

**CORUS BUILDING SYSTEMS
BULGARIA AD**

**ANNUAL REPORT ON THE ACTIVITIES,
INDEPENDENT AUDITOR'S REPORT
AND ANNUAL FINANCIAL STATEMENTS**

December 31, 2016

(Unofficial translation of the original in Bulgarian)

TABLE OF CONTENTS:

Page

Annual report on the activities

Independent auditor's report

Statement of comprehensive income

1

Statement of financial position

2

Statement of changes in equity

3

Statement of cash flows

4

Notes to the financial statements

5 – 22


CORUS BUILDING SYSTEMS BULGARIA AD

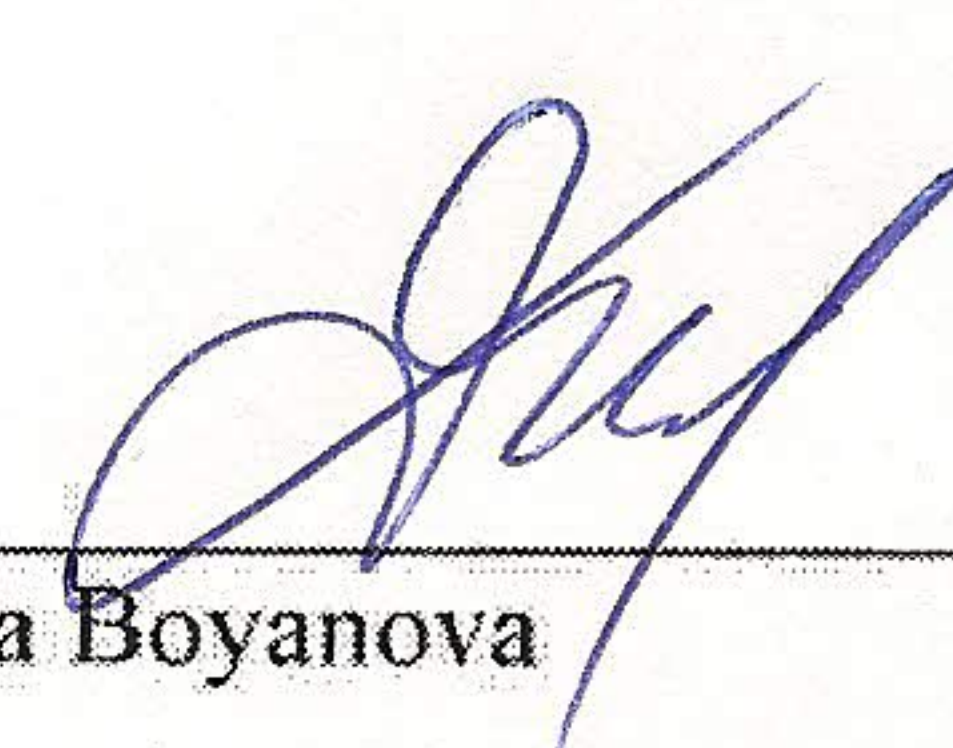
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian levs unless otherwise stated

| | Notes | Year ended 31.12.2016 | Year ended 31.12.2015 |
|---------------------------------------|-------|--------------------------|--------------------------|
| Revenue | 4 | 154 | 1,848 |
| Cost of sales | 5 | (178) | (1,942) |
| Gross loss | | (24) | (94) |
| Other income | 6 | 2,176 | 22 |
| Sales expenses | 7 | - | (32) |
| Administrative expenses | 8 | (653) | (616) |
| Impairment costs | 8a | (41) | - |
| Finance costs, net | 9 | (37) | (420) |
| Profit/Loss before taxation | | 1,421 | (1,140) |
| (Expense for) / benefit from taxation | | - | - |
| PROFIT/(LOSS) FOR THE PERIOD | | 1,421 | (1,140) |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME | | 1,421 | (1,140) |

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on May 16, 2017:


Borislav Ivanov
Chief Executive Director


Dimitrina Boyanova
Preparer

The accompanying notes from page 5 to page 22 are an integral part of these financial statements.

The original Statement of financial position was signed by Momchil Chergansky, Registered Auditor and Proxy of the Statutory Manager Assen Dimov at Deloitte Audit OOD on June 20, 2017.

CORUS BUILDING SYSTEMS BULGARIA AD

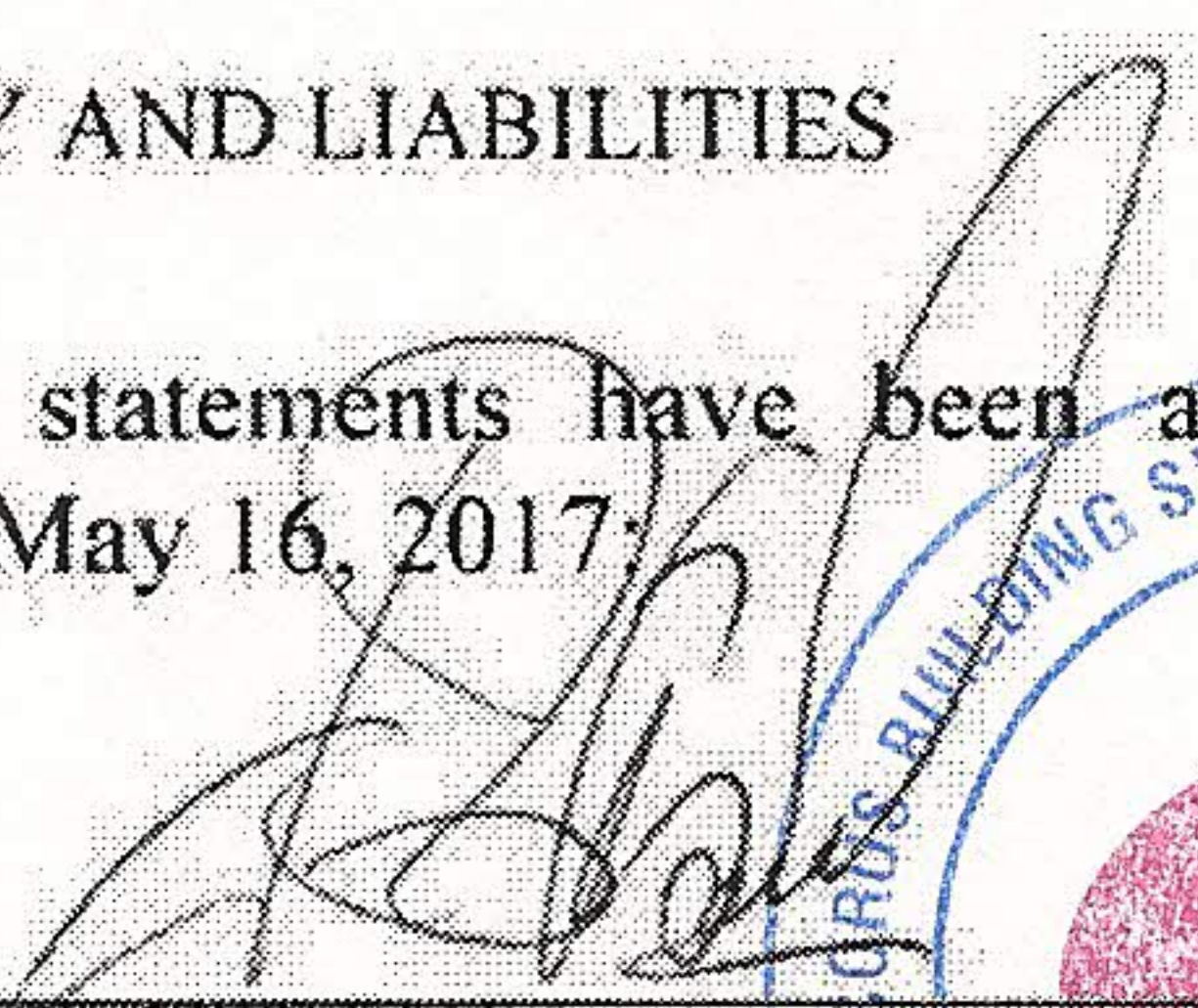
STATEMENT OF FINANCIAL POSITION

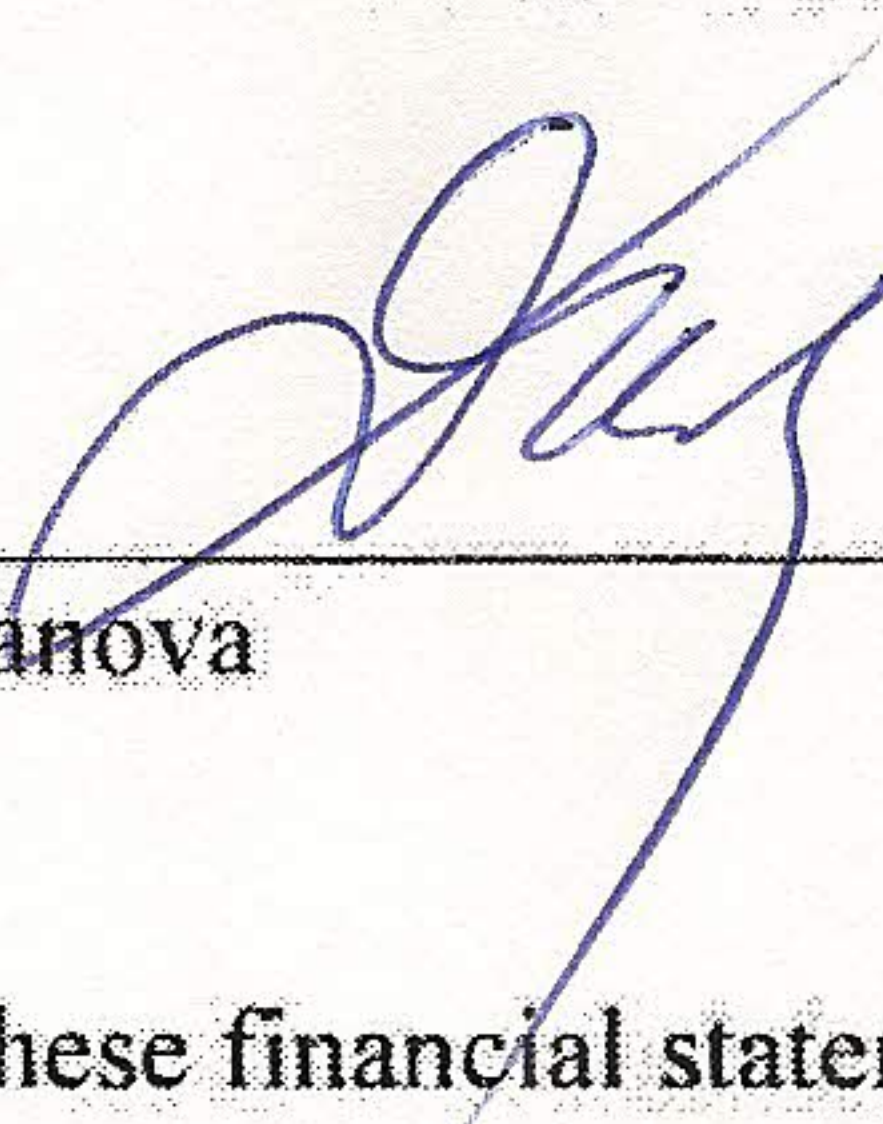
AS OF DECEMBER 31, 2016

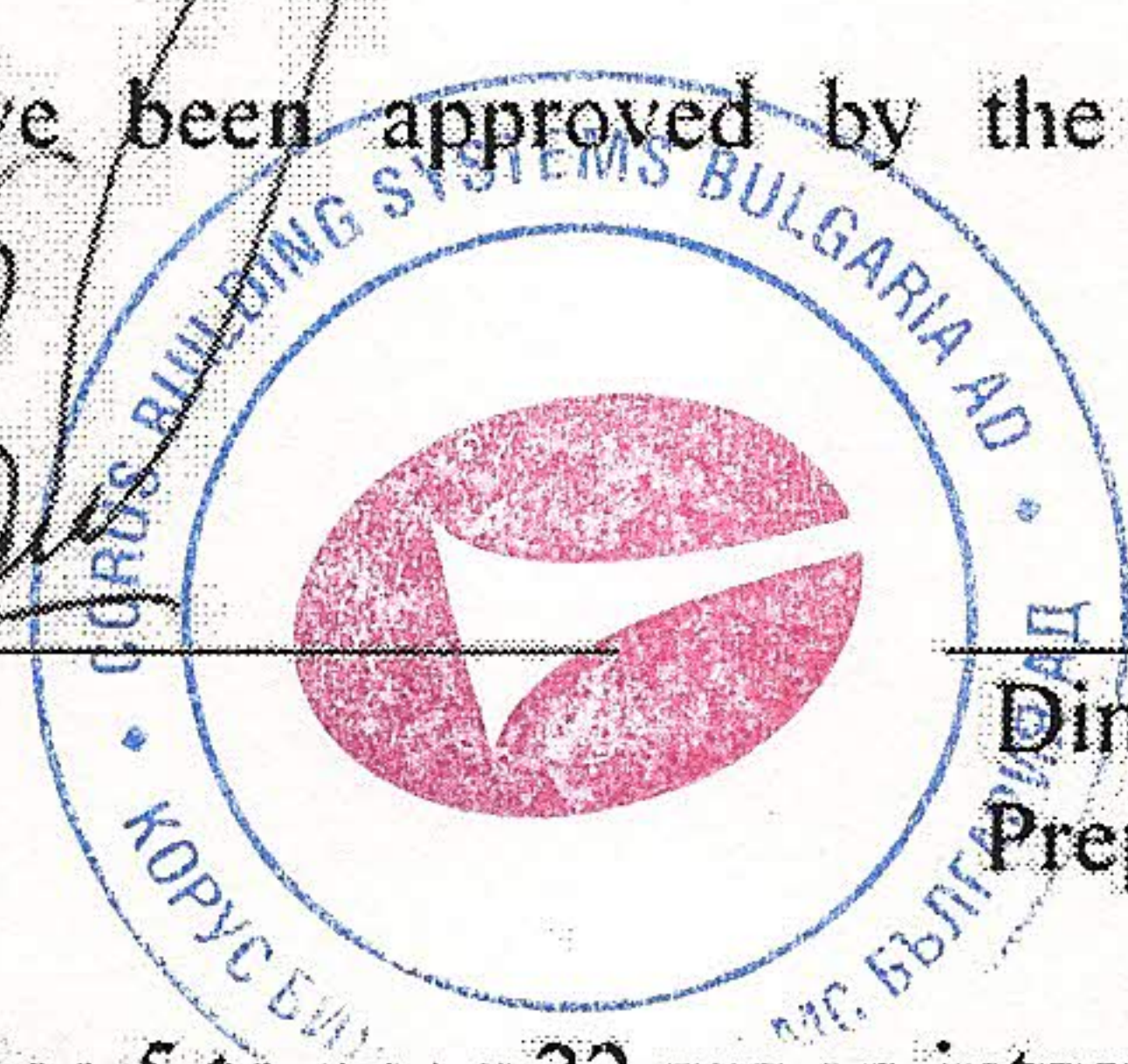
All amounts are in thousands Bulgarian levs unless otherwise stated

| | Notes | As of 31.12.2016 | As of 31.12.2015 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment and intangible assets | 10 | 7,701 | 8,100 |
| TOTAL NON-CURRENT ASSETS | | 7,701 | 8,100 |
| CURRENT ASSETS | | | |
| Inventories | 11 | 69 | 195 |
| Trade receivables | 12 | 604 | 651 |
| Other receivables | 13 | 1 | 37 |
| Cash and cash equivalents | 14 | 54 | 122 |
| TOTAL CURRENT ASSETS | | 728 | 1,005 |
| TOTAL ASSETS | | 8,429 | 9,105 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 15 | 1,169 | 1,169 |
| Additional reserves | | 2,769 | 2,769 |
| Loss from prior years | | (9,414) | (8,274) |
| Profit for the period | | 1,421 | (1,140) |
| TOTAL EQUITY | | (4,055) | (5,476) |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | 3,487 | 3,628 |
| Liabilities on loans received | 16 | 8,997 | 10,953 |
| TOTAL CURRENT LIABILITIES | | 12,484 | 14,581 |
| TOTAL EQUITY AND LIABILITIES | | 8,429 | 9,105 |

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on May 16, 2017.


Borislav Ivanov
Chief Executive Director


Dimitrina Boyanova
Preparer



The accompanying notes from page 5 to page 22 are an integral part of these financial statements.

The original Statement of financial position was signed by Momchil Chergansky, Registered Auditor and Proxy of the Statutory Manager Assen Dimov at Deloitte Audit OOD on June 20, 2017.

CORUS BUILDING SYSTEMS BULGARIA AD

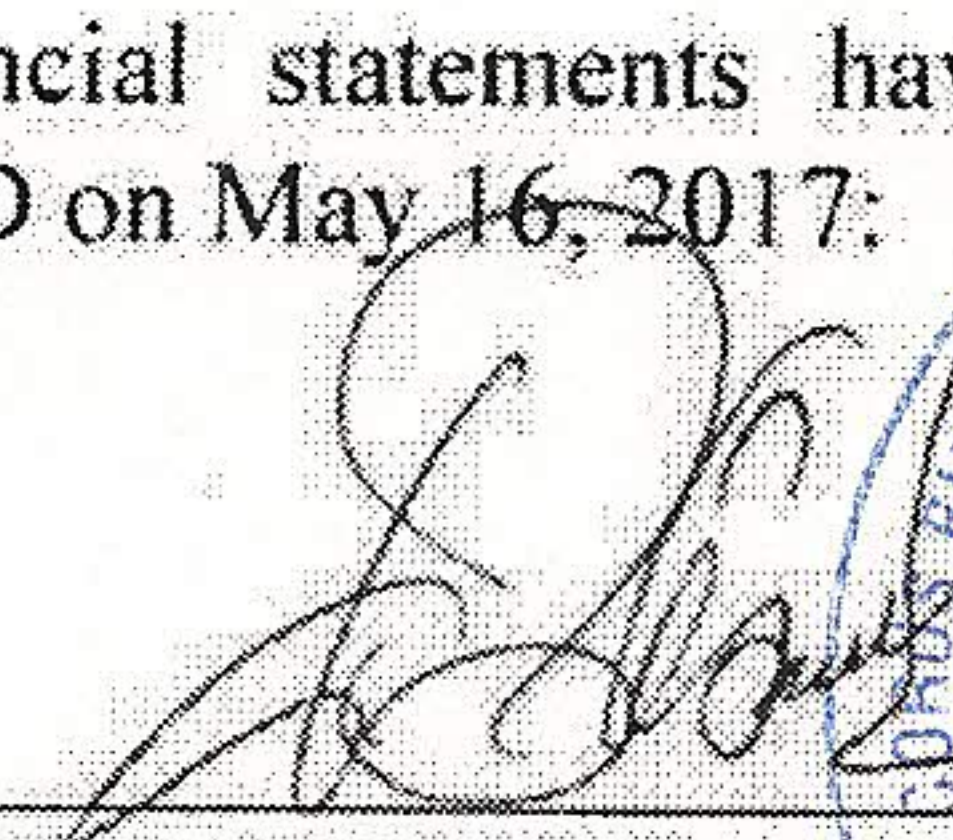
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

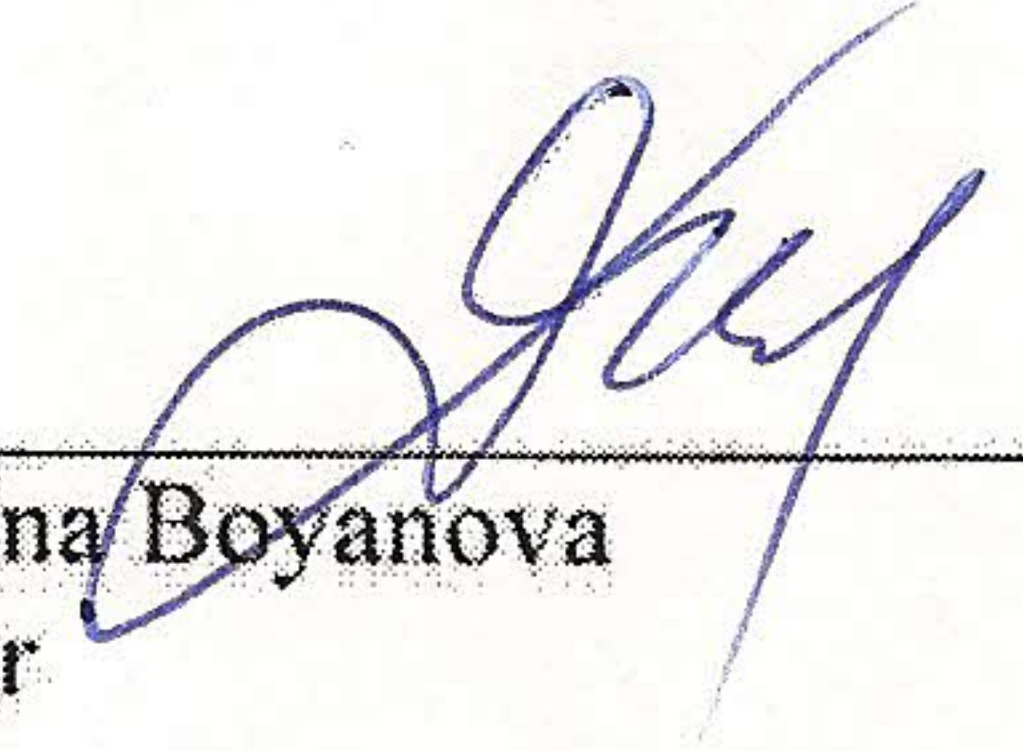
All amounts are in thousands Bulgarian levs unless otherwise stated

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITY | | |
| Cash proceeds from customers | 226 | 2,964 |
| Payments to suppliers | (126) | (2,304) |
| Payments for remunerations | (113) | (207) |
| Cash from operating activity | (55) | (390) |
| Paid interest | - | (237) |
| NET CASH FLOWS FROM OPERATING ACTIVITY | (68) | (174) |
| Net decrease of cash and cash equivalents for the year | (68) | (174) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 122 | 296 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (see note. 14) | 54 | 122 |

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on May 16, 2017:


Borislav Ivanov
Chief Executive Director




Dimitrina Boyanova
Preparer

The accompanying notes from page 5 to page 22 are an integral part of these financial statements.

The original Statement of financial position was signed by Momchil Chergansky, Registered Auditor and Proxy of the Statutory Manager Assen Dimov at Deloitte Audit OOD on June 20, 2017.

CORUS BUILDING SYSTEMS BULGARIA AD

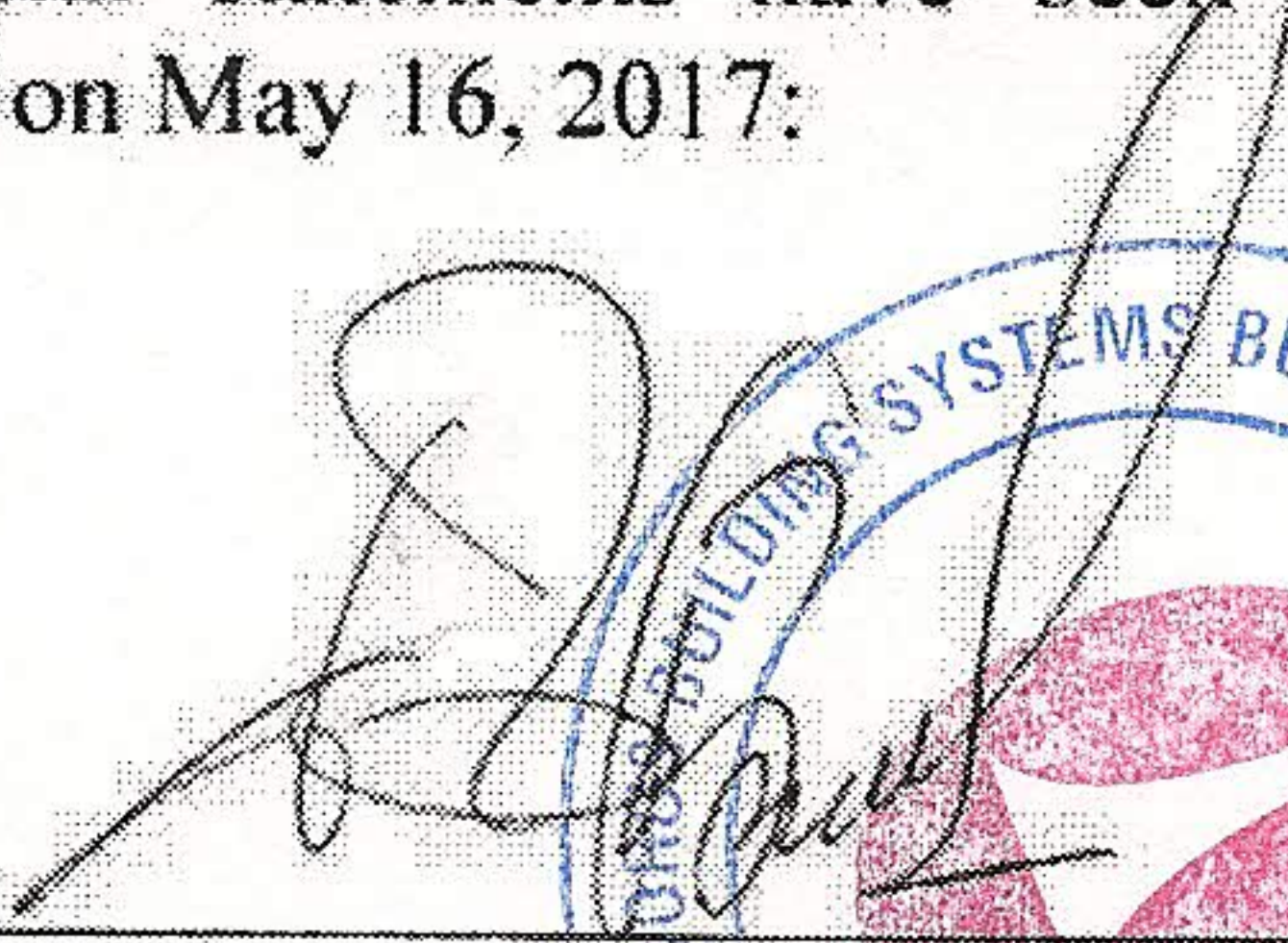
STATEMENT OF CHANGES IN EQUITY

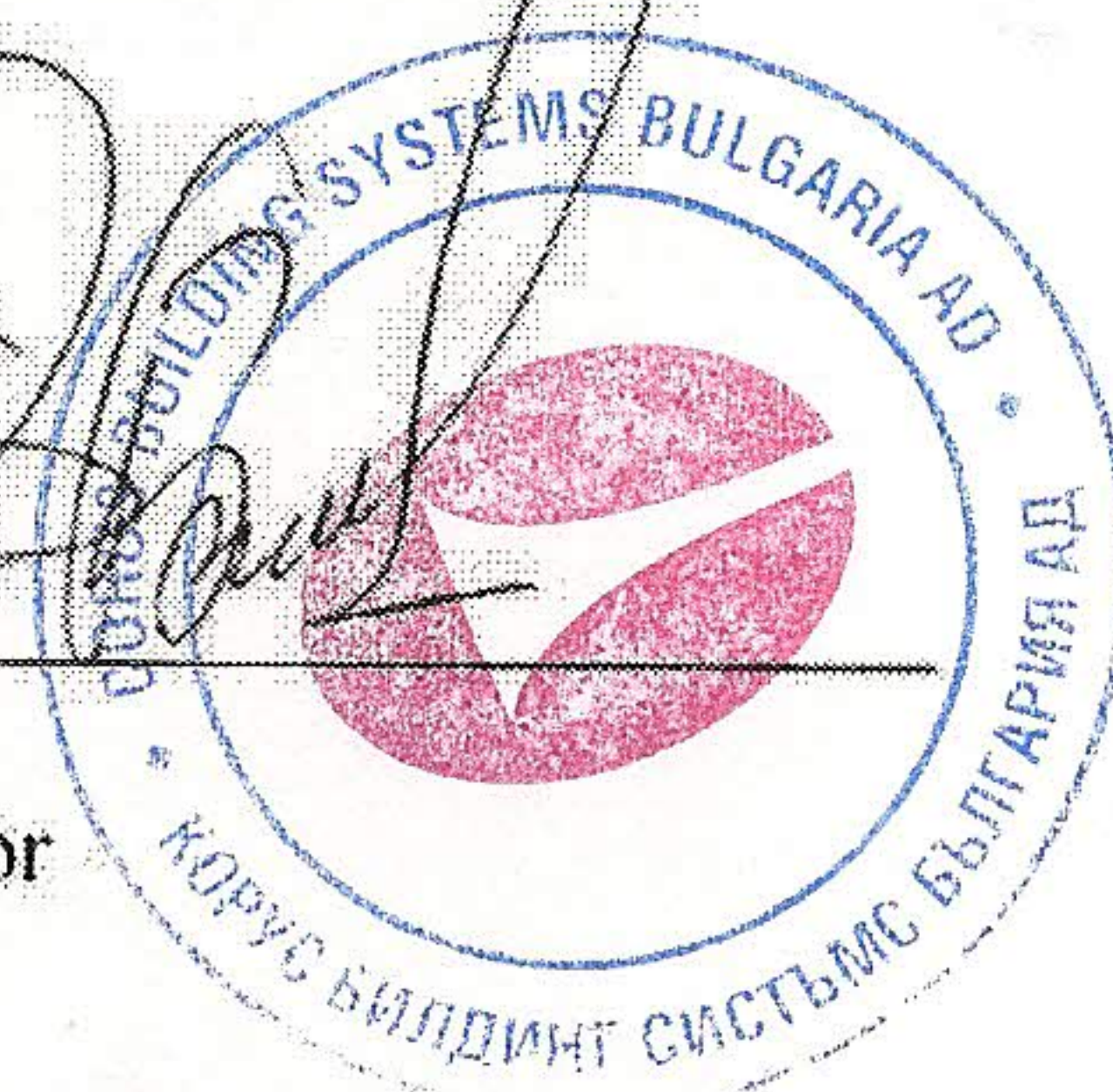
FOR THE YEAR ENDED DECEMBER 31, 2016

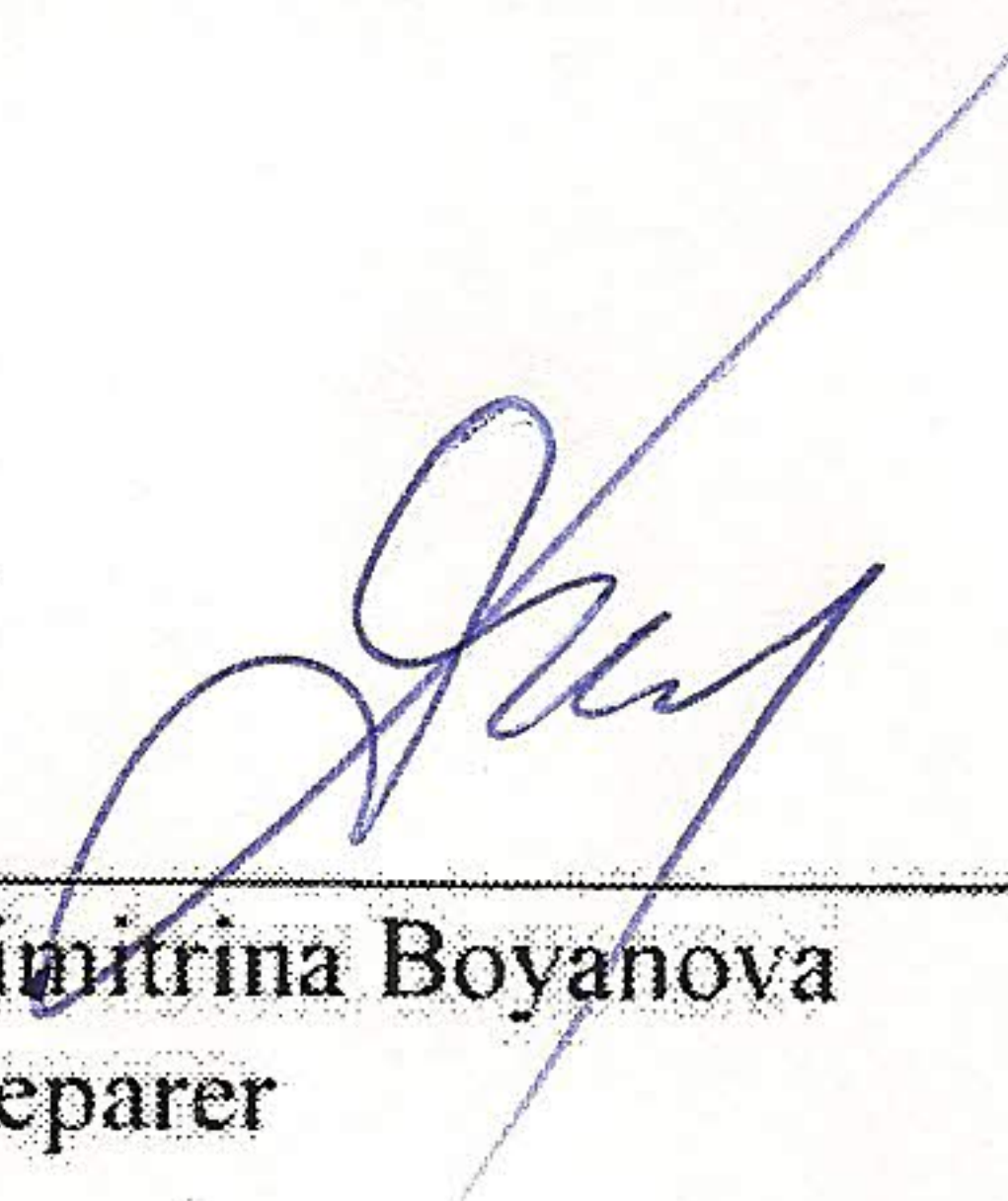
All amounts are in thousands Bulgarian levs unless otherwise stated

| | Share capital | Additional reserves | Financial result | Totalo |
|---------------------------------|---------------|---------------------|------------------|---------|
| BALANCE AS AT JANUARY 1, 2015 | 1,169 | 2,769 | (8,274) | (4,336) |
| Loss for the period | - | - | (1,140) | (1,140) |
| Other comprehensive income | - | - | - | - |
| BALANCE AS OF DECEMBER 31, 2015 | 1,169 | 2,769 | (9,414) | (5,476) |
| Profit for the period | - | - | 1,421 | 1,421 |
| Other comprehensive income | - | - | - | - |
| BALANCE AS OF DECEMBER 31, 2016 | 1,169 | 2,769 | (7,993) | (4,055) |

These financial statements have been approved by the management of Corus Building Systems Bulgaria AD on May 16, 2017:


Borislav Ivanov
Chief Executive Director




Dimitrina Boyanova
Preparer

The accompanying notes from page 5 to 22 are an integral part of these financial statements.

The original Statement of financial position was signed by Momchil Chergansky, Registered Auditor and Proxy of the Statutory Manager Assen Dimov at Deloitte Audit OOD on June 20, 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.1. Basis for preparation of the financial statements (continued)

Changes in IFRS (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of these financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the reporting date.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.2 Going concern

The Company's financial statements have been prepared under the going concern assumption. The Company has reported profit for 2016 and loss for 2015 at the amount of BGN 1,421 thousand and BGN (1,140) thousand, respectively and its net current assets are negative and amount of BGN 11,756 thousand and BGN 13,576 thousand, respectively. In addition, the net assets of the Company property as of December 31, 2016 are negative at the amount of BGN 4,055 thousand and it is below the amount of registered equity. As stated in note 19 as of December 31, 2016 the Company is exposed to a high liquidity risk for a period of 12 months. These facts indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

As of the date of these financial statements the shareholders of the Company are in process of negotiation regarding transferring the majority shares to the minority shareholder Horizont-Ivanov EOOD. Horizont-Ivanov EOOD has submitted an offer to purchase the shares of the majority shareholder. A decision of the majority shareholder for acceptance or rejection of the offer is expected. If the offer is rejected the Board of Directors should call a new General Meeting to resolve on termination of the Company and opening of insolvency proceedings.

2.3 Functional and presentation currency

In accordance with the Bulgarian accounting legislation, the Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria – Bulgarian lev (BGN), which effective January 1, 1999 is pegged to the euro at BGN 1.95583 = EUR 1.

These financial statements are prepared in thousand Bulgarian leva (BGN'000).

2.4 Accounting assumptions and accounting estimates

The preparation of financial statements in compliance with the IFRS requires management to apply certain accounting assumptions and accounting estimates that affect the reported value of assets, liabilities and disclosures of contingent assets and liabilities as at the date of the reporting period, as well as the reported value of income and expenses for the reported period. They all are based on the best estimate of the management as at the date of preparation of the financial statements. The actual results could differ from those specified in the present financial statements.

2.5 Accounting principles

These financial statements have been prepared in accordance with the principles, historical cost convention and applying the same accounting policy in the reporting periods.

3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS

3.1 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are presented at historical cost less accumulated depreciation and impairment loss. Historical cost of property, plant and equipment and intangible assets includes purchase cost and all expenses directly incurred at the acquisition of the asset.

Subsequent expenses are added to the asset's carrying amount or are reported as a separate asset only when it is expected that the Company will receive future economic benefits related to the use of the asset and when their carrying amount can be reliably determined. All other maintenance and repair expenses are recorded in the statement of comprehensive income (through profit or loss) at the time they were incurred.

Depreciation of other property, plant and equipment is accrued using the straight-line method by applying depreciation rate calculated on the basis of the remaining useful life of the asset. Based on the management's estimation of the useful life of the assets the following groups are adopted:

- | | |
|--|---|
| • Building | 40 years |
| • Computer equipment and software | 2 years |
| • High and Low Profiling (roll forming) machines and cassette line | 15 years |
| • Production equipment | from 3,33 to 25 years (for the cranes) |
| • Vehicles | 5 years |

The residual value and the useful life are subject to review and, if necessary, as of each date of preparation of the financial statements the respective adjustments are performed.

The carrying amount of property, plant and equipment is subject to impairment review when there are events or changes in the circumstances which show that the carrying amount could differ constantly from their recoverable amount. If there are such indications that the approximate recoverable amount is lower than their carrying amount, then the latter is written-off to the recoverable amount of the assets.

The recoverable amount of property, plant and equipment is the higher: fair value less costs to sale or the value in use. In order to determine the value in use of assets future cash flows are discounted to their present value by applying discount rate prior to taxation which reflects the current market conditions and estimations of the timely value of cash and the risks specific for the respective asset. Impairment losses are reported directly in the statement of comprehensive income.

3.2 Inventories

Initially inventories are recognized at cost, which comprise the purchase price, import duties and customs charges, as well as other expenses related to the delivery. Subsequently, inventories are measured at the lower of cost and the net realizable value. The net realizable value is the sale price in the normal course of activity less the completion and sale costs. Inventories are valued upon consumption (writing off) by applying the weighted average cost method.

In 2015 management defines a normal production capacity, representing the expected average production for several periods at normal conditions. The classification of fixed general expenses to the processing expenses is based on the normal capacity of the production. The amount of the permanent general expenses, accrued for each production item does not increase as a result of a lower production volume or when the company is in stagnation. Non-allocated general expenses are recognized in the period they occur. This principal is applied to the financial statements as of 2015.

3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS (CONTINUED)

3.3 Financial instruments

IFRS 13 Fair value measurement

IFRS 13 is applied when other IFRS requires or allows fair value measurement or fair value measurement disclosure of both financial instruments and non-financial items. The standard is not applicable to transactions with share-based payments that are within the scope of IFRS 2 "Share-based payment", lease transactions that are within the scope of IAS 17 "Leases", as well as measurements that have some similarities to fair value but are not a fair value - net realizable value for the purposes of measuring inventories in accordance with IAS 2 "Inventories" or value in use for impairment assessment purposes, in accordance with IAS 36 "Impairment of assets".

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

Except for the additional disclosures, the application of IFRS 13 has no material effect on the amounts reported in these financial statements.

Financial assets and financial liabilities reported in the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables and loans.

In the normal course of its economic activity the Company may be exposed to different financial risks, the most important of which are: foreign currency risk, interest rate risk, capital and liquidity risk. Therefore, the general risk management is focused on forecasting the results from certain areas of the financial markets to achieve minimization of potential adverse effects which might affect the financial results. Financial risks are identified on an ongoing basis and they are measured and monitored by using different control mechanisms to determine adequate prices of the products of the Company and to measure adequately the forms for maintaining the free liquid funds, so that there is no unjustified concentration of a given risk.

3.3.1 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and cash in banks, as well as cash in transfer and short-term, easily convertible and highly liquid investments that are exposed to an insignificant risk of changes in their value.

3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS (CONTINUED)

3.3 Financial instruments (continued)

3.3.2 Trade payables

Current liabilities are measured at the cost they are expected to be settled in future.

3.3.3 Loans

Loans are initially recognized at fair value. After initial recognition they are measured at amortized cost determined by applying the effective interest rate. All types of fees, commissions and other expenses, including discount and premiums associated with the loan, are included when calculating the amortized costs.

The Company should follow special contractual conditions for loans received from related parties. When there is non-compliance with these contractual conditions the loans become due earlier and are presented as short-term loans.

3.4 Equity

Equity consists of share capital which is stated at historical cost and is fully paid in.

3.5 Income and expense recognition

Income and expenses are accounted for on an accrual basis, regardless of cash receipts and payments. They are reported in compliance with the matching concept. Income is recognized at the fair value of the consideration received or expected to be received, less the amount of all discounts.

Upon sales of production, goods and materials income is recognized when all material risks and benefits from the ownership of goods are transferred to the buyer.

When the transaction result from service providing could be reliably measured, income is recognized depending on the phase of completeness of the transaction at the end of the reporting period. In case the result cannot be reliably measured income is recognized only to the extent that the incurred expenses are recoverable.

3.6 Finance income and expenses

Net finance income/(costs) include income from and expenses for interests on loans, net profit (loss) from operations in foreign currency. Loan expenses that could be directly referred to an asset for which the process of acquisition, building and production before its intended use or sale takes considerable time should be capitalized as part of the value of the asset. All other finance income and costs are recognized through profit or loss for all instruments measured at amortized cost using the effective interest method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian levs unless otherwise stated

3. DEFINITION AND MEASUREMENT OF THE FINANCIAL STATEMENTS ITEMS (CONTINUED)**3.7 Taxation**

Income tax expenses comprise the amount of current and deferred taxes. The current taxes due are calculated on the basis of the annual taxable profit. The taxable annual profit is different from the profit reported in the financial statements since some revenue and expenditure items, taxable or deductible in other periods, as well as some items that are not taxable or deductible, are excluded from its amount. The Company's current tax liability is determined on the basis of the tax rate effective at the reporting date.

Deferred taxes are recognized for all differences between the tax base of assets and liabilities, used to calculate the taxable profit, and their carrying amount specified in the financial statements by applying the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available, against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and they are impaired to the extent to which it is foreseeable that there will be no sufficient taxable profit to allow the realization of the deferred tax asset in full or in part.

Deferred taxes are calculated at tax rates that are expected to be applicable for the period in which the tax assets are realized or the tax liabilities settled. Deferred taxes are included in the profit or loss except when the taxes arise from transactions or events which are credited or charged directly to equity. In such cases deferred taxes are recognized directly in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

4. REVENUE

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|-------------------------------|--------------------------|--------------------------|
| Income from sales of products | 152 | 1,747 |
| Income from sales of goods | - | 93 |
| Income from services | 2 | 8 |
| TOTAL | 154 | 1,848 |

4. COST OF SALES

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|--|--------------------------|--------------------------|
| Cost of materials used in production | 128 | 1,653 |
| Book value of sold goods | - | 86 |
| Salaries and social security to production employees | 31 | 16 |
| Depreciation/Amortization | - | 132 |
| Other direct production expenses | 19 | 55 |
| TOTAL | 178 | 1,942 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian levs unless otherwise stated

5. OTHER INCOME

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|----------------------------|--------------------------|--------------------------|
| Sales of materials | 1 | 526 |
| Cost of materials sold | (1) | (504) |
| Loan and interest remitted | 2,176 | - |
| TOTAL | 2,176 | 22 |

7. SALES EXPENSES

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|------------------------------------|--------------------------|--------------------------|
| Vehicle maintenance and fuel | - | 17 |
| Depreciation/Amortization | - | - |
| Participations in fairs | - | - |
| Business trips expenses | - | 5 |
| Shipping of finished goods sold | - | 10 |
| Advertising materials and services | - | - |
| TOTAL | - | 32 |

8. ADMINISTRATIVE EXPENSES

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|---|--------------------------|--------------------------|
| Salaries and social security – administrative staff | 79 | 129 |
| Depreciation/Amortization – manufacturing | 399 | 268 |
| Salaries and social security - manufacturing | - | 32 |
| Legal services | - | 6 |
| Audit services | 13 | 11 |
| Consulting services | - | - |
| Telecommunication services | 4 | 7 |
| Representative expenses including taxation | - | 1 |
| Depreciation/Amortization - administrative staff | - | - |
| Expenses for central office TS Europe | (20) | 59 |
| Other administrative expenses | 178 | 103 |
| TOTAL | 653 | 616 |

Other administrative expenses for 2016 include local taxes and charges of BGN 146 thousand, including BGN 109 thousand for accrued local tax for remitted debt, insurance for industrial fire at the amount of BGN 4 thousand, expenses for security of BGN 18 thousand, administrative expenses of BGN 10 thousand and other expenses of BGN 5 thousand.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016
All amounts are in thousands Bulgarian leva unless otherwise stated

8A. EXPENSES FOR IMPAIRMENT OF RECEIVABLES

In 2016 the Company's management impaired the following receivables:

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|---|--------------------------|--------------------------|
| „Mateko” AD – 100 % impaired | 1 | - |
| „Technosteel – 2000” EOOD – 100 % impaired | 3 | - |
| Court expenses related to written-off receivables from “Steel International Centre” SRL Romania – 100% impaired | 37 | - |
| TOTAL | 41 | - |

9. FINANCE COSTS, NET

| | Year ended 31.12.2016 | Year ended 31.12.2015 |
|------------------------------|--------------------------|--------------------------|
| Interest on loans (note 20) | 75 | 400 |
| Foreign exchange rate losses | 25 | 42 |
| Foreign exchange rate gains | (65) | (27) |
| Other finance costs | 2 | 5 |
| | 37 | 420 |

After the remission of part of the loans received and interest payables the Company ceases to accrue interest on loans received (see note 16).

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| | Land and buildings | Machines and equipment | Computers and software | Vehicles | Total |
|-----------------------------------|-----------------------|---------------------------|------------------------------|----------|---------|
| Cost | | | | | |
| As of December 31, 2015 | 6,423 | 4,219 | 18 | 141 | 10,801 |
| As of December 31, 2016 | 6,423 | 4,219 | 18 | 141 | 10,801 |
| Depreciation/ amortization | | | | | |
| As of December 31, 2014 | (676) | (1,466) | (18) | (141) | (2,301) |
| Depreciation charged for 2015 | (140) | (260) | - | - | (400) |
| As of December 31, 2015 | (816) | (1,726) | (18) | (141) | (2,701) |
| Depreciation charged for 2016 | (140) | (259) | - | - | (399) |
| As of December 31, 2016 | (956) | (1,985) | (18) | (141) | (3,100) |
| Net book value | | | | | |
| As of December 31, 2015 | 5,607 | 2,493 | - | - | 8,100 |
| As of December 31, 2016 | 5,467 | 2,234 | - | - | 7,701 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian levs unless otherwise stated

11. INVENTORIES

| | As of 31.12.2016 | As of 31.12.2015 |
|-----------------------------------|---------------------|---------------------|
| Basic materials | 33 | 154 |
| Impairment of auxiliary materials | - | - |
| Auxiliary and other materials | 36 | 38 |
| Finished goods | - | 3 |
| TOTAL | 69 | 195 |

12. TRADE RECEIVABLES

| | As of 31.12.2016 | As of 31.12.2015 |
|--|---------------------|---------------------|
| Receivables from customers | 604 | 651 |
| <i>Incl. related party receivables (Horizont Ivanov)</i> | 600 | 641 |
| Provision for doubtful and bad debts | - | - |
| TOTAL | 604 | 651 |

An age analysis of overdue, but not impaired receivables is presented in the table below:

| | As of 31.12.2016 | As of 31.12.2015 |
|----------------|---------------------|---------------------|
| Up to 30 days | - | 1 |
| 31 – 120 days | - | 93 |
| 121 - 360 days | - | 31 |
| Over 361 days | 604 | 526 |
| | 604 | 651 |

The Company's management believes that the value at which the trade receivables are presented in the statement of financial condition is equal to their fair value as of December 31, 2016 and 2015.

As of the date of authorization for issue of these financial statements BGN 20 thousand of total overdue, but not impaired receivables has been paid.

13. OTHER RECEIVABLES

In 2015, the Company has disclosed as other receivables the amount of BGN 37 thousand which represent VAT recoverable.

| | As of 31.12.2016 | As of 31.12.2015 |
|---|---------------------|---------------------|
| Recoverable VAT | 1 | - |
| Receivables on legal proceedings - fees for filing lawsuits | - | 37 |
| TOTAL | 1 | 37 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian leva unless otherwise stated

14. CASH AND CASH EQUIVALENTS

| | As of 31.12.2016 | As of 31.12.2015 |
|---------------|---------------------|---------------------|
| Cash on hand | 2 | 6 |
| Cash at banks | 52 | 116 |
| TOTAL | 54 | 122 |

15. SHARE CAPITAL

The share capital of the Company as of December 31, 2016 amounts to BGN 1,169,330 and is distributed into 1,169,330 shares with a nominal value of BGN 1 each.

As of December 31, 2016 the shareholders' equity is distributed, as follows in BGN thousands:

| Shareholder | Registered capital | Paid-in capital |
|------------------------|-----------------------|--------------------|
| Fischer Profil GmbH | 760 | 760 |
| Horizont – Ivanov EOOD | 409 | 409 |
| TOTAL | 1,169 | 1,169 |

16. LIABILITIES UNDER RECEIVED LOANS

| | As of 31.12.2016 | As of 31.12.2015 |
|---|---------------------|---------------------|
| <i>Short-term liabilities on related party loans</i> | | |
| Short-term loan received from Tata Steel Belgium Services | 4,498 | 8,411 |
| Short-term loan received from Fischer Profil GmbH Germany | 4,499 | 2,542 |
| TOTAL | 8,997 | 10,953 |

In 2008 the Company signed two agreements with Corus International Services Belgium (present name Tata Steel Belgium Services). The first one represents a long-term loan at the maximum amount of BGN 4,107 thousand, fully utilized by the Company as of December 31, 2008. The contracted interest rate is based on market indices plus a fixed margin of 2.25%. According to the terms and conditions of the agreement the loan shall be paid in seven equal annual payments. The first payment is due a year after the loan utilization and the last one is due in September 2015. All machines and equipment owned by the Company for the period of the loan have been pledged as collateral to secure the loan. In 2010, after an analysis of the investment expenses, the Company negotiated with the borrower the final tranche of the credit facility amounting to EUR 1,300 thousand to be transformed as a long-term loan with maturity date on September 15, 2015. As at December 31, 2016 the loan payables amounts to BGN 3,129 thousand and is classified as a short-term one.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian levs unless otherwise stated

16. LIABILITIES UNDER RECEIVED LOANS (CONTINUED)

The second loan agreement signed with Tata Steel Belgium Services represents a credit facility at a maximum amount of BGN 7,237 thousand (EUR 3,700 thousand) that expires in March 2014. The Company's liability as of December 31, 2014 and 2013 under this loan facility amounts to BGN 4,694 thousand. The contracted interest is based on EURIBOR plus a fixed margin of 1.75% changed to 3.25% effective as of April 28, 2009. The change is a result of the negative assessment of the creditworthiness of the Company related to its negative equity. The assessment was made after the financial year end as of March 31, 2009. According to the agreement the utilized amounts are due within a period of 15 days and three months. All inventories owned by the Company over the period of the loan facility have been pledged as collateral to secure the loan. In 2016 the lender remitted a principal of BGN 1,956 thousand (EUR 1,000 thousand).

The loan agreement with Fischer Profil GmbH at the amount of BGN 1,300 thousand resulted from the aggregation of several short-term loans granted by the majority shareholder of the Company as follows: EUR 250 thousand granted in 2009, EUR 300 thousand granted on January 22, 2010, EUR 250 thousand granted on March 30, 2010 and EUR 500 thousand – on July 31, 2010. The interest rate is based on EURIBOR plus a 3.25% margin (applicable margin as set by Central Treasury of the Group). In 2016 Fischer Profil GmbH paid back EUR 1 million of the short-term loan of the Company to Tata Steel Belgium Services. As of December 31, 2016 the loan has not been repaid and the related liability amounts to BGN 4,499 thousand (EUR 2,300 thousand).

17. TRADE AND OTHER PAYABLES

| | As of 31.12.2016 | As of 31.12.2015 |
|---|---------------------|---------------------|
| Payables to suppliers | 3,222 | 3,324 |
| <i>including payables to related parties (note 20)</i> | 3,219 | 3,276 |
| Payables on advances from customers | - | 1 |
| Payables on loan interests (note 20) | 141 | 285 |
| VAT payables | - | - |
| Payables to employees | 11 | 13 |
| <i>including payables on unused annual leaves according to IAS 19</i> | 7 | 2 |
| Payables on employees' income tax | - | 1 |
| Payables on social security | 3 | 3 |
| <i>including payables on unused annual leaves according to IAS 19</i> | - | - |
| Local tax payables | 109 | - |
| Payables to the shareholders | 1 | 1 |
| TOTAL | 3,487 | 3,628 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian leva unless otherwise stated

18. TAXATION

Effective tax rate reconciliation is presented in the following table:

| | As of 31.12.2016 | As of 31.12.2015 |
|--|---------------------|---------------------|
| Accounting profit/(loss) before tax | 1,421 | (1,140) |
| Applicable tax rate | 10% | 10% |
| Tax benefit/(expense) at applicable tax rate | (114) | 114 |
| Unrecognized deferred tax assets from temporary differences | 36 | (27) |
| Deduction of tax loss from prior year | 78 | - |
| Unrecognized deferred tax assets from tax loss | - | (87) |
| Result of income tax recognized in the statement of comprehensive income | - | - |

The Company apply tax rate determined by the Corporate Income Tax Law, effective from January 1, 2007 and set to 10%.

The realized loss at the amount of BGN 780 thousand is used to cover tax losses from 2011, 2012 and partially, 2013.

Accumulated tax losses as of December 31, 2016 are as follows:

| Originated in | Amount | Tax effect (10% tax rate) | Expiring in |
|---------------|--------------|------------------------------|-------------|
| 2013 | 127 | 12 | 2018 |
| 2014 | 457 | 46 | 2019 |
| 2015 | 867 | 87 | 2020 |
| TOTAL | 1,451 | 145 | |

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of its operations, the Company is exposed to currency, interest rate risk, capital and liquidity risk.

Currency risk

Currency risk is the risk that the financial instruments' value may change due to changes in foreign exchange rates.

For the year ended December 31, 2015 the Company is exposed to limited currency risk due to changes in the exchange rate of the British pound originating from exposures denominated in that foreign currency. The Company uses no special financial instruments for risk hedging.

As of December 31, 2016 the Company's liabilities in original currency are, as follows (in thousands):

| | EUR | GBP | USD | BGN | Total BGN'000 |
|----------------|-------|-----|-----|-----|------------------|
| Trade payables | 1,586 | 114 | - | 3 | 3,375 |
| Loans | 4,600 | - | - | - | 8,997 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian levs unless otherwise stated

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Currency risk (continued)**

The following foreign exchange rates are used during the period:

| | EUR | GBP |
|---|---------|---------|
| Average foreign exchange rate for the period January 1 - December 31, 2016 | 1.95583 | 2.38578 |
| Foreign exchange rate as of the date of the statement of financial position | 1,95583 | 2.32016 |

As of December 31, 2015 the Company's liabilities in original currency are, as follows (in thousands):

| | EUR | GBP | USD | BGN | Total BGN'000 |
|----------------|-------|-----|-----|-----|------------------|
| Trade payables | 1,698 | 106 | - | 7 | 3,608 |
| Loans | 5,600 | - | - | - | 10,953 |

The following foreign exchange rates are used during the period:

| | EUR | GBP |
|---|---------|---------|
| Average foreign exchange rate for the period January 1 - December 31, 2015 | 1.95583 | 2.61032 |
| Foreign exchange rate as of the date of the statement of financial position | 1,95583 | 2,65021 |

Sensitivity analysis

The Company believes it is exposed to insignificant currency risk and a possible 10% increase in the foreign exchange rates as of December 31, 2016 would not raise materially the respective finance costs.

The Bulgarian lev (BGN), is pegged to the euro at BGN 1.95583 = EUR 1 since January 1, 1999.

Interest rate risk

The interest rate risk is the risk that the value of financial instruments may change due to a change in market interest rates or that interest income and expenses deriving from the financial instruments with floating interest rate may change due to a change in the chosen base rate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian leva unless otherwise stated

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Interest rate risk (continued)**

The Company is exposed to interest rate risk because of its long and short-term loans with a floating interest rate.

JI Interest rate analysis as of December 31, 2016

| December 31, 2016 | Non-interest bearing | Floating interest % | Fixed interest % | Total |
|---|-------------------------|------------------------|---------------------|---------------|
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 54 | - | - | 54 |
| <i>Financial liabilities</i> | | | | |
| Loans received | - | 8,997 | - | 8,997 |
| Trade and other payables | 3,487 | - | - | 3,487 |
| Financial liabilities at amortized cost | <u>3,541</u> | <u>8,997</u> | - | <u>12,538</u> |

JI Interest rate analysis as of December 31, 2015

| December 31, 2015 | Non-interest bearing | Floating interest % | Fixed interest % | Total |
|---|-------------------------|------------------------|---------------------|---------------|
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 122 | - | - | 122 |
| <i>Financial liabilities</i> | | | | |
| Loans received | - | 10,953 | - | 10,953 |
| Trade and other payables | 3,628 | - | - | 3,628 |
| Financial liabilities at amortized cost | <u>3,750</u> | <u>10,953</u> | - | <u>14,703</u> |

Credit risk

The Company is exposed to credit risk in case the customers fail to settle their obligations.

Liquidity risk

Liquidity risk arises from negative situations in which the Company is unable to meet unconditionally all its liabilities on their maturity date.

The Company's liabilities, analyzed as of December 31, 2016 as per their residual term at the reporting date are, as follows:

| December 31, 2016 | On demand | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Total |
|-----------------------------|---------------|------------------|-----------------------|-------------------------------|----------------------|---------------|
| Payables to suppliers | 3,222 | - | - | - | - | 3,222 |
| Loans received | 8,997 | - | - | - | - | 8,997 |
| Total financial liabilities | <u>12,219</u> | - | - | - | - | <u>12,219</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian leva unless otherwise stated

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Liquidity risk (continued)**

The Company's liabilities, analyzed as of December 31, 2015 as per their residual term at the reporting date are, as follows:

| December 31, 2015 | On demand | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Total |
|-----------------------------|-----------|---------------|--------------------|-------------------------|-------------------|--------|
| Payables to suppliers | - | 3,280 | 44 | - | - | 3,324 |
| Loans received | - | - | 10,953 | - | - | 10,953 |
| Total financial liabilities | - | 3,280 | 10,997 | - | - | 14,562 |

As of December 31, 2016 the Company is exposed to liquidity risk for period within 12 months.

Capital risk

The capital structure of the Company consists of long-term loans (note 16), cash and cash equivalents (note 14) and equity, comprising share capital and accumulated loss.

Fair value measurement

Fair value is defined as the amount for which an asset can be exchanged or a liability settled, between knowledgeable, willing and informed parties in an arm's length transaction.

The Company's financial assets comprise mainly trade receivables and cash at bank current bank accounts due to which it is considered the carrying amount approximates their fair value. Financial liabilities of the Company mainly consist of loans and trade payables due to which it is considered the carrying amount approximates their fair value.

The Company's management considers that at the existing circumstances the presented in the statement of financial position valuations of assets and liabilities are the most reliable, adequate and fair for financial reporting.

20. RELATED PARTY TRANSACTIONS

As of December 31, 2015 and 2014 the Company has the following related party transactions:

- Tata Steel Belgium Services, Belgium
- Horizont – Ivanov EOOD
- Fischer Profil GmbH
- Tata Steel IJmuiden – The Netherlands
- Tata Steel UK
- Tata Steel Netherland Services – the Netherlands
-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

All amounts are in thousands Bulgarian leva unless otherwise stated

20. RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2016 and 2015 receivables and payables to related parties are as follows:

| Type of transaction | Related party | As of 31.12.2016 | As of 31.12.2015 |
|--|--|---------------------|---------------------|
| SHORTTERM PAYABLES | | | |
| Payables on loans received | Tata Steel Belgium Services | 4,498 | 8,410 |
| Payables on loans received | Fischer Profil GmbH | 4,499 | 2,542 |
| Interest payables | Tata Steel Belgium Services | - | 178 |
| Interest payables | Fischer Profil GmbH | 141 | 107 |
| Payables for delivered materials | Tata Steel IJmuiden. – The Netherlands | 2,961 | 2,961 |
| Payables for delivered materials | Corus Metal San Turkey | - | 35 |
| Payables for delivered materials | Fischer Profil GmbH | - | - |
| Expenses Head office | Tata Steel Netherland Services | 170 | 197 |
| Expenses Head office | Tata Steel UK | 91 | 83 |
| | | <u>12,360</u> | <u>14,513</u> |
| SHORT-TERM RECEIVABLES | | | |
| Receivables on sales of finished goods | Horizont – Ivanov EOOD | 600 | 641 |
| | | <u>600</u> | <u>641</u> |
| EXPENSES | | | |
| Interest expenses | Tata Steel Belgium Services | 41 | 274 |
| Interest expenses | Fischer Profil GmbH | 34 | 126 |
| | | <u>75</u> | <u>400</u> |

For the year ended December 31, 2016, the Company has accrued remunerations of the key management personnel at the amount of BGN 69 thousand (2015: 109 thousand).

21. EVENTS AFTER THE REPORTING PERIOD END

As of the date of these financial statements the shareholders of the Company are in process of negotiations regarding transferring the majority shares to the minority shareholder Horizont-Ivanov EOOD. Horizont-Ivanov EOOD has submitted a written offer to purchase the shares of the majority shareholder. At present, the majority shareholder is in process of considering the offer.