GERDZHIKOVA;**
9. **KURT CREUTZ;**

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

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

Member of the Board of Directors	Participating in following companies
1.Ioannis Papadimitriou	METALCO BULGARIA EAD; STOMANA INDUSTRY AD; SOFIA MED.
2.Spyridon Kokolis	SOFIA MED CHALKOR RESEARCH AND DEVELOPMENT A.E. METALLOURGIKI IPEIROU ANONYMI ETAIREIA; STEELMET SERVICES MONOPROSOPI S.A.; EANEP INOFITA S.A. TECHOR S.A. ANOXAL A.E. DIA.VI.PE.THI.V. S.A.; CABLEL WIRES S.A. REYNOLDS CUIVRE.
3.Athanasios Athanasopoulos	SOFIA MED LESKO OOD; PORT SVISHTOV WEST AD SIDENOR STOMANA ENGINEERING AD; STOMANA INDUSTRY S.A. ERLIKON EPEXERGASIA SYRMATON ANONYMI VIOMICHANIKI ETAIRIA.
4.Andreas Mavroudis	SOFIA MED ELVIOK Touristic, Agricultural, Industrial Enterprises of Agricultural Development Sole Proprietorship SA.; BRIDGNORTH ALUMINIUM LTD.; EL.K.E.ME. ELLINIKO KENTRO EREUNIS METALLON ANONYMI ETAIREIA.
5.Panagiotis Lolos	SOFIA MED EANEP INOFITA S.A.; ELVALHALCOR HELLENIC COPPER AND ALUMINIUM INDUSTRY S.A.
6. Dimitrios Dimitriadis	HELLAS GOLD S.A.; TRACE MINERALS S.A.; TREYSHAN GOLD MINING S.A.; MACEDONIAN COOPER S.A.
Stylianos Theodosiou	TECHOR. *Member of the BoD of Sofia Med till 5th September 2024
7.Lidia Atanasova Gerdjikova	AMBEL EOOD; BALANCE EOOD; GTV OOD; GERDA ООД; TWIN GROUP AD; PANSO AD; PRIMROUZVYU AD; EUROTERRA DEVELOPMENT AD;

	IZY HOMES AD
Member of the Board of Directors	**Participating in following companies**
8.Antonios Kritikos	**SOFIA MED** **METALCO BULGARIA S.A.** ***Member of the BoD of Sofia Med since 5th September 2024**
9.Kurt Creutz	**SOFIA MED**

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

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

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

Lidia Atanasova Gerdjikova	**BALANCE EOOD;** **AMBEL EOOD;** **GERDA OOD;** **GTV OOD.**

The other Directors of the Company do not own more than 25% of the share capital of other companies.

Financial instruments used by the Company and financial risks

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

Interest rate risk

The Company obtains funds for its investments and working capital needs through bank and overdraft loans, and thus debit interest is charged to its results. Any upward trend of interest rates will have a negative effect on results since the Company will bear additional borrowing costs. The risk from changes in interest rates relates primarily to the Company's long-term and short-term debt obligations.

Foreign currency risk

The Company is exposed to foreign exchange risk in connection with its sales and purchases, and loans taken out in a currency other than its functional currency, which is BGN. The currencies used for such transactions are mainly the Euro, the US dollar and the GBP pound.

The Company hedges the foreign currency risk by entering into "sell" or "buy" forward contracts for sale/purchase at determined exchange rate of the respective quantity of foreign currency at the date at which the receivables/payables are expected to be settled.

Commodity Price risk

The Company is exposed to significant risk as a result of the changes in the commodity prices of copper and zinc as they are its main raw materials used in production. The Company follows its policy of hedging this risk. The Company agrees both purchase and selling prices with reference to the prices quoted on the London Metal Exchange (LME) at specified dates. The Company concludes a futures sale contract on LME for each purchase order it places, and it concludes a futures purchase contract for each customer order it accepts. The futures contracts are for approximately the same quantities as the purchase and sales orders and they are concluded for approximately the same dates with reference to which the purchase and selling prices are determined.

The Company holds derivative financial instruments such as futures contracts for purchases and sales of inventory, to hedge the risks related to fluctuations of raw materials prices.

Credit risk

Credit risk concerns the risk of incurred losses in case a client or other third party involved in a transaction including a financial instrument fails to fulfil its obligations toward the Company and is mainly associated with trade receivables.

The Company's exposure to credit risk is mainly affected by the characteristics of each customer. The demographics of the Company's clientele, including the risk of default specific to this market and the country in which customers operate, have a limited effect on credit risk since there is no geographic concentration of credit risk.

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

The Company records provisions for impairment, which represent Management estimates about credit losses pertaining to customers, other receivables and contract assets, based on the expected credit losses from each counterparty. The above provision includes mainly impairment losses relating to specific receivables which, based on given conditions, are expected to be incurred, but are not finalised yet.

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

Liquidity risk

Liquidity risk is the risk that the Company will fail to fulfil its financial liabilities upon maturity.

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

According to the agreements concluded with banking institutions, the Company has undertaken to comply with and maintain certain financial covenants. Financial covenants as of December 31 of the corresponding year are calculated on the basis of the Company's audited Financial Statements. The Company has complied with all financial covenants set in all loan agreements for the financial year 2024.

Transactions with related parties

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

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

Steelmet Romania trades the products on the Romanian market.

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

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

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

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

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

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

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

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

Sofia Med sells finished products to International Trade.

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

STEELMET SA provide management and accounting services.

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

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

Metalco and Metalign SA provide the Company with accounting and management services.

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

Sofia Med purchases from VIEXAL SA international travel and hotel services.

Subsequent events

None subsequent events that could require additional adjustments and/or disclosures in the Company's financial statements have occurred since the year ended December 31, 2024.

Responsibilities of the management

According to the Bulgarian legislation the management of the Company has to prepare an annual report for the activities of the Company and financial statements, presenting true and fair view of the Company's financial position, financial results and cash flows for the year, in accordance with the applicable financial reporting framework.

For the purpose of reporting in accordance with the Bulgarian legislation, the Company applies the International Financial Reporting Standards (IFRS) as adopted by the EU.

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

The Management confirms that it has fulfilled its responsibilities and that the financial statements are prepared in compliance with IFRS as adopted by the EU.

The Management also confirms that this management report presents truly and fairly the activities of the Company and the developments in the business as well as the main risks for the Company.

The Management approves for issue the Management report and the Financial Statements of the Company for 2024.

Antonis Kritikos General Manager	Ioannis Papadimitriou Board of Directors Member	Sergey Vlaykov Chief Financial Officer

24 June 2025

	Notes	31 December 2024	31 December 2023
ASSETS		*BGN'000*	*BGN'000*
Non-current assets			
Property, plant and equipment	5	312 836	290 386
Right-of-use assets	5	3 102	2 330
Intangible assets	6	1 790	2 264
		317 728	**294 980**
Current assets			
Inventories	7	377 452	321 106
Trade and other receivables	8	100 006	90 944
Derivative financial instruments	9	47	317
Cash and cash equivalents	10	4 139	11 303
		481 644	**423 670**
TOTAL ASSETS		**799 372**	**718 650**
EQUITY			
Share capital	11	110 297	110 297
Share premium		10 820	10 820
Reserves	12	107 471	102 687
Retained earnings		277 169	203 848
		505 757	**427 652**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	13	21 514	67 517
Lease liabilities	14	2 044	1 452
Retirement benefit liabilities	15	3 611	3 011
Government grants	16	2 183	2 292
Deferred tax liabilities	4	18 687	16 715
		48 039	**90 987**
Current liabilities			
Loans and borrowings	13	93 506	119 882
Lease liabilities	14	603	523
Trade and other payables	17	142 614	71 361
Corporate income tax liabilities		2 409	3 869
Contract liabilities	3.1	3 725	4 093
Derivative financial instruments	9	2 719	283
		245 576	**200 011**
TOTAL LIABILITIES		**293 615**	**290 998**
TOTAL EQUITY AND LIABILITIES		**799 372**	**718 650**

The Financial Statements were approved for issue by decision of the Board of Directors of 24 June 2025.

Antonis Kritikos General Manager	Ioannis Papadimitriou B.o.D Member	Sergey Vlaykov Chief Financial Officer	George Basetas Preparer

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

Argir Mishev Registered auditor	Boryana Dimova Managing Director PricewaterhouseCoopers Audit OOD

The notes set out on pages 20 to 62 are an integral part of these Financial Statements.

	Notes	For the year ended 31 December 2024 BGN'000	2023 BGN'000
Revenue	3.1	1 760 500	1 700 040
Cost of sales	3.2	(1 580 284)	(1 561 165)
Gross profit		**180 216**	**138 875**
Selling and distribution expenses	3.2	(6 405)	(6 146)
Administrative expenses	3.2	(24 701)	(21 626)
Impairment reversals/(loss) of trade receivables	8	(223)	235
Other income and expenses, net	3.3	492	416
Operating profit		**149 379**	**111 754**
Finance expenses	3.4	(18 352)	(20 170)
Profit before tax		**131 027**	**91 584**
Income tax expense	4	(12 986)	(10 411)
Profit for the year		**118 041**	**81 173**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	15	(137)	(257)
Income tax relating to these items	4	13	26
		(124)	**(231)**
Items that may be reclassified to profit or loss:			
Revaluation of lands, buildings and machinery	5	-	28 302
Changes in fair value of cash flow hedges – effective portion		(768)	5
Changes in fair value of cash flow hedges – reclassified to profit or loss		(4)	(864)
Income tax relating to these items	4	77	(2 744)
		(695)	**24 699**
Other comprehensive (loss)/income for the period, net of tax		**(819)**	**24 468**
Total comprehensive income for the period		**117 222**	**105 641**

The Financial Statements were approved for issue by decision of the Board of Directors on 24 June 2025.

Antonis Kritikos General Manager	Ioannis Papadimitriou BoD Member	Sergey Vlaykov Chief Financial Officer	George Basetas Preparer

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

Argir Mishev
Registered auditor

Boryana Dimova
Managing Director
PricewaterhouseCoopers Audit OOD

	Note	Share capital	Share premium	Reserves	Retained earnings	Total equity
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as at 1 January 2023		**110 297**	**10 820**	**76 537**	**143 915**	**341 569**
Comprehensive income for the period						
Profit for the year		-	-	-	81 173	**81 173**
Other comprehensive income						
Cash flow hedge, net of tax	12	-	-	(773)	-	**(773)**
Revaluation of lands, buildings and machines, net of tax	5, 12	-	-	25 472	-	**25 472**
Actuarial gains, net of tax	15	-	-	-	(231)	**(231)**
Total comprehensive income for the period		**-**	**-**	**24 699**	**80 942**	**105 641**
Transactions with shareholders in their capacity of shareholders						
Distributed dividend		-	-	-	(19 558)	**(19 558)**
Total transactions with shareholders in their capacity of shareholders		**-**	**-**	**-**	**(19 558)**	**(19 558)**
Other equity transactions						
Transfer to statutory reserves	12	-	-	904	(904)	**-**
Transfer from other reserves	12	-	-	3 515	(3 515)	**-**
Transfer of revaluation reserve	12	-	-	(2 968)	2 968	**-**
Balance as at 31 December 2023		**110 297**	**10 820**	**102 687**	**203 848**	**427 652**
Balance as at 1 January 2024		**110 297**	**10 820**	**102 687**	**203 848**	**427 652**
Comprehensive income for the period						
Profit for the year		-	-	-	118 041	**118 041**
Other comprehensive income						
Cash flow hedge, net of tax	12	-	-	(695)	-	**(695)**
Actuarial losses, net of tax	15	-	-	-	(124)	**(124)**
Total comprehensive income for the period		**-**	**-**	**(695)**	**117 917**	**117 222**
Transactions with shareholders in their capacity of shareholders						
Distributed dividend		-	-	-	(39 117)	**(39 117)**
Total transactions with shareholders in their capacity of shareholders		**-**	**-**	**-**	**(39 117)**	**(39 117)**
Other equity transactions						
Transfer to statutory reserves	12	-	-	8 117	(8 117)	**-**
Transfer of revaluation reserve	12	-	-	(2 638)	2 638	**-**
Balance as at 31 December 2024		**110 297**	**10 820**	**107 471**	**277 169**	**505 757**

The Financial Statements were approved for issue by decision of the Board of Directors of 24 June 2025.

Antonis Kritikos	Ioannis Papadimitriou	Sergey Vlaykov	George Basetas
General Manager	BoD Member	Chief Financial Officer	Preparer

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

Argir Mishev
Registered auditor

Boryana Dimova
Managing Director
PricewaterhouseCoopers Audit OOD

The notes set out on pages 20 to 62 are an integral part of these Financial Statements.

	Notes	For the year ended 31 December 2024	2023
		BGN'000	*BGN'000*
Cash flows from operating activities			
Profit after tax		118 041	81 173
Adjustments for:			
Income tax		12 986	10 411
Depreciation of property, plant and equipment	5	13 400	20 571
Depreciation of right-of-use assets	5	1 188	913
Amortization of intangible assets	6	523	497
Income from government grants	16	(109)	(109)
Finance costs	3.4	18 352	20 170
Loss from sale/write-off of non-current assets		-	69
Loss from revaluation of futures for purchase/sale of metals		1 950	912
Profit from tangible assets sales		-	(63)
Unrealized gains from foreign exchange differences		647	-
(Decrease) / increase in inventory allowance	7	(8 404)	1 917
Change in provision for retirement benefit liabilities		372	761
Impairment and write-off of trade receivables	8	223	(235)
Net operating cashflows before changes in working capital		**159 169**	**136 987**
(Increase) / decrease in inventories	7	(47 942)	28 799
Increase in trade and other receivables and assets		(9 248)	(4 312)
(Increase) / decrease in trade and other payables		70 926	(90 029)
Decrease in contract liabilities		(367)	(2 546)
Net cash flows generated from operating activities		**172 538**	**68 899**
Interest and financial charges paid		(18 352)	(20 311)
Income tax paid		(12 405)	(2 308)
Net cash flows from operating activities		**141 781**	**46 280**
Cash flows from investing activities			
Purchase of tangible assets		(35 901)	(27 688)
Cash inflow from sale of non - current assets		-	542
Net cash flows used in investing activities		**(35 901)**	**(27 146)**
Cash flows from financing activities			
Dividends paid	11	(39 117)	(19 558)
Change in revolving loans and overdrafts	13	(38 387)	19 591
Long-term loans repaid	13	(34 251)	(29 361)
Payments of lease liabilities	13	(1 289)	(1 165)
Net cash flows used in financing activities		**(113 044)**	**(30 493)**
Net decrease in cash and cash equivalents		**(7 164)**	**(11 359)**
Cash and cash equivalents at the beginning of period		11 303	22 265
Foreign currency exchange impact on cash and cash equivalents			397
Cash and cash equivalents at the end of period	10	**4 139**	**11 303**

The Financial Statements were approved for issue by decision of the Board of Directors of 24 June 2025.

Antonis Kritikos General Manager	Ioannis Papadimitriou B.o.D Member	Sergey Vlaykov Chief Financial Officer	George Basetas Preparer

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

Argir Mishev Registered auditor	Boryana Dimova Managing Director PricewaterhouseCoopers Audit OOD

1. Reporting entity

Incorporation

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

Shareholders

As at 31 December 2024 the share capital of the Company is held by ElvalHalcor Hellenic Copper and Aluminium Industry S.A. Greece (ElvalHalcor, the parent company) – 89.56%, Viohalco SA/NV – 10.44%. ElvalHalcor S.A. is also part of the Viohalco SA group, (traded on the EURONEXT stock exchange in Belgium), which is the ultimate parent of SOFIA MED AD.

Operating activities

Sofia Med is a producer of a wide range of rolled and extruded copper and copper alloy products such as sheets, strips, plates, circles, disks, bare and plated copper bus bars, rods, profiles, components, and wire that are used in a wide variety of building and industrial applications. The Company started its processing activity in the late 2000. The Company operates only in Sofia. As at 31 December 2024 the number of employees is 688 (2023: 646).

The Financial Statements were authorized for issue on 24 June 2025 with a resolution of the Board of Directors.

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

2. Basis of preparation and accounting policies

2.1. Basis of preparation

Compliance with IFRS as adopted by EU

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

Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following items:

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

Functional and presentation currency

These Financial Statements are presented in Bulgarian lev (BGN), which is the Company's functional currency.

All financial information presented in BGN has been rounded to the nearest thousand unless otherwise stated.

2. Basis of preparation and accounting policies (continued)

2.1. Basis of preparation (continued)

Going concern

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

2.2 New accounting pronouncements

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2024:

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

Amendments to IAS 1 Presentation of Financial Statements:

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

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

The amendments to the adopted standards listed above have no impact on the amounts recognized in previous periods and are not expected to have a significant impact on the Company during the current or future reporting periods as well as in the foreseeable future transactions.

(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 2024 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 IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025

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

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

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).

Annual Improvements to IFRS Accounting Standards, Amendments to IFRS 1, IFRS 7, IFRS 10, IFRS 16 and IAS 7 (Issued in July 2024 and effective from 1 January 2026).

Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026).

2. Basis of preparation and accounting policies (continued)

2.2 New accounting pronouncements (continued)

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

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

2.3 Accounting estimates and assumptions

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

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

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

Retirement benefit liabilities

The amount recognised as long-term retirement employee benefits is the present value of the obligation to repay such benefits as at the Financial Statements date. The management believes that the amount of the obligation as at the Financial Statements date would not differ significantly from the actuarial valuation, as all requirements of IAS 19 *Employee Benefits* have been taken into consideration. Due to the long-term nature of retirement employee benefits such assumptions are subject to significant uncertainty. Further details related to employee retirement benefits are provided in Note 15.

Valuation of property, plant and equipment

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

The fair values of assets for accounting purposes as of 31 December 2023 were determined by an independent licensed evaluator. Further details for the applied methods and assumptions are presented in Note 5.

The management did not perform a revaluation as of 31.12.2024 as it considered that there are no indicators that would suggest a material change in the fair value of the assets since the date of the last revaluation (no major changes in the business sector such as new technologies, that would make the current machinery obsolete; no changes in the business model of the company requiring reassessment of the use of any of the assets; low inflation during 2024)

Useful life of property, plant and equipment and intangible assets

Financial reporting of property, plant and equipment and intangible assets involves using estimates as to their expected useful lives and residual values, based on a 2023 valuation report issued by a licensed evaluator, revaluating on land, buildings, machinery and technical installations and changing useful lives of revalued assets. Further details as to the useful lives are presented in the Company's accounting policies (Note 2.4).

2. Basis of preparation and accounting policies (continued)

2.3 Accounting estimates and assumptions (continued)

Impairment of receivables

The Management assesses the appropriateness of expected credit loss (ECL) allowance for its financial assets based on ageing analysis of the receivables, historical experience regarding the write-off rates of bad debts, as well as analysis of the solvency of the respective customer, changes in the contractual payment terms, etc.

If the financial position and performance of the customers deteriorates (in excess of the expected) the amount of the receivables to be written-off in the following reporting periods may be higher than the one estimated as at the financial statements date.

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

Net realisable value of inventories

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

Measurement of fair values

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

When determining assets and liabilities' fair value, the Company uses observable data, whenever possible. Fair values are categorised into different level in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

Extension and termination options and significant judgements at determining leasing terms

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

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

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies

1) Foreign currency translation

The Financial Statements are presented in Bulgarian leva, which is the functional and presentation currency of the Company. Foreign currency transactions are initially recorded in the functional currency using the exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of each month by applying the exchange rate for the last working day published by the Bulgarian National Bank. All exchange rate differences are recognised in the other operating income and expenses.

Non-monetary assets and liabilities that are measured in foreign currency historical cost are translated using the exchange rate as at the date of initial transaction (acquisition).

2) Property, plant and equipment

Initial recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the acquisition cost, including all duties and non-recoverable taxes and other expenditures directly attributable to bring the asset to the working condition for its intended use by the management. Cost also includes cost of replacing a part of an item of property, plant and equipment, if it meets the conditions for recognition of non-current asset.

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

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Subsequent measurement

After initial recognition, land and buildings and machinery and technical installations are carried at revalued amount which is the fair value of the asset on the revaluation date less accumulated depreciation and accumulated impairment losses.

The fair value of land and buildings is based on market evidence through valuation performed by a licensed valuation expert. When buildings, machinery and technical installations are revalued the total accumulated depreciation at the date of the revaluation is written off against the gross book value of the asset and the net value is adjusted based on the asset's revalued amount.

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

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

Buildings	20 – 33.33 years
Machinery and technical installations	6.67 – 35 years
Auxiliary machinery and equipment (part of machinery and technical installations in Note 5)	2 – 25 years
Cars (part of machinery and technical installations in Note 5)	5 years
Other vehicles (part of machinery and technical installations in Note 5)	10-15 years
Other assets	6.67 years.

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

2) Property, plant and equipment (continued)

Subsequent measurement (continued)

At each financial year end the asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if expectations differ from the previous estimates, the latter change prospectively. Based on a fair value and useful lives analysis as of 30 September 2023 and the conclusions of an independent valuation expert, the Management decided to change (extend) useful lives of certain assets and classes of assets. Management calculated that the effect of implementation of the useful lives extension as of 30 September 2023 would not be significant and therefore it was implemented prospectively as of 1 January 2024.

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

3) Borrowing costs

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

4) Intangible assets

Intangible assets are measured initially at acquisition cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis.

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

Software	2-7 years
Trademarks and rights	6.67 years

The useful life of all intangible assets is assessed to be finite. Intangible assets with finite useful life are amortised over their useful life and tested for impairment in case there is an indication that the asset may be impaired.

5) Financial instruments

(i) Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated.

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

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets – Business model assessment

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

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

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

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

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

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

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

In making this assessment, the Company considers:

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

Financial assets – Subsequent measurement and gains and losses

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

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

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

(iii) Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

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

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

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

The Company holds futures contracts for purchases and sales of inventories to hedge its exposure to the fluctuations of cash flows (1) which is due to the price risk related to the changes in the prices of copper and zinc and (2) which may influence the profit or loss.

These hedging contracts are designated as cash flow hedge.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

5) Financial instruments (continued)

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

Fair value hedges

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

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

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

6) Share capital

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

7) Impairment

(i) Non-derivative financial assets

Financial instruments

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

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

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

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

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

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

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

7) Impairment (continued)

(i) Non-derivative financial assets (continued)

Measurement of ECLs

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

Non-financial assets

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

For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The management of the Company considers that as of 31 December 2024 and 31 December 2023 all company's assets are attributable to a single CGU.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

7) Impairment (continued)

(i) Non-derivative financial assets (continued)

Non-financial assets (continued)

Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

8) Inventory

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. For the purpose of assessing the net realisable value, inventories that contain metal are grouped under several categories according to the type of metal (alloy) included. The effect of any write-down to net realisable value or reversed write-down of inventories are presented in cost of sales.

9) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a part or the entire provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognised as a finance cost.

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

10) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Retirement benefit liabilities

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

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

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

Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Short-term employee benefits

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

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

11) Leases

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

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

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

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

Lease liabilities are subsequently measured using the effective interest method.

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

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

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

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

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

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

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

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.

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

12) Revenue

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

Below is provided information on the nature and timing of settlement of performance obligations in customer contracts, including material payment terms and related revenue recognition policies. If the contract specifies more than one performance obligation, revenue allocates the agreed consideration to each performance obligation specified in the contract based on the separate selling price of each individual obligation.

Sales of finished products and goods

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

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

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

When it comes to sales of products and goods, management's analysis is that they contain only one performance obligation, which is satisfied at the moment when control over them is transferred to the buyer, i.e. when the products/goods are delivered to the place and under the conditions specified in the contract, according to the delivery period and have been accepted by the buyer. Revenue is estimated based on the expected consideration, which is determined using the quoted prices of the relevant metals on the date control is transferred.

Provisional pricing

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

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

12) Revenue (continued)

Sales of finished products and goods (continued)

Provisional pricing (continued)

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

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

Interest income

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

13) Finance income and finance costs

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

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

14) Government grants

The Company initially recognizes government grants as deferred revenue at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant.

Government grants relating to property, plant and equipment are included in non-current liabilities and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized.

15) Government assistance

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

2. Basis of preparation and accounting policies (continued)

2.4 Significant accounting policies (continued)

16) Taxes

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

OECD Pillar Two model rules

The Group of the Company ("Viohalco Group") is within the scope of the OECD Pillar Two model rules that has been enacted or substantively enacted in certain jurisdictions in which Viohalco Group companies have presence. Under Pillar Two legislation, a top-up tax may arise for any difference between their Global Anti-Base Erosion ("GloBE") effective tax rate per jurisdiction and the 15% minimum rate. The legislation is effective for the financial year beginning on 1 January 2024.

The Company applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

For the year ended as at 31 December 2024, Viohalco Group has performed an assessment for all countries in which it has presence of the potential tax expense arising from Pillar Two rules. This assessment has been based on the Constituent Entities' IFRS Financial Statements as at 31st December 2024 in order to validate conclusions on eligibility of Constituents Entities for the CBCR Safe Harbour transitional rules.

Based on this assessment, only profits reported in Bulgaria and USA were not eligible for the CBCR Safe Harbour transitional rules, and for such profits the respective Pillar II top-up tax liability recognised for the year ended 2024, amounts to BGN 352 thousands for the jurisdiction of Bulgaria.

Value Added Tax ("VAT")

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

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

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

3. Revenue and expenses

3.1 Sales revenue

A. Revenue streams

BGN'000	**2024**	**2023**
Revenue from contracts with customers	1 759 534	1 701 495
Gain / (loss) from changes in the fair values of the receivables to which provisional pricing applies	966	(1 455)
	1 760 500	**1 700 040**

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

3. Revenue and expenses (continued)

3.1 Sales Revenue (continued)

B. Breakdown of revenue from contracts with customers

In thousands BGN	**2024**	**2023**
Revenue from sales of production	1 746 592	1 665 900
Revenue from sales of goods	5 271	2 017
Revenue from sales of scrap	7 671	33 578
	1 759 534	**1 701 495**

Geographic markets

In thousands BGN	**2024**	**2023**
European Union	1 335 956	1 291 702
Other European countries	177 242	183 325
Asia	18 383	97 669
Africa	26 822	22 649
North America	192 586	96 898
Oceania	8 545	9 251
	1 759 534	**1 701 495**

Products/ metal groups

In thousands BGN	**2024**	**2023**
Rolled industrial products	956 135	959 530
Rolled architectural products	138 748	105 207
Extruded products	650 584	601 060
Non-core sales	14 067	35 698
	1 759 534	**1 701 495**

C. Contract balances

In thousands BGN	**31 December 2024**	**31 December 2023**
Receivables included in "Trade and other receivables"	83 991	79 627
Contract liabilities	(3 725)	(4 093)

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

3. Revenue and expenses (continued)

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

				Year ended 31 December 2024
	Cost of sales	***Selling and distribution expenses***	***Administrative expenses***	***Total***
In thousands BGN				
Cost of inventory recognized as an expense	1 397 249	-	-	**1 397 249**
Employee benefits	38 436	4 459	8 709	**51 604**
Energy	24 732	-	167	**24 899**
Depreciation and amortization	13 653	357	1 101	**15 111**
Taxes - duties	406	13	250	**669**
Other insurance costs	2 284	4	688	**2 976**
Rental fees	85	3	189	**277**
Transportation costs - goods and materials	21 908	-	-	**21 908**
Promotion and advertising	10	160	36	**206**
Costs for hired services	20 364	726	10 009	**31 099**
Gains/losses from derivatives	3 389	-	-	**3 389**
Storage and packing costs	9 437	36	-	**9 473**
Production costs	15 142	98	121	**15 361**
Commissions	7 262	-	769	**8 031**
Foreign exchange differences	1 653	-	-	**1 653**
Maintenance expenses	12 536	74	181	**12 791**
Travel and personnel transport expenses	210	193	1 058	**1 461**
Remuneration of Board of Directors	-	-	309	**309**
Other maintenance costs	11	46	177	**234**
Others	11 517	236	937	**12 690**
Total	**1 580 284**	**6 405**	**24 701**	**1 611 390**

The costs related to change in retirement benefit liability, which are recognised in profit and loss amounting to BGN 441 thousand (2023: BGN 761 thousand) are recognised as part of row “Employee Benefits” in the above table.

3. Revenue and expenses (continued)

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

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

3.3 Other income and expenses, net

In thousands BGN	**2024**	**2023**
Amortization of Grants (Note 16)	109	109
Rental income	98	129
Gain from sale of Fixed assets	-	63
Other income	1 132	2 327
Total other income	**1 339**	**2 628**
Loss from fixed assets write-off	-	(69)
Depreciation and amortisation of temporarily non-used Fixed assets	-	(1 638)
Penalties	(735)	(5)
Other expenses	(112)	(500)
Total other expenses	**(847)**	**(2 212)**
Other income and expenses, net	**492**	**416**

3. Revenue and expenses (continued)

3.4 Finance expense

Recognized in profit or loss	**2024**	**2023**
In thousands BGN		
Finance expenses		
Interest expense on loans at amortised cost	11 829	14 595
Interest costs associated with factoring	5 256	4 327
Interest expense on lease liabilities	142	89
Bank fees	1 125	1 159
	18 352	**20 170**

3.5. Personnel expenses

	2024	**2023**
In thousands BGN		
Employee remuneration	40 179	35 284
Social security expenses	6 769	6 136
Other employee benefits	4 215	542
Current period costs for retirement benefit liabilities (*Note 15*)	441	908
Total	**51 604**	**42 870**

4. Income tax

The main components of the corporate income tax benefit for the years ended 31 December 2024 and 2023 are:

	2024	**2023**
In thousands BGN		
Tax recognised in profit and loss		
Current tax	(10 572)	(4 666)
Change in deferred tax balances	(2 062)	(5 745)
Pillar II Top-up tax	(352)	-
Tax recognised in profit or loss	**(12 986)**	**(10 411)**
Tax recognised in other comprehensive income	**90**	**(2 718)**

The tax rate for 2024 is 10% (2023: 10%).

4. Income tax (continued)

The reconciliation between the nominal corporate income tax expense based on the accounting profit and the effective income tax for the years ended 31 December 2024 and 2023 is as follows:

In thousands BGN	2024	2023
Profit before income tax	**131 027**	**91 584**
Income tax at applicable tax rate of 10%	(13 103)	(9 158)
Non-deductible expenses for tax purposes	(136)	(13)
Non-taxable income	-	17
Correction of current tax for previous periods	255	1 483
Pillar II Top-up Tax	(352)	-
Recognized deferred tax assets and liabilities on temporary differences from previous periods	319	(2 740)
Other	31	-
Income tax expense at effective tax rate 10% (2023: 10%)	**(12 986)**	**(10 411)**

Deferred taxes as at 31 December are presented as follows:

Deferred tax (liabilities) / assets	Balance as of 01.01.2024	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31.12.2024
Property, plant and equipment	(17 711)	(2 445)	-	(20 156)
Derivatives	1	189	77	267
IFRS 16 assets and liabilities	(35)	(10)	-	(45)
Impairment of inventories	219	(125)	-	94
Impairment of receivables	32	23	-	55
Pension and other liabilities	779	306	13	1 098
Net balance-liabilities	**(16 715)**	**(2 062)**	**90**	**(18 687)**

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

As at 31 December 2024, there are no unrecognised deferred tax assets or liabilities.

5. Property, plant and equipment

Movements in property, plant and equipment is presented below:

In thousands BGN	Land	Buildings	Machinery and technical installations	Vehicles	Other	Assets under construction	Total
Cost:							
At 1 January 2023	**61 825**	**33 673**	**239 402**	**1 944**	**6 363**	**8 566**	**351 773**
Additions	-	-	-	-	-	27 688	**27 688**
Transfers	-	-	14 331	48	726	(15 105)	**-**
Transfers to intangible assets	-	-	-	-	-	(123)	**(123)**
Revaluation and netting of cost	1 714	5 183	(61 382)	-	-	-	**(54 485)**
Disposals	-	-	(2 066)	-	(6)	-	**(2 072)**
At 31 December 2023	**63 539**	**38 856**	**190 285**	**1 992**	**7 083**	**21 026**	**322 781**
Additions	-	-	-	-	-	35 901	**35 901**
Transfers	-	-	13 561	29	736	(14 326)	**-**
Transfers to intangible assets	-	-	-	-		(49)	**(49)**
Disposals	-	-	(1)	-	(1)	-	**(2)**
At 31 December 2024	**63 539**	**38 856**	**203 845**	**2 021**	**7 818**	**42 552**	**358 631**
Accumulated depreciation and impairment:							
At 1 January 2023	**-**	**(18 553)**	**(71 449)**	**(860)**	**(5 272)**	**-**	**(96 134)**
Depreciation for the year	-	(3 510)	(16 592)	(109)	(360)		**(20 571)**
Revaluation and netting of accumulated depreciation	-	12 725	70 062	-	-	-	**82 787**
Depreciation of disposals	-	-	1 518	-	5	-	**1 523**
At 31 December 2023	**-**	**(9 338)**	**(16 461)**	**(969)**	**(5 627)**	**-**	**(32 395)**
Depreciation for the year	-	(1 775)	(11 085)	(112)	(428)	-	**(13 400)**
At 31 December 2024	**-**	**(11 113)**	**(27 546)**	**(1 081)**	**(6 055)**	**-**	**(45 795)**
Carrying amount:							
At 1 January 2023	**61 825**	**15 120**	**167 953**	**1 084**	**1 091**	**8 566**	**255 639**
At 31 December 2023	**63 539**	**29 518**	**173 824**	**1 023**	**1 456**	**21 026**	**290 386**
At 31 December 2024	**63 539**	**27 743**	**176 299**	**940**	**1 763**	**42 552**	**312 836**

Impairment of property, plant and equipment

Management considers that as at 31 December 2024, there are no indications for impairment of property, plant and equipment of the Company.

Pledge of property, plant and equipment

As at 31 December 2024 property, plant and equipment with carrying amount of BGN 255 220 thousand (2023: BGN 228 737 thousand) were pledged as collateral for bank loans received by the Company (*Note 13*).

5. Property, plant and equipment (continued)

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

Assets group	2024	2023
Lands	5 786	5 786
Buildings	2 663	2 798
Machinery and technical installations	160 224	156 581

Revaluation of land and buildings

During 2023, the Company has hired a management expert to perform a valuation of land and buildings as of September 30, 2023.

As a result of the appraisal during 2023, the carrying amount of land as of September 30, 2023 was increased by BGN 1 714. The carrying amount of buildings was increased by BGN 17,908 thousand.

(i) Fair value hierarchy

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

(ii) Level 3 fair value

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

	Land	Buildings
In thousands BGN		
Balance at 1 January 2023	61 825	15 120
Revaluation	1 714	17 908
Depreciation for the year	-	(3 510)
Balance at 31 December 2023	63 539	29 518
Balance at 31 December 2023	**63 539**	**29 518**

(iii) Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement as at valuation date 30 September 2023
Land: Market analogue approach was used for valuation.	Average price of EUR 146 per sq.m. was determined based on the following inputs: Land Price per sq.m. (EUR 200-240) – Level 2 Subsequent corrections for area, location, physical characteristics, etc.– from minus 25% to minus 36% - Level 3	Increase of average price per sq.m. by EUR 10 (to EUR 156 per sq.m.) would raise land fair value by BGN 4 346 thousand. Decrease of average price per sq.m. by EUR 10 (to EUR 136 per sq.m.) would diminish land fair value by BGN 4 346 thousand.

5. Property, plant and equipment (continued)

Revaluation of land and buildings (continued)

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement as at valuation date 30 September 2023
Buildings: the following methods were used: - Amortized recoverable value method – for production and administrative buildings (around 98% of the value of all buildings) - Market analogue method – for an apartment and a garage (around 2% of the value of all buildings)	Unit building price according to Stroy Expert Magazine, issue 7-8 of 2023 between EUR 123 and EUR 586 Overall fitness for intended use –40 - 80 years Functional depreciation rate - 5% - 80% Economic depreciation rate - 20% - 50%	Increase of overall fitness for intended use by 5 years would raise buildings fair value by BGN 5 585 thousand. Decrease of overall fitness for intended use by 5 years would diminish buildings fair value by BGN 6 792 thousand. Increase of functional depreciation rate by 5% would diminish buildings fair value by BGN 1 771 thousand. Decrease of functional depreciation rate by 5% would raise buildings fair value by BGN 1 771 thousand. Increase of economic depreciation by 5% would diminish buildings fair value by BGN 1 879 thousand. Decrease of economic depreciation by 5% would raise buildings fair value by BGN 1 879 thousand.

Revaluation of machinery and technical installations

During 2023, the Company has hired a management expert to perform a valuation of machinery and technical installations as of September 30, 2023.

As a result of the appraisal during 2023, the carrying amount of machinery and technical installations as of September 30, 2023 was increased by BGN 8 680.

(i) Fair value hierarchy

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

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

5. Property, plant and equipment (continued)

Revaluation of machinery and technical installations (continued)

(ii) Level 3 fair value

The reconciliation of the movement from opening balance to closing balance of Level 3 fair values is presented as follows:

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

(iii) Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement as at valuation date 30 September 2023
Machinery and technical installations: - Amortized recoverable value method	The new recoverable value is the stock-taking book value as at 30 September 2023. Total useful life –0 - 38 years Functional depreciation rate - 0% - 20% Economic depreciation rate - 0%	Increase of the total useful life by 1 year would raise machinery and technical installations fair value by BGN 2 270 thousand. Decrease of total useful life by 1 year would diminish machinery and technical installations fair value by BGN 2 385 thousand. Increase of functional depreciation rate by 5% would diminish machinery and technical installations fair value by BGN 8 987 thousand. Decrease of functional depreciation rate by 5% would raise machinery and technical installations fair value by BGN 5 297 thousand. Increase of economic depreciation by 5% would diminish machinery and technical installations fair value by BGN 11 461 thousand.

5. Property, plant and equipment (continued)

Right-of-use assets

In thousands BGN	*Vehicles*
Cost at 1 January 2023	**4 596**
Additions	867
Disposals	(192)
At 31 December 2023	**5 271**
Additions	2 013
Disposals	(839)
At 31 December 2024	**6 445**
Accumulated depreciation at 01 January 2023	**(2 214)**
Depreciation charge	(913)
Disposals	186
At 31 December 2023	**(2 941)**
Depreciation charge	(1 188)
Disposals	786
At 31 December 2024	**(3 343)**
Net carrying amount:	
At 31 December 2023	**2 330**
At 31 December 2024	**3 102**

The following amounts were recognised in profit and loss:

In thousands BGN	**2024**	**2023**
Depreciation charge	1 188	913
Interest expense	142	89
Total expenses related to leases	**1 330**	**1 002**

6. Intangible assets

In thousands BGN	***Trademarks and patents***	***Software***	***Total***
Book value:			
At 1 January 2023	**3**	**7 808**	**7 811**
Additions	-	125	125
Disposals	-	(2)	(2)
At 31 December 2023	**3**	**7 931**	**7 934**
Additions	-	49	49
At 31 December 2024	**3**	**7 980**	**7 983**
Accumulated amortisation:			
At 1 January 2023	**(3)**	**(5 172)**	**(5 175)**
Amortisation charge	**-**	(497)	(497)
Disposals	-	2	2
At 31 December 2023	**(3)**	**(5 667)**	**(5 670)**
Amortisation charge	**-**	(523)	(523)
At 31 December 2024	**(3)**	**(6 190)**	**(6 193)**

6. Intangible assets (continued)

In thousands BGN	*Trademarks and patents*	*Software*	*Total*
Carrying amount:			
At 1 January 2023	-	**2 636**	**2 636**
At 31 December 2023	-	**2 264**	**2 264**
At 31 December 2024	-	**1 790**	**1 790**

7. Inventory

In thousands BGN	**2024**	**2023**
Materials	142 133	123 768
Work in progress	161 000	132 388
Finished goods	74 631	73 736
Goods for resale	633	563
	378 397	**330 455**
Less: Inventories write-down	(945)	(9 349)
Total inventories at the lower of cost and net realisable value	**377 452**	**321 106**

The write-down of inventories is based on the best estimate of the management for the value at which it is expected the inventories to be realised (actually agreed sales price or quotations of metal prices at a commodity exchange). As at 31 December 2024, inventories amounted to BGN 308 809 thousand (2023: BGN 277 007 thousand) were pledged as collateral for bank loans received by the Company (*Note 13*).

8. Trade and other receivables

In thousands BGN	**2024**	**2023**
Trade receivables	*66 782*	*32 187*
Impairment loss	*(546)*	*(323)*
Trade receivables, net of impairment	66 236	31 864
Trade receivables from related parties (*Note 20*)	17 755	47 763
VAT receivable	10 601	4 225
Advance payments for delivery of inventory	1 910	4 584
Other debtors	1 978	1 676
Other receivables	1 526	832
	100 006	**90 944**

The aging structure of gross receivables from non-affiliated customers only (excluding receivables from related parties) is presented in the table below, which contains information on credit risk exposure and expected credit losses (ECLs) in respect of trade receivables from customers to December 31 2024.

At 31 December 2024, the Company recognized additional impairment amounted to BGN 223 thousand (2023: reversal of impairment for the amount of BGN 235 thousand).

8. Trade and other receivables (continued)

31 December 2024	**Weighted-average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Net carrying amount**
In thousands BGN				
Current (not past due)	1.95%	24 179	(470)	23 709
Less than 30 days past due	0.17%	37 844	(65)	37 779
31-60 days past due	0.26%	3 867	(10)	3 857
61-90 days past due	0.06%	818	(1)	817
91-180 days past due	0.00%	74	-	74
		66 782	**(546)**	**66 236**
31 December 2023				
In thousands BGN				
Current (not past due)	0.92%	24 224	(223)	24 001
Less than 30 days past due	1.30%	6 681	(87)	6 594
31-60 days past due	2.23%	493	(11)	482
61-90 days past due	0.00%	532	-	532
91-180 days past due	0.63%	158	(1)	157
More than 180 days past due	1.01%	99	(1)	98
		32 187	**(323)**	**31 864**

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

In thousands BGN	**Total**	**Current (Not overdue)**	**1-30 days**	**31-60 days**	**Overdue 61-90 days**	**91-180 days**	**More than 180 days**
31.12.2024	**17 755**	15 893	1 044	577	169	1	71
31.12.2023	**47 763**	41 678	4 207	770	248	825	35

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

9. Derivative financial instruments

	At 31 December 2024		**At 31 December 2023**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
In thousands BGN				
Futures contracts designated as cash flow hedging instruments	-	(1 630)	288	(283)
Forward contracts designated as fair value hedging instruments	47	(1 089)	29	-
	47	**(2 719)**	**317**	**(283)**
Net assets/ (liabilities)		**(2 672)**	**34**	

9. Derivative financial instruments (continued)

The Cash Flow Hedge Movement is presented as follows:

	2024	2023
In thousands BGN		
Balance at 1 January	4	863
Amount reclassified from hedging reserve to profit or loss	(4)	(863)
Changes in the value of the hedging instrument recognised in OCI	(767)	4
Ineffective portion recognised in profit or loss	(862)	-
Balance at 31 December	**(1 630)**	**4**

Futures contracts – net balance BGN thousand / nominal quantity (tons)

	At 31 December 2024		At 31 December 2023	
	in thousands	*tons*	*in thousands*	*tons*
Copper	1 630	6 350	4	200

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

10. Cash and cash equivalents (continued)

	2024	2023
In thousands BGN		
Cash at banks	4 139	11 303
	4 139	**11 303**

Cash at banks earns interest at floating interest rates based on daily bank deposit rates. As at 31.12.2024 there is no cash at bank (2023: BGN 4 789 thousand) pledged as collateral for bank loans received by the Company (*Note 13*).

11. Share capital

	Number of shares	*Ordinary shares in thousands of BGN*	*Share premium in thousands of BGN*	*Total in thousands of BGN*
As at 1 January 2023	**2 626 126**	**110 297**	**10 820**	**121 117**
Issued shares	-	-	-	-
As at 31 December 2023	**2 626 126**	**110 297**	**10 820**	**121 117**
Issued shares	-	-	-	-
As at 31 December 2024	**2 626 126**	**110 297**	**10 820**	**121 117**

As of 31 December 2024, the Company's registered capital consists of 2,626,126 ordinary shares with a nominal value of BGN 42 each, which are fully paid. The ordinary shares of Sofia Med AD, which are owned by the parent company, are used as collateral for the loan received from the European Bank for Reconstruction and Development (EBRD). During the year, a dividend was distributed in the amount of BGN 39 116 600 (2023: 19 558 300) or BGN 14.90 per share (2023: 7.45).

As per the requirements of the Bulgarian Commercial Law, the equity of Sofia Med AD should exceed or equal its share capital The Company complies with this requirement as at 31.12.2024 and 31.12.2023.

12. Reserves

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

In thousands BGN	Statutory reserve	Hedging reserve	Other reserves	Revaluation reserves	Total Reserves
At 1 January 2024	**11 030**	**4**	**-**	**91 653**	**102 687**
Gain from cash flow hedge, net of tax	-	(695)	-	-	(695)
Transfer to statutory reserves	8 117	-	-	-	8 117
Transfer of revaluation reserve, net of taxes	-	-	-	(2 638)	(2 638)
At 31 December 2024	**19 147**	**(691)**	**-**	**89 015**	**107 471**

Statutory reserves

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

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

The resources of the "Reserve" fund can only be used to cover losses from the current and previous accounting periods. When the funds of the "Reserve" fund exceed 1/10 or the larger part of the capital determined by the statute, the larger amount can also be used to increase the capital. The General Meeting of Shareholders held on 28 June 2024 decided to allocate additional BGN 8 117 thousand to the statutory reserves.

Hedging reserves

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

Revaluation reserve

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

13. Loans

	2024	2023
In thousands BGN		
Non-current loans		
Bank loans	21 514	67 517
Total non-current loans	**21 514**	**67 517**
Current loans		
Bank loans	47 922	86 182
Current portion of non-current loans	45 584	33 700
Total short term borrowings received	**93 506**	**119 882**
Total borrowings received	**115 020**	**187 399**

Reconciliation of movements of liabilities to cash flows arising from financing activities	2024	2023
In thousands BGN		
Change in revolving loans	(38 387)	19 591
Repayments during the period	(34 251)	(29 361)
Total cash flows related to principal	**(72 638)**	**(9 770)**

In thousands of BGN	Note	Loans	Lease liabilities	Total debt	Cash and cash equivalents	Net debt
1 January 2023		**196 913**	**2 273**	**199 186**	**(22 265)**	**176 921**
Cash flows		(9 770)	(1 165)	**(10 935)**	11 359	**424**
New leases	*5*	-	867	**867**	-	**867**
Interest expenses	*3.4*	14 595	89	**14 684**	-	**14 684**
Interest paid		(14 341)	(89)	**(14 430)**	-	**(14 430)**
Amortization of prepaid bank charges		2	-	**2**	(397)	**(395)**
31 December 2023		**187 399**	**1 975**	**189 374**	**(11 303)**	**178 071**
Cash flows		(72 638)	(1 289)	**(73 927)**	7 164	**(66 763)**
New leases	*5*	-	2 013	**2 013**	-	**2 013**
Terminations		-	(52)	**(52)**	-	**(52)**
Interest expenses	*3.4*	11 829	142	**11 971**	-	**11 971**
Interest paid		(11 570)	(142)	**(11 712)**	-	**(11 712)**
31 December 2024		**115 020**	**2 647**	**117 666**	**(4 139)**	**113 528**

The maturity of interest-bearing loans at agreed, non-discounted payments is presented in Note 21. The Company has not capitalised any borrowing costs during 2024 and 2023. The weighted-average interest rates as at the reporting date are as follows:

	2024	2023
Bank overdrafts	5.00%	6.14%
Short term bank loans	4.75%	5.66%
Long term bank loans	4.42%	6.49%

As of 31 December 2024, the short-term loans of Sofia Med AD are provided by financial institutions in the form of revolving loan agreements and overdrafts. The funds are secured by letters of support issued by the parent Company and a pledge of cash on current accounts.

13. Loans (continued)

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

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

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

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

The Company has complied with all financial covenants set in all loan agreements for the financial year 2024.

14. Lease liabilities

In thousands of BGN	**2024**	**2023**
Less than one year	603	523
Between one and five years	2 044	1 452
Total	**2 647**	**1 975**

In thousands of BGN	***Minimal lease payments*** **2023**	***Present value*** **2023**
Less than one year	580	523
Between one and five years	1 491	1 452
Finance costs	(96)	-
Total	**1 975**	**1 975**

In thousands of BGN	***Minimal lease payments*** **2024**	***Present value*** **2024**
Less than one year	668	603
Between one and five years	2 103	2 044
Finance costs	(124)	-
Total	**2 647**	**2 647**

In 2024 the Company recognized payments for lease liabilities in financial activities in the statement of cash flows in the amount of BGN 1 341 thousand (2023: 1 165 thousand).

15. Retirement benefit liabilities

a) Expenses for retirement benefit liabilities

In thousands BGN	**2024**	**2023**
Current service cost	343	244
Interest expense on employee retirement benefit liabilities	90	74
Internship costs for a past period arising in the current period	-	545
Termination Loss	8	46
Expenses on retirement benefit liabilities recognised in profit and loss (Note 3.6)	**441**	**908**

b) Retirement benefits liability

In thousands BGN	**2024**	**2023**
Present value of retirement benefit liabilities	3 611	3 011
Retirement benefit liabilities, recognised in the statement of financial position	**3 611**	**3 011**

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

In thousands BGN	**2024**	**2023**
Liability at the beginning of the year	3 011	1 993
Current service cost	343	244
Interest cost	90	74
Benefits paid	(61)	(102)
Past service cost	-	545
Liabilities acquired due to hiring of employees from other companies in the Group	91	-
• Actuarial losses from changes in demographic assumptions	16	-
• Actuarial losses from changes in financial assumptions	57	208
• Experience adjustments	64	49
	3 611	**3 011**

Main actuarial assumptions used for accounting purposes are shown below:

	2024	**2023**
Discount rate	3.00%	3.15%
Future salary increase	5.00%	5.00%
Inflation	2.00%	2.10%

16. Government grants

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

In thousands BGN	**2024**	**2023**
Balance at the beginning of the year	2 292	2 401
Amortisation for the year	(109)	(109)
	2 183	**2 292**

16. Government grants (continued)

The Company has been granted compensation to reduce the burden associated with the distribution of costs arising from the obligations to purchase electricity produced from renewable sources. The compensation is to reimburse part of the cost of electricity. The part of the reimbursed costs, which refers to the fiscal year 2024 amounted to BGN 745 thousand (2023: 2 453 thousand) and is presented as a reduction of the electricity costs for the period as part of the material costs (Note 3.2).

17. Trade and other payables

In thousands BGN	**2024**	**2023**
Trade payables	122 577	38 192
Related parties trade payables (*Notes 20 & 22*)	5 541	22 730
Payables to employees	4 036	3 622
Taxes	967	657
Other payables	9 493	6 160
	142 614	**71 361**

18. Commitments

In thousands BGN	**2024**	**2023**
Commitments for the purchase of property, plant and equipment	**10 259**	**16 319**

19. Contingencies

Bank guarantees and letters of credit

Bank guarantees and letters of credit issued on behalf of SOFIA MED AD in favour of third parties and state agencies amounted to BGN 3 832 thousand (2023: BGN 3 099 thousand) as at the reporting date.

20. Related parties

a) Identification of related parties

The ultimate parent Company

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

Entities with controlling interest in the Company

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

Other related parties

All companies within the Viohalco Group are considered related parties under common control.
Associates are all entities over which Viohalco group has significant influence but not control or joint control.

b) Sale of goods and services

In thousands BGN	**2024**	**2023**
Sales of goods	407 610	493 109
Sales of services	68	68
Sales of fixed tangible assets	-	542
Other income	1 732	1 583
	409 410	**495 302**
from which:		
- to the parent entity	12 428	41 229
- to entities under common control	396 981	454 070
- associates	1	3

20. Related parties (continued)

c) Purchases of goods, services etc.

	2024	2023
In thousands BGN		
Purchases of goods	28 734	155 437
Purchase of fixed tangible assets	3 174	1 830
Purchases of services	19 472	17 449
	51 380	**174 716**
from which:		
- from the parent entity	23 375	152 422
- from entities under common control	27 825	22 043
- from associates	180	251

d) Key management remuneration

	2024	2023
In thousands BGN		
Salaries and other short-term employee benefits	7 012	7 423
	7 012	**7 423**

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

Trade receivables	2024	2023
In thousands BGN		
Trade receivables to related parties	17 755	47 763
Related party receivables	**17 755**	**47 763**
from which:		
-from the parent entity	910	3 037
-from entities under common control	16 776	44 657
-from associates	69	69

Trade payables	2024	2023
In thousands BGN		
Trade payables to related parties	5 541	22 730
Contract Liabilities	2 775	-
Related party payables	**8 316**	**22 730**
from which:		
- to the parent entity	779	19 820
- to entities under common control	7 537	2 854
- to associates	-	56

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

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

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

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

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

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

Risk management framework

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

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

Market risks

Interest rate risk

The risk from changes in interest rates relates primarily to the Company’s long-term and short-term debt obligations. At the reporting date the interest rate profile of the Company’s interest-bearing financial instruments was:

In thousands BGN	2024	2023
Fixed rate instruments		
Financial liabilities (Lease liabilities)	2 648	1 975
	2 648	**1 975**

In thousands BGN	Nominal amount 2024	2023
Variable rate instruments		
Financial liabilities (loans and borrowing)	115 020	187 399
	115 020	**187 399**

Cash flow sensitivity analysis for variable rate instruments

A change of 0,25% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2023.

	Profit or loss		Equity	
Effect in thousands BGN	0,25% increase	0,25% decrease	0,25% increase	0,25% decrease
31 December 2024				
Fixed rate instruments	(7)	7	(7)	7
Variable rate instruments	(288)	288	(288)	288
Cash flow sensitivity (net)	**(295)**	**295**	**(295)**	**295**
31 December 2023				
Variable rate instruments	(473)	473	(473)	473
Cash flow sensitivity (net)	**(473)**	**473**	**(473)**	**473**

Foreign currency risk

As a result of purchases and sales at prices determined in currencies other than the Bulgarian lev, the operating results of the Company could be affected by movements in the exchange rates against BGN. The Company is hedging this risk. Since the EUR/BGN exchange rate is fixed as a result of the currency board system operating in Bulgaria, no currency risk arises as a result from the transactions in EUR/BGN. The Company hedges the foreign currency risk by borrowing money in the same currencies as the Company’s sales and purchases. A part of sales /purchases denominated in currency different than BGN or EUR is hedged by entering into forward contracts for sale/purchase at determined exchange rate of the respective quantity of foreign currency at the date at which the receivables/payables are expected to be settled. The Company's exposure to foreign currency risk is as follows based on notional amounts:

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

Market risks (continued)

Foreign currency risk (continued)

31 December 2024

In thousands BGN	EUR	BGN	USD	GBP
Trade and other receivables	35 238	15 698	44 150	4 922
Cash and cash equivalents	2 732	1 229	122	57
Interest-bearing loans received	(115 029)	(210)	(201)	-
Lease liabilities	-	(2 648)	-	-
Trade and other payables	(96 689)	(40 754)	(6 089)	(2 805)
Total exposure in BGN'000	**(173 748)**	**(26 685)**	**37 982**	**2 174**
Total exposure in original currency	**(88 836)**	**(26 685)**	**20 160**	**922**
Derivatives (nominal value in original currency)	-	-	(23 557)	(1 391)
Total exposure to FX rate risk (original currency)	**(88 836)**	**(26 685)**	**(3 397)**	**(469)**

31 December 2023

In thousands BGN	EUR	BGN	USD	GBP
Trade and other receivables	67 181	8 636	6 834	8 294
Cash and cash equivalents	8 176	883	2 175	69
Interest-bearing loans received	(187 399)	-	-	-
Lease liabilities	-	(1 975)	-	-
Trade and other payables	(52 258)	(17 325)	(5 816)	(25)
Total exposure in BGN'000	**(164 300)**	**(9 781)**	**3 193**	**8 338**
Total exposure in original currency	**(84 005)**	**(9 781)**	**1 805**	**3 707**
Derivatives (nominal value in original currency)	-	-	(968)	(4 197)
Total exposure to FX rate risk (original currency)	**(84 005)**	**(9 781)**	**837**	**(490)**

Total exposure to FX rate risk:

	Average FX rate		**FX rate at the reporting period-end date**	
	2024	**2023**	**2024**	**2023**
USD 1	1.808	1.809	1.884	1.769
GBP 1	2.310	2.249	2.359	2.250

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

	Increase / (decrease) of the exchange rate of the US dollar against the BGN	**Effect on profit before tax**	**Effect on equity**
	%	*In thousands BGN*	*In thousands BGN*
2024	10%	296	**-**
	-10%	(361)	**-**
2023	10%	(148)	**-**
	-10%	148	**-**

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

Market risks (continued)

Foreign currency risk (continued)

	Increase / (decrease) of the exchange rate of the British pound against the BGN	Effect on profit before tax	Effect on equity
	%	*In thousands BGN*	*In thousands BGN*
2024	10%	51	-
	-10%	(63)	-
2023	10%	111	-
	-10%	(111)	-

Price risk

The Company is exposed to significant risk as a result of the changes in the prices of copper and zinc since they are the main raw materials used in production and therefore the Company is following a policy of hedging this risk. The Company agrees both purchase and selling prices with reference to the prices quoted on the London Metal Exchange (LME) at specified dates.

The Company concludes a futures sale contract on LME for each purchase order it places, and it concludes a futures purchase contract for each customer order it accepts. The futures contracts are for approximately the same quantities as the purchase and sales orders and they are concluded for approximately the same dates with reference to which the purchase and selling prices are determined.

The effect from the price difference realised by the Company in a certain sale as a result of the movement of prices of metals between the date of purchase of raw materials and the date in respect of which the sell price is fixed, are offset by the gain or loss on the respective buy and sell futures.

Credit risk

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

Trade and other receivables

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

In thousands BGN	**2024**	**2023**
European Union	20 031	23 951
Other European countries	3 202	458
Asia	4 799	3 544
Africa	5 217	1 575
North America	34 970	1 863
Oceania	(5)	473
	68 214	**31 864**

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

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

Market risks (continued)

Credit risk (continued)

Trade and other receivables risk (continued)

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

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

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

Cash and cash equivalents

The Company has cash and cash equivalents at the amount BGN 4 139 thousand at the year ended 2024 (2023: BGN 11 303 thousand). The impairment of cash and cash equivalents is estimated on the basis of a 12-month expected credit loss and reflects the short-term maturities of the exposures. Given the credit ratings of the banks where Sofia Med AD holds its cash and cash equivalents, the expected credit losses have been considered as insignificant and no impairment loss was recognised.

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

In thousands BGN	**Note**	**2024**	**2023**
Trade receivables and receivables from related parties	8	85 969	79 627
Cash and cash equivalents	10	4 139	11 303
Derivative financial instruments	9	47	317
		90 155	**91 247**

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

In thousands BGN	**Note**	**2024**	**2023**
Third parties		68 214	31 864
Related parties	20	17 755	47 763
		85 969	**79 627**

Liquidity risk

The Company manages its liquidity risk through a maturity analysis of its short-term and long-term liabilities and regular forecasts of cash flows. As at 31 December the maturity structure of the Company's financial liabilities based on the agreed undiscounted payments is as follows:

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

Liquidity risk (continued)

31 December 2024

	Carrying amount *BGN'000*	**< 1 year** *BGN'000*	**1-2 years** *BGN'000*	**2-5 years** *BGN'000*	**> 5 years** *BGN'000*	**Total** *BGN'000*
Interest bearing loans and borrowings	115 020	98 746	9 951	15 784	-	124 481
Lease liabilities	2 648	668	668	1 435	-	2 771
Trade payables and payables to related parties	146 340	146 340	-	-	-	146 340
Derivatives	2 719	2 719	-	-	-	2 719
	266 727	**248 473**	**10 619**	**17 219**	**-**	**276 311**

31 December 2023

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

Capital management

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

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

	2024	**2023**
Loans and borrowings (*Note 13*)	115 020	187 399
Lease liabilities (*Note 14*)	2 647	1 975
Less: Cash and cash equivalents (*Note 10*)	(4 139)	(11 303)
Net debt	**113 528**	**178 071**
Total equity	505 757	427 652
Net debt to equity ratio	**0.22**	**0.42**

22. Fair values of financial instruments

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

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

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

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

22. Fair values of financial instruments (continued)

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

31 December 2024		**Carrying amount**							
In thousands BGN	***Note***	**Hedging instruments at FV**	**Financial assets at fair value**	**Financial assets at amortised cost**	**Total**	**Level 1**	**Level 2***	**Level 3**	**Total**
Financial assets measured at fair value									
Trade receivables and receivables from related parties	8	-	3 767	-	**3 767**	-	3 767	-	**3 767**
Derivative financial instruments	9	47	-	-	**47**	-	47	-	**47**
		47	**3 767**	**-**	**3 814**	**-**	**3 814**	**-**	**3 814**
Financial assets not measured at fair value									
Trade receivables and receivables from related parties	8	-	-	80 224	80 224				
Cash and cash equivalents	10	-	-	4 139	4 139				
		-	**-**	**84 363**	**84 363**				
Financial Liabilities measured at fair value									
Derivative financial instruments	9	2 719	-	-	2 719	1 630	1 089	-	2 719
		2 719	**-**	**-**	**2 719**	**1 630**	**1 089**	**-**	**2 719**
Financial liabilities not measured at fair value									
Interest bearing loans and borrowings	13	-	-	(115 020)	**(115 020)**				
Lease liabilities	14	-	-	(2 647)	**(2 647)**				
Trade payables and payables to third parties	17	-	-	(128 118)	**(128 118)**				
		-	**-**	**(248 785)**	**(245 785)**				

*As at 31st December 2024, Level 2 financial assets (trade receivables at FVTPL resulting from unsettled provisional pricing – refer to Note 2.4.12), comprise of two components – fixed and variable, based on LME quotations. The fair value of the assets as at year-end ce is determined as a sum of the fixed component and variable component based on observable market inputs – market quotations for the respective metals on the London Metal Exchange (LME) valid as at the date of revenue initial recognition. Management has prepared analysis, showing that the final metal booking for these positions does not cause significant differences compared to the initially recognized asset value and respectively these assets fair value does not significantly diverge from their carrying amount at 31.12.2024.

22. Fair values of financial instruments (continued)

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

*At 31.12.2023 Level 2 financial assets (trade receivables at FVTPL resulting from unsettled provisional pricing – refer to Note 2.4.12), comprise of two components – fixed and variable, based on LME quotations. The fair value of the assets as at year-end ce is determined as a sum of the fixed component and variable component based on observable market inputs – market quotations for the respective metals on the London Metal Exchange (LME) valid as at the date of revenue initial recognition. Management has prepared analysis, showing that the final metal booking for these positions does not cause significant differences compared to the initially recognized asset value and respectively these assets fair value does not significantly diverge from their carrying amount at 31.12.2023.

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

23. Subsequent events

After the reporting period, the shareholders' General Meeting authorized the Company on March 24, 2025 to distribute and pay a dividend in the amount of BGN 39.116 thousand by July 28, 2025.

In the period after December 31, 2024 until the date of approval of the annual financial statements, no other events have occurred that require disclosure or adjustment of the financial statements prepared as of December 31, 2024.