

**OJSC “BSW” – management company of
“BMC” holding”**

**Consolidated financial statements
for the year ended
31 December 2014
and Auditors’ report**

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Independent Auditors' Report

To the shareholders of Open Joint Stock Company "Byelorussian Steel Works – management company of "Byelorussian Metallurgical Company" holding"

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Byelorussian Steel Works - management company of "Byelorussian Metallurgical Company" holding" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 were audited by other auditors whose report dated 30 June 2014 expressed a qualified opinion on those statements because they were appointed auditors of the Group during 2014 and thus were not able to observe the counting of inventories as at 1 January 2013. The other auditors were unable to satisfy themselves as to those inventory quantities by alternative means. As a result, they were unable to determine whether adjustments might have been found necessary in respect of the elements making up the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows as at and for the year ended 31 December 2013.

Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which describes that in 2011 the economy of the Republic of Belarus was classified as a hyperinflationary economy under International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies". In 2014 the economy of the Republic of Belarus is further classified as hyperinflationary. The functional currency of the Group's entities operating in Belarus is the Belarusian Rouble and accordingly IAS 29 has been applied in these consolidated financial statements in respect of the financial information of these entities.

Irina Vereschagina
Partner, KPMG LLC

1 July 2015



Details of the audited entity

Name: Open Joint Stock Company Byelorussian Steel Works - management company of "Byelorussian Metallurgical Company"
Registration details: registered in the Unified State Register of Legal Entities and Individual Entrepreneurs by the Zhlobin District Executive Committee of the Gomel region on 2 January 2012, registration number № 400074854
Legal address: Republic of Belarus, 247210, Zhlobin, Promyshlennaya str, 37

Details of the audit company

Name: KPMG Limited Liability Company
Registration details: registered by the Minsk City Executive Committee on 10 February 2011, registration number in the Unified State Register of entities and individual entrepreneurs № 191434140
Legal address: 57 Dzerzhinsky Avenue, office 53-2, 220089 Minsk, Republic of Belarus

Consolidated statement of financial position as at 31 December 2014

thousands of euros	Notes	31 December 2014	31 December 2013 (restated)	31 December 2012 (restated)
ASSETS				
Property, plant and equipment	10	1 706 706	1 139 721	910 151
Investments in associates	11	923	20 998	23 471
Available-for-sale investments		2 507	1 327	1 446
Long-term loans granted		595	556	587
Trade and other receivables	13	1 409	21	32
Prepayments and other assets	14	16 770	8 416	18 317
Bank deposit		4 124	599	910
Deferred tax assets	17	5 005	38 802	75 520
Total non-current assets		1 738 039	1 210 440	1 030 434
Inventories	12	347 504	335 305	337 401
Short-term loans granted		61	57	595
Trade and other receivables	13	87 396	65 580	52 131
Prepayments and other assets	14	40 002	65 422	77 883
Tax receivables		29 254	25 469	23 346
Income tax receivable		2 240	11 038	23 525
Bank deposit		1 876	6 314	8 014
Cash and cash equivalents	15	43 613	46 957	42 914
Total current assets		551 946	556 142	565 809
Total assets		2 289 985	1 766 582	1 596 243
Liabilities				
Trade and other payables		3 441	7 140	4 226
Advances received and other liabilities	19	1 100	1 262	3 351
Loans and borrowings	16	366 973	200 412	193 725
Government grants	18	23 820	15 564	12 977
Deferred tax liabilities	17	48 458	1 015	827
Total non-current liabilities		443 792	225 393	215 106
Trade payables		181 617	147 208	117 543
Advances received and other liabilities	19	102 609	73 244	101 086
Loans and borrowings	16	744 170	649 916	449 223
Income tax payable		378	767	1 940
Other taxes payable		38 630	32 180	42 440
Government grants	18	480	707	518
Total current liabilities		1 067 884	904 022	712 750
Total liabilities		1 511 676	1 129 415	927 856
Net assets		778 309	637 167	668 387
Equity				
Share capital	20	653 683	575 659	568 924
Reserve capital	20	3 091	3 439	3 064
Property, plant and equipment revaluation reserve		376 861	165 754	166 119
Retained earnings		(275 687)	(130 164)	(85 226)
Foreign currency translation reserve		(1 605)	204	380
Equity attributable to equity holders of the parent company		756 343	614 892	653 261
Non-controlling interest		21 966	22 275	15 126
Total equity		778 309	637 167	668 387

A.V. Vollov
First Deputy General Director
1 July 2015

M.P. Mikhaltsova
Acting Chief Accountant

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014

thousands of euros	Notes	2014	2013 (restated)
Revenue	21	1 340 677	1 381 970
Cost of sales	22	(1 184 003)	(1 178 004)
Gross profit		156 674	203 966
Administrative expenses	23	(85 040)	(76 750)
Selling expenses	24	(75 823)	(78 101)
Other operating expenses	25	(38 247)	(27 750)
Other operating income		13 740	17 569
Government grants	18	5 769	6 192
Charge of provision for doubtful debts		(498)	(2 059)
Operating profit/(loss)		(23 425)	43 067
Loss from impairment of property, plant and equipment	10	(41 858)	-
Finance income	26	6 030	5 903
Finance costs	26	(208 068)	(160 278)
Share of (loss)/profit of investees accounted for under the equity method		(2 211)	1 958
Gain on net monetary position		166 468	116 842
Profit/(loss) before tax		(103 064)	7 492
Income tax expense	17	(40 891)	(35 051)
Loss for the year		(143 955)	(27 559)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss:</i>			
Effect of revaluation of property, plant and equipment	10	252 725	-
Tax effect of revaluation of property, plant and equipment		(45 492)	-
Effect of translation to presentation currency		33 203	(3 374)
Other comprehensive income (loss) for the reporting year		240 436	(3 374)
Total comprehensive income (loss) for the reporting year		96 481	(30 933)
Loss attributable to:			
Equity holders of the Company		(143 582)	(34 506)
Non-controlling interests		(373)	6 947
Total attributable loss		(143 955)	(27 559)
Total comprehensive income attributable to			
Equity holders of the Company		98 439	(40 679)
Non-controlling interests		(1 958)	9 746
Total comprehensive income (loss)		96 481	(30 933)

Consolidated statement of changes in equity for the year ended 31 December 2014

thousands of euros	Notes	Share capital	Reserve capital	Property, plant and equipment revaluation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity and reserves
Balance at 1 January 2013 (as previously reported)		568 924	3 064	168 624	380	18 910	759 902	15 126	775 028
Effect of prior period adjustments	7	-	-	(2 505)	-	(104 136)	(106 641)	-	(106 641)
Balance at 1 January 2013 (restated)		568 924	3 064	166 119	380	(85 226)	653 261	15 126	668 387
Comprehensive income									
Profit/(loss) for the year (restated)		-	-	-	-	(34 506)	(34 506)	6 947	(27 559)
Transfer of revaluation reserve		-	-	(1 490)	-	1 490	-	-	-
Effect of translation to presentation currency (restated)		5 533	375	1 125	(176)	(13 030)	(6 173)	2 799	(3 374)
Total comprehensive income		5 533	375	(365)	(176)	(46 046)	(40 679)	9 746	(30 933)
Transactions with the equity holder accounted for in equity									
Dividends		-	-	-	-	-	-	(1 489)	(1 489)
Increase in share capital	20	1 202	-	-	-	-	1 202	-	1 202
Effect of change in ownership interest in subsidiaries (without loss of control by the Group)		-	-	-	-	1 108	1 108	(1 108)	-
Total transactions with the equity holders accounted for in equity		1 202	-	-	-	1 108	2 310	(2 597)	(287)

Consolidated statement of changes in equity for the year ended 31 December 2014

thousands of euros	Notes	Share capital	Reserve capital	Property, plant and equipment revaluation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity and reserves
Balance at 31 December 2013 (restated)		575 659	3 439	165 754	204	(130 164)	614 892	22 275	637 167
Comprehensive income									
Loss for the year		-	-	-	-	(143 582)	(143 582)	(373)	(143 955)
Effect of property, plant and equipment revaluation	10	-	-	252 725	-	-	252 725	-	252 725
Tax effect of property, plant and equipment revaluation		-	-	(45 492)	-	-	(45 492)	-	(45 492)
Transfer of revaluation reserve		-	-	(2 395)	-	2 395	-	-	-
Effect of translation to presentation currency		32 771	169	6 269	(1 809)	(2 612)	34 788	(1 585)	33 203
Total comprehensive income		32 771	169	211 107	(1 809)	(143 799)	98 439	(1 958)	96 481
Transactions with the equity holder accounted for in equity									
Dividends		-	-	-	-	(886)	(886)	(1 473)	(2 359)
Transfer of subsidiaries with non-controlling interests	20	45 253	-	-	-	-	45 253	3 122	48 375
Gratuitous transfer of shares in an associate	11	-	-	-	-	(1 355)	(1 355)	-	(1 355)
Total transactions with the equity holders accounted for in equity		45 253	-	-	-	(2 241)	43 012	1 649	44 661

Consolidated statement of changes in equity for the year ended 31 December 2014

thousands of euros	Notes	Share capital	Reserve capital	Property, plant and equipment revaluation reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity and reserves
<hr/>									
Other transactions affecting equity									
Transfer to reserve capitals		-	(517)	-	-	517	-	-	-
Total other transactions affecting equity		-	(517)	-	-	517	-	-	-
Balance as at 31 December 2014		<u>653 683</u>	<u>3 091</u>	<u>376 861</u>	<u>(1 605)</u>	<u>(275 687)</u>	<u>756 343</u>	<u>21 966</u>	<u>778 309</u>

Consolidated statement of cash flows for the year ended 31 December 2014

thousands of euros	Notes	2014	2013 (restated)
Cash flows from operating activities			
Loss for the year		(143 955)	(27 559)
Income tax	17	40 891	35 051
Gain on net monetary position		(166 468)	(116 842)
Depreciation of property, plant and equipment	22,23,24	55 917	45 560
Recognition of income related to government grants		(479)	-
Inventory write-off	12	8 700	142
Loss from impairment of property, plant and equipment	10	41 858	-
Impairment of trade and other receivables		498	2 059
Provisions for pension payments		262	463
Loss from disposal of property, plant and equipment	25	2 369	2 275
Net finance costs	26	202 038	154 375
Share of profit of investees accounted for under the equity method		2 211	(1 958)
Loss from goodwill impairment	25	2 583	-
Other non-monetary adjustments		(2)	(461)
		46 423	93 105
Changes in:			
Inventories		(12 609)	5 248
Trade and other receivables		(27 449)	(22 436)
Tax receivables		(6 562)	(5 229)
Tax liabilities		10 089	(4 597)
Prepayments granted and other current assets		9 658	20 534
Trade and other payables		14 740	29 739
Prepayments received		35 551	(11 551)
Cash flows from operations before income taxes and interest paid		69 841	104 813
Interest paid		(71 269)	(52 840)
Income tax paid		(5 066)	1 322
Cash flows used in operating activities		(6 494)	53 295
Cash flows from investing activities			
Acquisition of property, plant and equipment		(240 534)	(275 674)
Proceeds from sale of property, plant and equipment		1 917	1 056
Loans granted		(98)	412
Dividends received		126	5 903
Bank deposit		4 122	716
Cash and cash equivalents from acquired subsidiaries		754	6 294
Cash flows used in investing activities		(233 713)	(261 293)

Consolidated statement of cash flows for the year ended 31 December 2014

thousands of euros	Notes	2014	2013 (restated)
Cash flows from financing activities			
Loans paid		(627 991)	(243 736)
Loans received		826 385	451 116
Dividends paid		(2 359)	(1 489)
Net cash flow from financing activities		196 035	205 891
Net decrease in cash and cash equivalents		(44 172)	(2 107)
Inflation effect on cash and cash equivalents		43 384	6 182
Effect of foreign currency translation and effect of exchange rate changes on cash and cash equivalents		(2 556)	(32)
Cash and cash equivalents at 1 January	15	46 957	42 914
Cash and cash equivalents at 31 December	15	43 613	46 957

1 General information

Open Joint Stock Company “Byelorussian Steel Works” - management company of “Byelorussian Metallurgical Company” holding” (formerly Republican Unitary Enterprise “Belarusian Steel Works”) was formed in 1985.

On 30 December 2011, Republican Unitary Enterprise “Belarusian Steel Works” was reorganized into Open Joint Stock Company “Byelorussian Steel Works” (the “Company” or “OJSC BSW”). The Company is the legal successor in respect of the rights and duties of Republican Unitary Enterprise “Byelorussian Steel Works”. As at 31 December 2013 100% of the Company's shares are owned by the Republic of Belarus. The state controls the Company through a representative of the Ministry of Industry of the Republic of Belarus (authorized body).

The Company is registered in the Unified State Register of Legal Entities and Individual Entrepreneurs (No. 400074854) by the Zhlobin District Executive Committee of the Gomel region on 2 January 2012. The Company is located at 37 Promyshlennaya str, 247210 Zhlobin, Republic of Belarus.

In July 2012, in accordance with Decree No. 113 of the President of the Republic of Belarus “On Some Issues Relating to the Establishment and Activities of Holdings and State Associations of the Ministry of Industry of the Republic of Belarus” and Resolution No. 598 of the Council of Ministers of the Republic of Belarus “On Non-Monetary Contributions” dated 28 June 2012, OJSC “BSW” received shares of open joint stock companies to establish “Byelorussian Metallurgical Company” holding.

The Company is part of “Byelorussian Metallurgical Company” holding and is the management company of the holding.

The Company is principally engaged in the manufacture and sale of steel products: cast billets, structural and round sections, and high-tech products, such as steel cord, seamless pipes, hose and bead wire, and other various types of wire made of carbon steel.

The Company's operating assets comprise primarily production facilities, namely: two electric steel melting shops, section rolling shop, three steel cord and wire shops and seamless pipes production shop. Service facilities comprise 19 auxiliary shops.

The Company's average number of employees for the years ended 31 December 2014 and 2013 was 10 989 employees and 11 896 employees, respectively.

The Company is the parent of the Group (the “Group”) comprising the following subsidiaries and associates consolidated in these financial statements:

OJSC “BSW” – management company of “BMC” holding
Notes to the consolidated financial statements for the year ended 31 December 2014

Company	Country of incorporation	Effective ownership interest, %		Type of activities
		2014	2013	
TPUE “Metallurgtorg”	Republic of Belarus	100,00	100,00	Sale of consumer goods
TPUE “Metallurgtrans”	Republic of Belarus	100,00	100,00	Transportation services
OJSC “Belvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Brestvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Vitebskvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Gomelvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Grodnovtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
PUE “Mogilevvtorchermet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous and ferrous waste and scrap
OJSC “Beltsvetmet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous waste and scrap
PUE “Tsvetmet”	Republic of Belarus	100,00	100,00	Procurement and processing of non-ferrous waste and scrap
OJSC “Kobrin tools plant “SITOMO”	Republic of Belarus	100,00	100,00	Production of metal- and woodworking tools, other tools and tooling
OJSC “Rechitsa Metizny Plant”	Republic of Belarus	100,00	100,00	Production of steel wire, nails of all types and sizes, fasteners (screws, nuts, wood screws, bolts, etc.)
UE “Trading House RMP”	Republic of Belarus	100,00	100,00	Supply of goods as per orders of trade and other organizations for the products of OJSC “Rechitsa Metizny Plant”
UE “Zhlobinmetallurgstroy”	Republic of Belarus	100,00	100,00	Construction and installation works, production of construction materials
PTUE “BSW Service Center”	Republic of Belarus	100,00	100,00	Wholesale of cast iron, steel, iron and steel castings, rolled products, and pipes, metal machining using principal machine building processes, transportation by truck

OJSC “BSW” – management company of “BMC” holding
Notes to the consolidated financial statements for the year ended 31 December 2014

PAUE “Paporotnoe”	Republic of Belarus	100,00	100,00	Growing of grain, pulse, forage and technical crops, production of milk and meat
OJSC “BELNIILIT”	Republic of Belarus	99,67	99,67	Research and development in foundry production
OJSC “Slutsk Factory Emalposuda”	Republic of Belarus	99,57	99,57	Production and sale of sanitary ware, cast-iron and enameled cookware
OJSC “Zhlobinsky Open-Cast Mine of Moulding Materials”	Republic of Belarus	97,28	97,28	Development of gravel and sand pits
OJSC “Polesyeelectromash”	Republic of Belarus	100,00	95,72	Development, production and sale of electrical goods, consumer goods, and special technological equipment and tools
OJSC “NII Bearing”	Republic of Belarus	90,83	90,83	Production and sale of bearings, tools and tooling, research and development
CJSC “Hockey Club Metallurg-Zlobin”	Republic of Belarus	85,00	85,00	Sporting activities and other leisure and entertainment activities
“BSW” Trading House, Moscow	Russian Federation	82,5	82,50	Wholesale of OJSC “BSW”'s steel products
OJSC “Plant “Legmash”	Republic of Belarus	79,58	79,58	Steel, iron, light metals and other non-ferrous metals casting, metalworking, production of construction metal structures, equipment and spare parts
BELASTAHL Außenhandel GmbH	Germany	75,00	75,00	Wholesale of OJSC “BSW”'s steel products
“BSW” Trading House, Saint Petersburg	Russian Federation	60,00	60,00	Delivery of scrap metal to OJSC “BSW”, collection of scrap metal from individuals at the scrap collecting sites in Russia
JLLC “BSW-GKS”	Republic of Belarus	57,38	57,38	Production of gaseous oxygen
Trading House “BSW-Baltiya”	Lithuania	55,00	55,00	Wholesale of OJSC BSW's steel products
OJSC “Mogilev Metallurgical Works”	Republic of Belarus	54,67	54,67	Production of steel tubes, cast iron, steel and ferroalloys, iron and steel casting, production of construction metal structures and hardware, radiators and central heating boilers
Belmet (Shanghai) Trading Co., Ltd.	China	50,50	50,50	Wholesale of OJSC “BSW”'s steel products
Belmet Handelsgesellschaft m.b.H.	Austria	50,00	50,00	Wholesale of OJSC “BSW”'s steel products

OJSC “BSW” – management company of “BMC” holding
Notes to the consolidated financial statements for the year ended 31 December 2014

BMZ Polska Sp. z o.o.	Republic of Poland	50,00	50,00	Wholesale of OJSC “BSW”’s steel products
BEL-KAP-STEEL, LLC	USA	50,00	50,00	Wholesale of OJSC “BSW”’s steel products
LLC “Bel-Kap-Steel Scandinavia”	Lithuania	50,00	50,00	Wholesale of OJSC “BSW”’s steel products
LLC “TH BSW-Snab”	Russian Federation	41,25	41,25	Wholesale of metals and metallic ores

The entities, control over which is acquired in the reporting period

JLLC “Manuli Hydraulics Manufacturing Bel”	Republic of Belarus	53,67	47,16	Production of high-pressure hoses for hydraulic devices
OJSC “Minsk Bearing Plant”	Republic of Belarus	99,97	26,16	Production of bearings
CJSC “DOR-MPZ”	Republic of Belarus	82,18	21,50	Production of component parts for rail fastenings, and equipment

Created and allocated to separate companies as a result of reorganization

PUE “BMZ-Ekoservice”, Zhlobin	Republic of Belarus	100,00	-	Processing of ferrous waste and scrap
UE «Metallurgcotsservice”	Republic of Belarus	100,00	-	Rendering of services
AUE “Rechitsky-Agro”	Republic of Belarus	100,00	-	Crop production combined with cattle breeding
TUE “BVTM-Market”	Republic of Belarus	100,00	-	Retail and public catering
SAUE “Selhoz-Povitie”	Republic of Belarus	100,00	-	Crop production combined with cattle breeding
Belaruski lageri AD, Bulgaria, Sofia	Bulgaria	59,98	-	Wholesale of OJSC “MPZ”’s products
LLC Belmet Steel DMSS, Dubai	UAE	50,00	-	Wholesale of OJSC “BSW”’s steel products

Associates

RMZ Vertriebs GmbH	Austria	25,00	25,00	Wholesale of OJSC “Rechitsa Metizny Plant”’s products
RMZ Polska Sp. z o.o.	Republic of Poland	25,00	25,00	Wholesale of OJSC “Rechitsa Metizny Plant”’s products
Transconsult Poland Sp. z o.o.	Republic of Poland	25,00	25,00	Transportation and forwarding services
VLB s.r.l.	Italy	22,50	22,50	Wholesale of OJSC “BSW”’s steel products

LLC “Mogilev Volleyball Club “Tekhnopribor”	Republic of Belarus	21,60	21,60	Sporting activities
Dismas Trading s.r.l.	Italy	12,75	12,75	Wholesale of OJSC “BSW”’s steel products

Companies, which lost the status of associates during the reporting period

CJSIC “Promtransinvest”*	Republic of Belarus	13,93	34,93	Insurance services
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* In 2014 in accordance with the Order of the President of the Republic of Belarus 21% shares of CJSIC “Promtransinvest” were gratuitously transferred to republican ownership (Note 11).

The Group ultimately controls the following companies, in which its effective ownership interest does not exceed 50%, through its subsidiaries whose interests in such companies exceed 50%: BMZ Polska Sp. z o.o. and Bel-Kap-Steel Scandinavia through BEL-KAP-STEEL, LLC; TH BSW-Snab through “BSW” Trading House, Moscow; RMZ Vertrieb GmbH, RMZ Polska Sp. z o.o., Transconsult Poland Sp. z o.o., VLB s.r.l., Belmet (Shanghai) Trading Co., Ltd., LLC Belmet Steel DMSS, Dubai through Belmet Handelsgesellschaft m.b.H.

These consolidated financial statements were approved for issue by Management of the Group on 1 July 2015.

2 Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Going concern assumption

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Group will continue its operations in the foreseeable future.

Falling prices for steel products and crisis of metallurgical industry adversely affected the Group’s activities in 2014. The Group is also at the stage of production modernization under government program of innovative development of the Republic of Belarus for 2011-2015, carried out through borrowed funds. As a result, as at 31 December 2014 current liabilities of the Group exceeded its current assets by EUR 515 938 thousand (2013 – EUR 347 880 thousand) and in 2014 the Group incurred a loss which amounted to EUR 143 955 thousand (2013 – EUR 27 559 thousand).

The Group plans to improve liquidity ratio by implementing the following plans:

- increase in export sales also as a result of putting into operation in 2015 of thin bar mill constructed in terms of investment program that started in 2011 and oriented to increase in production of high-technology products with profound degree of processing, consequently with high added value and marginal profit;
- improvement in structure of production and sales of high-quality steel grades, rolled products, metal goods;
- development of energy-saving technologies;
- modernization of production.

Besides, the Group stimulates sales using strengthening of marketing research and developing new sales markets, allocation of group of products generating largest profit (constant carrying-out of

analysis of marginal profit), review of assortment and pricing policies (development plan of innovative products under annual organization of work in invention activities and rationalization), development, opening up and improvement of manufacturing method of new constructional steel grades for automobile industry, rolled section steel and hot-deformed seamless pipes of various size and grade composition.

In 2015-2016 increase in production and level of sales of commercial products is planned to up to 3 million tonnes of steel (up to +24% to the level of 2014) as a result of stage improvement and modernization of current production due to implementation of innovative technologies and equipment as well as putting into operation new capacities, for example, such as thin bar mill which trial batches of products have been sold successfully since April 2015. The comparison of operating activities for 2015 in annual terms compared to 2014 shows the increase in actual sales volume up to 8%.

As at the date of issue of the financial statements, the Group is negotiating with credit institutions on receipt of new credit resources as well as receipt of waivers under loan agreements on non-application of measures on the Group for breaching of covenants.

For example, as at the date of the issue of the financial statements, in 2015 new borrowings were raised:

- A new loan in the amount of USD 18,8 million in OJSC “Promsvyazbank” (Russia) was raised during the first quarter of 2015.
- Additional credit resources in the amount of USD 40 million from OJSC “ASB “Belarusbank” were raised in the first quarter of 2015.
- The agreements on refinancing of the credit line of CJSC JSCB “Novikombank” (Russia) were signed in June 2015 and amounted to USD 40 million.
- The agreements on refinancing of the credit line of “Globexbank” (Russia) were signed and amounted to USD 50 million, a new loan was raised and amounted to USD 15 million.
- In January 2015 revolving credit line in “Unicreditbank” (Austria) was prolonged for one year and amounted to USD 35 million.

Historical analysis of mutual relationship with creditors demonstrates successful actions of the Group on refinancing of liabilities. Credit institutions also have never used measures, particularly accelerating the maturity of repayment of the liabilities by the Group due to violation of financial covenants. Management of the Group believes that the Group has sufficient means for refinancing all current liabilities and is able to obtain waivers under loan agreements on non-application of measures, if necessary.

In addition, the Group received the confirmation from the Government of Belarus on continuation of receiving of government grant aimed to compensate interest expenses of the Group. The confirmed reimbursements for 2015 amounted to BYR 35 324 million (about EUR 2 456 thousand), from which BYR 21 475 million was received as at the date of issue of the financial statements. This fact also indicates the intention of the State to support the investment activities of the Group.

(c) Hyperinflation

The consolidated financial statements are adjusted for hyperinflation in accordance with International Accounting Standard 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”).

Hyperinflation

In 2011, and further in 2012, 2013 and 2014, the economy of the Republic of Belarus in which the Company and its subsidiaries operates, as described in Note 1, and for which the functional currency is the Belarusian rouble (“BYR”), as described in Note 3, was classified as a hyperinflationary economy. Consequently IAS 29 has been applied retrospectively in these consolidated financial

statements for the financial information of the Company and its subsidiaries, which functional currency is Belarusian rouble, and which was included in these financial statements.

IAS 29 and IAS 21 require that where the functional currency of an entity within a group is that of a currency of a hyperinflationary country, the entity's financial statements are first restated for hyperinflation in terms of the measuring unit current at the reporting date before being included in the consolidated financial statements. Where the consolidated financial statements presentation currency is not that of a hyperinflationary currency, comparatives are not restated. Therefore application of IAS 29 results in an adjustment to the statement of profit or loss and other comprehensive income for the gain or loss of purchasing power of the Belarusian rouble under the caption “Gain/loss on net monetary position”. This gain or loss on net monetary position is calculated as a difference resulting from the restatement of non-monetary assets, non-monetary liabilities, equity and items of the statement of profit or loss and other comprehensive income.

The change between opening and closing exchange rates applied in translation to presentation currency was disclosed as effect of translation to the presentation currency and of exchange rates fluctuations as disclosed in Note 6 (a).

The restatement was calculated using the conversion factors derived from the Consumer Price Index (CPI), published by the National Statistical Committee of the Republic of Belarus. The changes in CPIs for recent years are the following:

Year	%
2011	108,7%
2012	21,8%
2013	16,5%
2014	16,2%

3 Functional and presentation currency

The functional currency of each consolidated entity of the Group is the currency of the country where the entity operates (“primary economic environment”). The functional currency of OJSC “BSW” is the Belarusian rouble (BYR). The functional currencies of subsidiaries are the currencies of their respective countries of registration.

The presentation currency of these consolidated financial statements is the euro (EUR). It is assumed that these consolidated financial statements will be mainly used by financial and credit institutions operating in the European Union. Therefore Management of the Group has selected this presentation currency for the convenience of users of the financial statements.

All amounts in the consolidated financial statements are presented in thousands of euros and are rounded to the nearest thousand, unless otherwise indicated.

The financial statements of the Company and Belarusian companies of the Group (whose functional currency is the currency of a hyperinflationary economy) were restated in accordance with IAS 29 before their translation into euros.

The financial statements of the Company and Belarusian companies of the Group (whose functional currency is the currency of a hyperinflationary economy) adjusted for the effect of inflation were translated into euros as follows:

- assets and liabilities of the statement of financial position, equity as well as items of the statement of profit or loss and other comprehensive income restated in accordance with IAS 29 as described in Note 2 are translated at the closing rate at the date of the statement of financial position;

- when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts are those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates);
- the exchange differences arising from changes in exchange rates of presentation currency are recognised in other comprehensive income under caption “Effect of translation to presentation currency” .

The financial statements of companies of the Group (whose functional currency is not the currency of a hyperinflationary economy) was translated into the presentation currency using the following procedures as follows:

- assets and liabilities in each statement of financial position are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of the respective transactions; and
- all resulting translation exchange differences are recognized within other comprehensive income under caption “Effect of translation to presentation currency”.

4 Use of judgments and estimates

The preparation of consolidated financial statements in conformity with IFRSs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

The consolidation of companies where ownership interest does not exceed 50%

As at 31 December 2014 and 31 December 2013 the ownership interest in Belmet Handelsgesellschaft m.b.H. and BEL-KAP-STEEL, LLC was 50%, but as the representatives of OJSC “BSW – management company of “BMC” holding” are members of their Board of Directors and the representatives take an active part in making all important decisions as well as the Group receives significant part of the returns related to their operations and has the current ability to direct these entities’ activities that most significantly affect these returns, these companies are included and consolidated as part of the Group. During 2013 and 2014, shareholders took no action to make any decision not supported by the Group .

Useful lives of property and equipment

Management estimates and reassesses useful lives of property, plant and equipment annually based on planned residual periods of use, information on technology changes, physical state of property and equipment. Applicable depreciation policy is outlined further in Note 6 (c)(iv) to these consolidated financial statements.

Allowance on trade accounts receivable

Trade accounts receivable are mainly short-term and are measured at their amortized cost less allowance for impairment (note 13). Allowance is based upon Management’s best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about counterparty’s financial position and the net realizable value of any underlying collateral. Impairment of receivables that are collectively assessed for impairment and for which no specific provision is not recognized, is based on the available historical information on the collectability of doubtful receivables.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The estimate of probability is based on the Group’s management forecasts in relation to the future taxable profit and includes a significant degree of judgment of the Group’s management.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values both for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used 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 a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized 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 Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair value of buildings, infrastructure and production machinery

Fair value of buildings, infrastructure and production machinery is determined based on market information as well as the valuation technique of depreciated replacement cost based on assessment of qualified appraisers.

Fair value of loans granted, loans and other financial instruments

Loans granted, loans and other financial instruments are measured at the amortized cost. The amortized cost of loans received at floating interest rates represents their fair value as these rates usually approximate the market rates. The fair value of loans at fixed interest rates is based on the calculation of discounted cash flows by applying interest rates at the money market rate for financial instruments with similar credit risk and maturities. The Group’s management believes that the

amortized cost of other financial instruments as at 31 December 2014 and 31 December 2013 did not significantly differ from their fair value.

5 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, excluding such groups of fixed assets as buildings, infrastructure and production machinery which are measured at fair value.

6 Significant accounting policies

The significant accounting policies described below, except changes and errors described in Note 7, are applied consistently to all periods presented in these consolidated financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss for the period.

The official exchange rates of the key currencies as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
EUR/USD	1,21	1,38
EUR/RUB	67,04	44,97
EUR/BYR	14 380	13 080

In 2014 and 2013, the average official exchange rates of foreign currencies against the euro were as follows:

	2014	2013
EUR/USD	1,33	1,33
EUR/RUB	50,46	42,31
EUR/BYR	13 574,47	11 782,47

(b) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (Note 9).

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) *Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for from the date of settlement of transaction and control acquisition. The assets and liabilities acquired are recognised at the carrying amounts recognised at their carrying amounts at the date of accession. Income and expenses of acquired entity are included in the consolidated financial statements from the date of accession. Any cash paid for the acquisition is recognised directly in equity.

(v) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) *Interests in equity-accounted investees*

The Group’s interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment, except for buildings, infrastructure and production machinery are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant 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.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve as revaluation surplus is transferred to retained earnings.

(ii) *Subsequent expenditure*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Revaluation of buildings, infrastructure and production machinery*

Buildings, infrastructure and production machinery are measured at fair value, based on periodic valuation by external independent appraisers. A revaluation increase on these assets is recognised directly under the heading of effect of revaluation of property, plant and equipment in other comprehensive income. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A revaluation decrease on buildings, infrastructure and production machinery is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

The Group’s property, plant and equipment are depreciated using the straight-line and production methods over their subsequent estimated useful lives which are based on Management’s business plans and operational estimates:

	<u>Years</u>
Buildings and infrastructure	5-110
Production machinery	3-50
Other equipment	3-35
Other property, plant and equipment	2-5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of certain items of plant and equipment were revised in 2014.

(d) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

	<u>Years</u>
Property rights on the items of industrial property	5-15
Software	1-10

Property rights on computer software and databases

5-7

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and sale.

(f) Financial instruments

The Group classifies non-derivative financial assets into the following categories: held-to-maturity investments, loans and receivables and available-for-sale financial assets.

(i) *Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

Financial assets available-for-sale

Unquoted equity investments, if their fair value cannot be reliably measured, are stated at acquisition cost less impairment losses (if any).

Held-to-maturity investments

If the Group has the intent and ability to hold to maturity non-derivative financial assets, then such non-derivative financial assets with fixed or estimated payments and fixed maturity date are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Income and expenses are recognized in profit or loss when the investments are impaired as well as through the amortization process.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in Note 13 and cash and cash equivalents as presented in Note 15.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management.

(ii) *Non-derivative financial liabilities – measurement*

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(g) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset less compensation of inflation expectations. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with borrowing of funds.

(h) *Impairment*

(i) *Financial assets*

The Group assess a financial asset, including equity-accounted investees, at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include: default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or adverse changes in the payment status of borrowers.

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together items with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset’s carrying amount, and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an loans and receivables impairment allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than property, plant and equipment measured by market method, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of 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 CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Cash generating unit was defined as separate entity (legal entity) of the Group.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata basis*.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortisation, if no impairment loss had been recognised.

(i) Share capital

Share capital is recognized at cost adjusted to inflation. Non-monetary contributions are included into the share capital at the fair value of the contributed assets. Own shares are recognized at cost adjusted to inflation. Non-redeemable preferred shares are classified as the share capital.

Dividends on ordinary shares are recognized in equity as a reduction in the period, in which they are declared. Dividends that are declared after the reporting period are treated as a subsequent event according to IAS 10 “Subsequent events” and the information is disclosed as appropriate.

(j) Revenue

(i) Goods sold

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

(ii) Services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental income

Rental income from operating leases of investment property is recorded on a straight-line basis over the lease terms.

(iv) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(k) Financial income and costs

The Group’s finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- net gain or loss on the disposal of available-for-sale financial assets;
- foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables);

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Employee benefits

(i) 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 under short-term cash bonus or profit-sharing plans if the Group 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.

(ii) General pension system

In accordance with the requirements of legislation of the Republic of Belarus and the Russian Federation, in pension systems where the Group is included, the Group holds the pension contribution from the salaries of employees and transfers to the state pension fund. The current pension system provides for the calculation of current payments by the employer as a percentage of current total payments to employees. Such expenses are recognised in the period where relevant payments to employees are referred.

(iii) Defined pension liabilities

The Group makes monthly payments to retired employees who have worked more than 5 years before retirement. Amounts on these liabilities are payable through cash provided by operating activities.

The net liability is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. Then the profit is discounted in order to define the current cost of a liability that recorded in the balance.

When calculating the liabilities of the Group, if any comprehensive not recognized actuarial gain or loss exceeds ten per cents of the current cost of defined liabilities, this part will be recognized in the statement of profit and loss over the estimated term of work of employees.

(n) Contingent assets and liabilities

Contingent liabilities are not recognized in the consolidated financial statements except for the cases when for settling the liability an outflow of resources is required with a high probability, and which can be estimated reliably. Contingent liabilities are disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

Contingent asset is not recognized in the consolidated statement of financial position but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

(o) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Republic of Belarus, the Russian Federation and other tax jurisdictions, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(p) Related parties transactions

In 2014 the Group changed its accounting policy and started to apply the exemption related to the requirements to disclosure of transactions and balances with related parties in accordance with paragraph 25 of IAS 24 “Related parties disclosures” that allows to present simplified disclosures on transactions with entities related to the Government.

7 Prior period restatement

(a) Prior period errors

In the course of the preparation of the consolidated financial statements for 2014, the Group has identified the following issues concerning the consolidated financial statements for 2013 and 2012:

Errors in measurement of fair value of property, plant and equipment as at 31 December 2012

During assessment of the fair value of property, plant and equipment as of 31 December 2014 using depreciated replacement cost method, the inconsistencies were found in the sequence of judgments used in assessment of production buildings. After a detailed consideration management concluded that the judgements applied in estimating the fair value of these assets as at 31 December 2012 did not properly reflect production purpose of the assets. Management engaged independent appraisers to assess the effects of the use of proper classification that was used in the valuation as at 31 December 2014 to assess the fair value of buildings. Decrease in the fair value of buildings as at 31 December 2012 amounted to EUR 130 050 thousand. Increase in deferred tax asset amounted to EUR 23 409 thousand as at 31 December 2012.

Recognition of government grant asset

The Group has revised the approaches applied for the recognition of income in 2013 from the recognition of government grant in the amount of the present value of future cash flows that were expected to be received from the Government at 31 December 2013 aimed at compensation of interest expenses of the Group. Management has concluded that the best method of recognition of this government grant is the recognition of income from grant on a systematic basis in the actual amounts of received compensations and in periods in which the Group recognizes as expenses, associated costs, which grant is aimed to compensate. As a result, the Group made an adjustment of previously recognized asset of government grant at 31 December 2013 and the related recognised income in the statement of profit or loss and other comprehensive income for 2013 in the amount of EUR 46 086 thousand. Decrease in the net deferred tax amounted to EUR 8 295 thousand.

Recognition of effect of translation to presentation currency of equity items in other comprehensive income

In 2013 and 2012 the Group did not classified the effect from translation of equity items of Belarusian companies of the Group to presentation currency in the amount of EUR 3 198 thousand as other comprehensive income, as assumed by IAS 21. In 2014, the corrections were made retrospectively.

Other errors

The Group has also identified other errors related to incorrect calculation of the effect of inflation of property, plant and equipment and construction in progress, incorrect recognition of disposal of property, plant and equipment without appropriate disposal and the presentation of revaluation reserve of property, plant and equipment in equity.

(b) Changes in presentation

Comparatives in caption “Revenue” have been reclassified for comparative presentation in current period: revenue from sales of nails and sales of bearings were separately disclosed from other revenue. Comparatives under caption “Other operating expenses” have been reclassified from line “Other expenses” to caption “Expenses from operations with packing materials” in the amount of EUR 524 thousand. Loss from disposal of assets of social sector were reclassified from line “Loss from disposal of property, plant and equipment” to line “Social expenses” of caption “Other expenses” in the amount of EUR 12 610 thousand. Also from line “Social expenses” to line “Expenses from service production units and households” were reclassified EUR 3 487 thousand. Due to incorrect recognition of disposal of property, plant and equipment without appropriate disposal expenses in line “Social expenses” were appropriately corrected in the amount of EUR 3 646 thousand.

Comparatives under caption “Selling expenses” from line “Entertainment expenses” were reclassified to line “Other expenses” in the amount of EUR 146 thousand.

Caption “Net gains/losses from foreign currencies”, which was divided into dealing and translation differences, were combined in the consolidated statement of comprehensive income for 2014 under caption “Finance costs” as net foreign exchange loss in the amount of EUR 107 438 thousand.

In 2014 the Group changed the presentation of captions of other comprehensive income in the statement of profit or loss and other comprehensive income as a result of adjustments to IAS 1 effective in 2013, and presented items of other comprehensive income that will be subsequently reclassified to profit or loss separate from items that will never be reclassified to profit or loss. Comparatives have been represented with appropriate changes.

Comparatives on payments to key management personnel of the Group have been revised due to including of appropriate payments of foreign Companies. Previously stated remuneration in the amount of EUR 253 thousand was disclosed in the amount of EUR 1 486 thousand in 2014.

The Group’s management also retrospectively presented the statement of cash flows in terms of operating activities, due to the fact that in the current year in terms of the adjustments it was decided to show full effect of gain on net monetary position in the amount of EUR 116 842 thousand, whereas in the comparative information these income as part of adjustments were recorded only in the part relating to non-operating activities in the amount of EUR 109 138 thousand.

The presentation of levels of fair value of financial instruments was retrospectively corrected in the statements for the current period (Note 30). Previously presented in levels 1 and 2 instruments were reclassified to level 3. This correction in the presentation is not a transfer between levels of fair value. Management believes that current presentation properly reflects the classification of fair value of financial instruments by levels.

Corresponding adjustments to the comparatives for 2013 and 2012 were made retrospectively. The final effect on the comparatives in the consolidated financial statements is presented in the table below:

	As previously reported	Adjustments	Reclassifications	Total (restated)
Consolidated statement of financial position as at 31 December 2013:				
<i>Non-current assets</i>				
Property, plant and equipment	1 266 088	(126 367)	-	1 139 721
Government grant	35 734	(35 734)	-	-
Deferred tax assets	13 202	25 600	-	38 802
<i>Current assets</i>				
Government grant	10 352	(10 352)	-	-
<i>Current liabilities</i>				
Deferred tax liabilities	7 112	(6 097)	-	1 015
<i>Equity and liabilities</i>				
Property, plant and equipment revaluation reserve	168 775	(3 021)	-	165 754
Retained earnings	7 571	(137 735)	-	(130 164)

Consolidated statement of financial position as at 31 December 2012:

<i>Non-current assets</i>				
Property, plant and equipment	1 040 201	(130 050)	-	910 151
Deferred tax assets	52 111	23 409	-	75 520
<i>Equity and liabilities</i>				
Property, plant and equipment revaluation reserve	168 624	(21 729)	19 224	166 119
Retained earnings	18 910	(84 912)	(19 224)	(85 226)

	As previously reported	Adjustments	Reclassifications	Total (restated)
Consolidated statement of profit or loss and other comprehensive income for 2013:				
Cost of sales	(1 179 345)	1 341	-	(1 178 004)
Other operating expenses	(31 396)	3 646	-	(27 750)
Government grant	52 278	(46 086)	-	6 192
Gain on net monetary position	120 222	(3 380)	-	116 842
Income tax expense	(46 453)	11 402	-	(35 051)
Net gains/(losses) from foreign currencies:				
- dealing	(1 447)	-	1 447	-
- translation differences	(105 991)	-	105 991	-
Finance costs (net foreign exchange loss)	-	-	(107 438)	(107 438)

8 New standards and interpretations

The following amendments to standards with effective date of 1 January 2014 did not have any impact on these financial statements:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32);
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36);
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39);
- Interpretation to IFRIC 21 Levies.

New standards and interpretations not yet effective

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

- *IFRS 9 Financial Instruments*, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- *IFRS 15 Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- *Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants* require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

The new Amendments will not have any impact on the Group’s financial position or performance as the Group does not have any bearer plants.

- *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions* are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:
 - set out in the formal terms of the plan;
 - linked to service; and
 - independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendments are effective for annual periods beginning on or after 1 February 2015 and apply retrospectively, with earlier application is permitted.

The new Amendments will not have any impact on the Group’s financial position or performance as the Group does not have any defined benefit plans.

- *Annual Improvements to IFRSs 2010-2012 and 2011-2013 Cycles* were issued to introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The Annual Improvements to IFRSs 2010-2012 cycle of amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. The Annual Improvements to IFRSs 2011-2013 cycle of amendments are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

The Group has not yet analysed the likely impact of the new Annual Improvements on its financial position or performance.

- *IFRS 14 Regulatory Deferral Accounts* describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other Standards, but that qualify to be deferred in accordance with this Standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. This Standard is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The new Standard is not expected to have a significant impact of the Group’s consolidated financial statements.

- *Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations* are introduced to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. These amendments issued in May 2014. An entity shall apply that amendment in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The new Amendments will not have any impact on the Group’s financial position or performance as the Group does not have any interests in joint ventures.

- *Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation* clarify acceptable methods of depreciation and amortization. According to these amendments, a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. In choosing an appropriate amortization method an entity should determine the predominant limiting factor that is inherent in the intangible asset. In the circumstance in which the predominant limiting factor that is inherent in an intangible

asset is the achievement of a revenue threshold, the revenue to be generated can be an appropriate basis for amortization. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

The Group has not yet analysed the likely impact of the Amendments on its financial position or performance.

- *Amendments to IAS 27 Separate Financial Statements* introduce for entities preparing separate financial statements equity method to account for investments in subsidiaries, joint ventures and associates. Under the amendments, separate financial statements are those presented by an entity in which the entity could elect, subject to the requirements in this Standard, to account for its investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 Financial Instruments, or using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The Group has not yet analysed the likely impact of the Amendments on its financial position or performance.

9 Business combinations

(a) Obtaining control over JLLC “Manuli Hydraulics Manufacturing Bel”

In 2014 the Group obtained control over JLLC “Manuli Hydraulics Manufacturing Bel” as a result of shares redistribution between Shareholders. As a result of this transaction the share of the Group in the equity of JLLC “Manuli Hydraulics Manufacturing Bel” increased from 47,16% to 53,67%. In 2014 JLLC “Manuli Hydraulics Manufacturing Bel” did not perform production activities, the preparation to launch the production at the end of the year was at the completion stage.

Consideration transferred

The following table summarizes the information on the fair value of each major types of consideration transferred.

thousands of euros

Contingent consideration	2 894
Equity instruments	397
Total consideration transferred	3 291

Identifiable assets acquired and liabilities assumed of JLLC “Manuli Hydraulics Manufacturing Bel”

The following table summarizes the information the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

thousands of euros	Fair value recognized at the date of acquisition
Property, plant and equipment	6 119
Deferred tax assets	88
Inventories	305
Recoverable value-added tax	97
Trade and other receivables	409
Cash and cash equivalents	526
Loans and borrowings	(1 161)
Trade and other payables	(246)
Total identifiable net assets	6 137

Result of assets acquisition

Result of acquisition is calculated as follows:

thousands of euros

Total amount of consideration transferred	3 291
Non-controlling interest based on their proportionate interest in the recognized amounts of the assets and liabilities of acquired entity	2 843
Fair value of identifiable net assets	(6 137)
Exceeding of a share in identifiable net assets over the acquisition cost	(3)

(b) Transfer of control over OJSC “Minsk Bearing Plant”

In addition in 2014 the owner of the company transferred as non-monetary contribution to share capital of OJSC “BSW – management company of “BMC” holding” 12 739 714 248 shares of OJSC “Minsk Bearing Plant” that belonged to the Republic of Belarus. After the transfer the share of ownership of OJSC “BSW – management company of “BMC” holding” in the share capital of OJSC “Minsk Bearing Plant” increased from 26,26% to 99,97 %.

Consideration transferred OJSC “Minsk Bearing Plant”

The following table summarizes the information on the fair value of each major types of consideration transferred:

thousands of euros

Additional contribution to the share capital	44 840
The cost of existing investment in an associate	18 359
Total consideration transferred	63 199

Identifiable assets acquired and liabilities assumed of OJSC “Minsk Bearing Plant”

The following table summarizes the information the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

thousands of euros	Fair value, recognized at the acquisition date
Property, plant and equipment	61 816
Inventories	19 636
Trade and other receivables	11 997
Cash and cash equivalents	228
Other assets	1 905
Loans and borrowings	(6 861)
Deferred income	(917)
Trade and other payables	(15 090)
Short-term loans and borrowings	(11 820)
Total identifiable net assets	60 894

Result of assets acquisition

Result of acquisition of entity is calculated as follows:

thousands of euros	Notes	
Total amount of consideration transferred		63 199
Non-controlling interest based on their proportionate interest in the recognized amounts of the assets and liabilities of acquired entity		278
Fair value of identifiable net assets		(60 894)
Exceeding of a share in identifiable net assets over the acquisition value (goodwill)		2 583
Impairment of goodwill	25	(2 583)
Total		-

10 Property, plant and equipment

Movements in property, plant and equipment in 2014 were as follows:

thousands of euros	Buildings and infrastructure	Production machinery	Other equipment	Other property, plant and equipment	Construction in progress and equipment for installation	Total
Cost						
At 1 January 2014	308 663	559 302	13 317	78 011	338 968	1 298 261
Acquisitions through business combinations	38 877	80 903	-	3 032	30 506	153 318
Additions	12 243	5 692	984	7 793	272 743	299 455
Transfers	24 879	78 683	-	220	(103 782)	-
Disposals	(3 000)	(3 961)	(965)	(2 059)	-	(9 985)
Revaluation of property, plant and equipment	80 060	298 587	-	-	-	378 647
Inflation effect and change in exchange rates of presentation currency	16 001	39 653	746	(8 293)	18 233	66 340
At 31 December 2014	477 723	1 058 859	14 082	78 704	556 668	2 186 036
Depreciation						
At 1 January 2014	24 838	102 094	4 440	27 168	-	158 540
Acquisitions through business combinations	19 146	65 015	-	1 222	-	85 383
Depreciation charge	5 771	44 479	1 148	5 782	-	57 180
Disposals	(996)	(2 465)	(810)	(1 033)	-	(5 304)
Revaluation of property, plant and equipment	12 082	155 698	-	-	-	167 780
Inflation effect and change in exchange rates of presentation currency	2 554	12 148	608	441	-	15 751
At 31 December 2014	63 395	376 969	5 386	33 580	-	479 330
Carrying amount						
At 1 January 2014	283 825	457 208	8 877	50 843	338 968	1 139 721
At 31 December 2014	414 328	681 890	8 696	45 124	556 668	1 706 706

Movements in property, plant and equipment in 2013 were as follows:

thousands of euros	Buildings and infrastructure	Production machinery	Other equipment	Other property, plant and equipment	Construction in progress and equipment for installation	Total
Cost						
At 1 January 2013	436 399	533 197	12 826	73 712	103 876	1 160 010
Effect of previous year adjustments	(130 050)	-	-	-	-	(130 050)
At 1 January 2013 (restated)	306 349	533 197	12 826	73 712	103 876	1 029 960
Additions	2 349	19 708	944	500	252 173	275 674
Transfers	2 051	11 876	-	4 221	(18 148)	-
Disposals	(5 027)	(10 666)	(577)	(1 169)	-	(17 439)
Inflation effect and change in exchange rates of presentation currency	2 941	5 187	124	747	1 067	10 066
At 31 December 2013	308 663	559 302	13 317	78 011	338 968	1 298 261
Амортизация						
At 1 January 2013	21 473	72 041	3 799	22 496	-	119 809
Depreciation charge	3 834	32 563	1 057	5 345	-	42 799
Disposals	(544)	(3 210)	(452)	(938)	-	(5 144)
Inflation effect and change in exchange rates of presentation currency	75	700	36	265	-	1 076
At 31 December 2013	24 838	102 094	4 440	27 168	-	158 540
Carrying amount						
At 1 January 2013	414 926	461 156	9 027	51 216	103 876	1 040 201
At 1 January 2013 (restated)	284 876	461 156	9 027	51 216	103 876	910 151
At 31 December 2013	283 825	457 208	8 877	50 843	338 968	1 139 721

As at 31 December 2014 and 2013, property, plant and equipment in the amount of EUR 652 812 thousand and EUR 181 148 thousand, respectively, were pledged as collateral under received loans.

As at 31 December 2014 depreciation charges on property, plant and equipment were included in finished products and construction in progress in the amount of EUR 1 263 thousand. As at 31 December 2013 these depreciation charges amounted to EUR 4 133 thousand.

As at 31 December 2014 the property, plant and equipment with the cost of EUR 57 282 thousand were fully depreciated but the Group used them in production activities and for administrative purposes (2013: EUR 42 282 thousand).

Starting 31 December 2009, the Group has changed its accounting policies and applied the revalued cost method to account for “buildings and infrastructure” and “production machinery”.

In 2015 the Group’s management engaged an independent appraiser to give an independent assessment of property, plant and equipment as at 31 December 2014. The fair value of property, plant and equipment was determined in the amount: buildings and infrastructure – EUR 414 328 thousand, production machinery – EUR 681 890 thousand. The fair level was categorized as Level 3 fair value hierarchy based on the inputs to valuation techniques used (Note 4).

The property, plant and equipment of the Group are the specialized items that are rarely sold in an open market except for as a part of a current business as well as non-specialized items. The fair value of non-specialized items of property, plant and equipment was determined using market valuation technique. Market for specialized items of property, plant and equipment is not an active market and does not allow to use market approaches to determine their fair value as the number of transactions on the sale of comparable items is not sufficient.

Respectively, the fair value of specialized items of property, plant and equipment was determined using depreciated replacement cost method. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

Depreciated replacement cost was estimated based on internal sources and analysis of the domestic and international markets for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data etc, and industry experts and suppliers of property, plant and equipment were contacted both in the Republic of Belarus and abroad.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted, which resulted in depreciated replacement cost values being decreased by EUR 41 858 thousand in arriving at the above value.

The following key assumptions were used in performing the cash flow testing:

- Cash flows were projected based on past experience, actual operating results and the Group’s five-year business plan.
- According to the forecasts, the growth of revenue from the sale of products, goods and services in Belarusian roubles including VAT will amount to 5.29%-6.83% during 5 years depending on CGU. Similar indicators of revenue translated to USD at forecast rate have an annual growth of CAGR during 5 years within from (1.44)% to 0.00% depending on CGU. Starting from the 6-th year and further, the level of sales remains without changes (annual growth will be 0%). In physical units the production volume is equal to the actual production volume for 2014 and remains without changes over the whole period of forecast.
- Cash flows for 2015-2019 were extrapolated based on the assumption that there will not be any production growth and revenue and expenses will increase on a pro rate basis against inflation.
- For the purposes of discounting the rate of 16,88% for OJSC “BSW” – management company of “BMC” holding” was used (for others CGU – 18,77%). The discount rate was estimated based on an industry average weighted average cost of capital (WACC), which was based on a possible range of debt leveraging of 64,03% and unlevered beta 0.85. Risk-free rate was calculated in the amount of effective yield to maturity on ten-year treasury bonds of the Government of the USA (as at 31 December 2014 – 2, 17%). When calculating the discount rate, country risk and other specific risks were also considered.
- Terminal value (i.e. the value in the end of projection period) was determined at the end of five-year interim period using Gordon formula. When calculating the terminal value of estimated

property, plant and equipment, the terminal rate of 16,88% (for other CGU – 18,77%) and growth rate of 0% were used for OJSC “BSW” – management company of “BMC” holding”.

Calculated discounted future cash flows for CGU, where no impairment was recognized, exceeds the carrying amount of corresponding property, plant and equipment approximately by EUR 38 870 thousand. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the discounted amount of future cash flows. The above estimates are particularly sensitive in the following areas:

- Increase in applied discount rate by 0,19%-26,19% depending on CGU would have caused the discounted amount of future cash flows to equal the carrying amount .
- Decrease in long-term growth ratio by 0,18-1817,65% depending on CGU would have caused the discounted amount of future cash flows to equal the carrying amount .

If buildings and production machinery were measured using the historical cost model, the carrying amounts would be as follows:

thousands of euros	31 December 2014		31 December 2013		31 December 2012	
	Buildings and infrastructure	Production machinery	Buildings and infrastructure	Production machinery	Buildings and infrastructure	Production machinery
Cost	653 229	803 107	641 652	764 196	645 867	743 277
Accumulated depreciation	(181 914)	(278 338)	(199 424)	(297 031)	(194 927)	(267 679)
Carrying amount	471 315	524 769	442 228	467 165	450 940	475 598

11 Investments in associates

As at 31 December 2014, 31 December 2013 and 31 December 2012, investments in associates were as follows:

Company	2014, thousands of euros	2013, thousands of euros	2012, thousands of euros
OJSC “Minsk Bearing Plant”	-	17 369	18 584
CJSIC “Promtransinvest”	-	2 203	3 368
LLC “Dismas Trading s.r.l.”	685	575	525
JLLC “Manuli Hydraulics Manufacturing Bel”	-	434	810
CJSC “DOR-MPZ”	-	190	-
LLC “Transconsult Poland Sp. z o.o.”	170	133	102
LLC “VLB s.r.l.”	58	77	72
LLC “RMZ Polska Sp. z o.o.”	10	10	10
LLC “Mogilev Volleyball Club Tekhnopribor”	-	7	-
Total	923	20 998	23 471

In 2014 in accordance with the Order of the President of the Republic of Belarus 21% of shares of CJSIC “Promtransinvest” belonging to OJSC “BSW – management company of “BMC” holding” were gratuitously transferred to republican ownership. As a result, the Group lost a significant impact on the associate and classified the remaining share of 13,93% as held-for-sale investment. The result of transaction in the amount of EUR 1 355 thousand was recognized directly in equity in transactions with owner.

Movements in investment in OJSC “Minsk Bearing Plant” as at 31 December 2014, 31 December 2013 and 31 December 2012 were as follows:

thousands of euros	2014	2013	2012
Investment in associate at the beginning of the year	17 369	18 584	-
Effect of combining companies due to formation of a holding	-	-	18 069
Increase in share capital	-	876	-
Share of profit/(loss) of investees accounted for under the equity method	(2 675)	828	515
Disposal of investment as result of acquisition of control (Note 9 (b))	(18 359)		
Effect of hyperinflation and exchange rate changes	3 665	(2 919)	-
Investment in associate at the end of the year	-	17 369	18 584

12 Inventories

As at 31 December 2014, 31 December 2013 and 31 December 2012 inventories comprised the following:

thousands of euros	2014	2013	2012
Raw materials, supplies and auxiliary items	203 515	204 101	182 128
Finished goods	96 844	86 607	138 372
Work in progress	47 145	44 597	16 901
Total	347 504	335 305	337 401

As at 31 December 2014, inventories of EUR 166 319 thousand (31 December 2013: EUR 87 321 thousand) were pledged as collateral. In 2014 the Group wrote down the inventories to the net realizable value in the amount of EUR 8 842 thousand (2013 – EUR 142 thousand). The reversal of write-downs amounted to EUR 142 thousand and EUR 346 thousand in 2014 and 2013, respectively. The write-down and reversal are included in cost of sales.

13 Trade and other receivables

Trade and other receivables as at 31 December 2014, 31 December 2013 and 31 December 2012 comprised the following:

thousands of euros	2014	2013	2012
Trade receivables	89 201	66 233	53 579
Other receivables	4 631	4 181	1 494
Provision for impairment of trade and	(5 027)	(4 813)	(2 910)
Total	88 805	65 601	52 163

Change in provision for impairment of trade and other receivables:

thousands of euros	2014	2013	2012
At the beginning of the year	4 813	2 910	3 811
Charge/ (Reversal) during the year	430	1 417	(1 222)
Effect of hyperinflation and exchange rate changes	(216)	486	321
At the end of the year	5 027	4 813	2 910

As at 31 December 2013, 31 December 2014 and 31 December 2012, past due but not impaired receivables were insignificant.

14 Prepayments and other assets

Prepayments and other assets as at 31 December 2014, 31 December 2013 and 31 December 2012 comprised the following:

thousands of euros	2014	2013	2012
Prepayments	38 740	46 386	67 078
VAT recoverable and paid	11 840	22 108	22 914
Biological assets	5 035	3 927	1 253
Intangible assets	2 986	2 959	2 631
Other assets	-	124	3 529
Provision for impairment of prepayments	(1 829)	(1 666)	(1 205)
Total prepayments and other assets	56 772	73 838	96 200

As at 31 December 2014, property rights to industrial properties in the amount of EUR 928 thousand (31 December 2013: EUR 1 015 thousand), property rights to computer software and databases in the amount of EUR 1 106 thousand (31 December 2013: EUR 401 thousand), and software in the amount of EUR 952 thousand (31 December 2013: EUR 318 thousand) were included in intangible assets.

Change in provision for impairment of prepayments:

thousands of euros	2014	2013	2012
At the beginning of the year	1 666	1 205	49
Charge/ (Reversal) during the year	68	642	826
Effect of exchange rate changes	95	(181)	330
At the end of the year	1 829	1 666	1 205

15 Cash and cash equivalents

As at 31 December 2014, 31 December 2013 and 31 December 2012, cash and cash equivalents comprised the following:

thousands of euros	2014	2013	2012
Cash at banks	37 055	43 812	39 724
Cash in transit	6 525	3 079	3 176
Cash on hand	33	66	14
Total cash and cash equivalents	43 613	46 957	42 914

Significant amounts of cash are placed with the following banks:

thousands of euros	Moody's Investors Service credit rating	Standard and Poor's credit rating	Balance at 31 December 2014
OJSC “Savings Bank	Caa1/ Negative;	B-/Stable	21 805
DZ Bank AG	Aa2	AA-	6 275
OJSC “BPS-Sberbank”	B3/Caa2	B-/Stable	3 221
OJSC «Belgazprombank»		B-/Stable	2 928
SEB bank	Aa3	A+	2 290
			36 519

thousands of euros	Moody's Investors Service credit rating	Standard and Poor's credit rating	Balance at 31 December 2013
OJSC “Savings Bank Belarusbank”	Caa1/Negative; B3/Negative	B-/Stable	21 710
DZ Bank AG	A1	AA-	6 412
Wellsfargo	A1	AA-	4 097
CJSC “GLOBEXBANK”		BB-/Negative	3 009
OJSC “BPS-Sberbank”	Caa1/Negative; B1/Negative	B-/Stable	2 311
			37 539

thousands of euros	Moody's Investors Service credit rating	Standard and Poor's credit rating	Balance at 31 December 2012
OJSC “Savings Bank Belarusbank”	Caa1/Negative; B3/Negative	B-/Stable	3 933
DZ Bank AG	A1	AA-	6 646
OJSC “Belagroprombank”	Caa1/Negative; B3/Negative	B-/Stable	5 418
«CreditSuisse»	A1/Stable; A1/Stable	A/Stable	720
OJSC “BPS-Sberbank”	Caa1/Negative; B1/Negative	B-/Stable	3 009
			19 726

16 Loans and borrowings

The Group received significant funding from DZ Bank AG, Raiffeisenlandesbank, Eurasian Development Bank and Credit Suisse Bank. As at 31 December 2014, the Group breached financial covenants under the agreements with “Credit Suisse” and “Raiffeisenlandesbank” with regard to the following ratio: “Net debt/EBITDA”; breached financial covenants under the agreements with Eurasian Development Bank with regard to the following ratio: “Overall liquidity ratio” and “Financial debt/EBITDA”; breached financial covenants under the agreements with DZ Bank AG with regard to the following ratio: “Total net debt to the total equity”. Breaches in meeting these covenants are regarded as an “event of default” and may permit the creditors, upon their due notification, to immediately call the funds provided. Thus, EUR 144 615 thousand is presented within current liabilities.

At the date of signing these consolidated financial statements, the Company is negotiating with credit institutions in order to receive waivers under loan agreements on non-application of measures on the Group for breaching the covenants. On 30 June 2015 waiver according to which the Company may not meet the financial covenants was received from Credit Suisse AG.

At 31 December 2014, loans and borrowings comprised the following:

Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC “Savings Bank Belarusbank”	BYR	2016	143 616
"Eurasian Bank of Development", Kazakhstan	BYR	2016	119 707
OJSC «Belgazprombank»	EUR	2016	27 401
OJSC «Bank BelVEB», Minsk	EUR	2016	25 748
DZ Bank AG	USD	2017	25 398
UniCredit Bank	BYR	2015	24 528
OJSC "Belvtorchermet"	BYR	2015	23 344
OJSC «Savings Bank Belarusbank»	BYR	2015	21 426

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «Savings Bank Belarusbank»	EUR	2016	20 698
OJSC «Belagroprombank»	BYR	2016	18 146
OJSC «Belinvestbank»	BYR	2015	16 623
JSC «NOVIKOMBANK»	BYR	2016	16 607
JSC «GLOBEXBANK»	BYR	2015	16 494
JSC «GLOBEXBANK»	BYR	2015	16 494
OJSC «Savings Bank Belarusbank»	BYR	2017	16 481
Raiffeisenlandesbank	BYR	2016	16 446
OJSC «Savings Bank Belarusbank»	EUR	2016	15 182
RZB Vienna	EUR	2015	15 171
OJSC «Belinvestbank»	EUR	2017	14 959
JSC «Promsvyazbank»	BYR	2015	15 100
JSC «GLOBEXBANK»	BYR	2020	14 400
JSC «GLOBEXBANK»	BYR	2015	13 286
SBERBANK EUROPE AG	BYR	2015	13 035
JSC «NOVIKOMBANK»	BYR	2015	12 500
OJSC «Bank BelVEB», г. Минск	BYR	2015	12 475
OJSC «Belagroprombank»	BYR	2015	12 464
OJSC «Belgazprombank»	BYR	2049	12 453
OJSC «BPS-sberbank»	EUR	2019	11 659
OJSC «Savings Bank Belarusbank»	EUR	2018	11 125
OJSC «Savings Bank Belarusbank»	EUR	2016	10 022
OJSC «Belinvestbank»	BYR	2018	9 974
RZB Finance	BYR	2016	9 854
OJSC «Savings Bank Belarusbank»	BYR	2015	9 293
JSC «NOVIKOMBANK»	BYR	2016	9 067
OJSC «Belagroprombank»	BYR	2015	8 838
«Credit Suisse», Switzerland	BYR	2016	8 812
JSC «GLOBEXBANK»	BYR	2017	8 247
OJSC «Belagroprombank»	EUR	2017	7 958
Bank Austria	BYR	2015	7 517
OJSC «Savings Bank Belarusbank»	BYR	2015	7 355
CJSC “Alfa Bank”, Minsk	BYR	2008	7 076
OJSC «Belagroprombank»	BYR	2015	6 647
OJSC «Belagroprombank»	BYR	2020	6 647

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «BPS-sberbank»	BYR	2040	6 631
OJSC «Savings Bank Belarusbank»	BYR	2018	6 592
OJSC «Belagroprombank»	BYR	2026	6 278
OJSC «Belinvestbank»	BYR	2044	6 234
VTB Bank AG	BYR	2047	6 181
JSC «NOVIKOMBANK»	BYR	2050	5 888
OJSC «Belagroprombank»	BYR	2046	5 811
CJSC «Bank VTB»	BYR	2044	5 768
OAo "Moscow-Minsk Bank”	BYR	2047	5 501
OJSC «Belagroprombank»	BYR	2047	5 455
OJSC «Belagroprombank»	BYR	2048	5 445
OJSC «Savings Bank Belarusbank»	BYR	2049	5 356
OJSC «Savings Bank Belarusbank»	BYR	2047	5 338
OJSC «Savings Bank Belarusbank»	BYR	2041	5 250
OJSC «Savings Bank Belarusbank»	BYR	2016	5 250
OJSC «Savings Bank Belarusbank»	BYR	2047	5 250
OJSC «Bank Saint Petersburg»	USD	2015	5 221
Raiffeisen Bank	USD	2015	5 216
KAMAZ, Austria	USD	2015	5 011
OJSC «BPS-sberbank»	USD	2016	4 988
«Credit Suisse», Switzerland	USD	2015	4 410
VTB Bank AG	USD	2015	4 373
OJSC «Bank BelVEB», Minsk	USD	2016	4 368
OJSC «Savings Bank Belarusbank»	EUR	2014	4 360
Foster Loan	USD	2015	4 158
CJSC «Bank VTB»	USD	2015	4 155
OJSC «Priorbank»	RUB	2015	4 154
OJSC «Savings Bank Belarusbank»	USD	2017	4 120
OJSC «Savings Bank Belarusbank»	EUR	2016	4 112
OJSC «Savings Bank Belarusbank»	USD	2019	4 108
JSC «Promsvyazbank»	EUR	2017	3 807
Erste Bank	BYR	2046	3 636
OJSC «Belagroprombank»	BYR	2046	3 523
Pisec Group GmbH	BYR	2050	3 373
JSC «GLOBEXBANK»	BYR	2015	3 333

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «Belagroprombank»	BYR	2015	3 025
OJSC «Belagroprombank»	BYR	2015	2 908
OJSC «BPS-sberbank»	BYR	2024	2 821
OJSC «Bank BelVEB», Minsk	BYR	2022	2 820
OJSC «BPS-sberbank»	BYR	2018	2 753
OJSC «Belagroprombank»	BYR	2018	2 664
OJSC «Priorbank»	BYR	2020	2 621
Ministry of Finance of Republic of Belarus	USD	2015	2 604
OJSC «Savings Bank Belarusbank»	USD	2015	2 575
OJSC «Belagroprombank»	EUR	2024	2 493
OJSC «Belagroprombank»	USD	2016	2 493
OJSC «Bank BelVEB», Minsk	EUR	2024	2 492
OJSC «Belagroprombank»	BYR	2014	2 243
JSC «NOVIKOMBANK»	BYR	2016	2 237
OJSC «Belagroprombank»	RUB	On demand	2 208
OJSC «Bank BelVEB», г. Минск	EUR	2017	2 078
Bank Austria	RUB	2015	2 018
OJSC «Priorbank»	USD	2015	2 016
AKA Ausfuhrkredit - Gessellschaft mbH,	BYR	2017	1 918
OJSC «Savings Bank Belarusbank»	BYR	2015	1 720
OJSC «Bank BelVEB	BYR	2012	1 663
CJSC «Bank VTB»	BYR	2015	1 613
OJSC «Savings Bank Belarusbank»	BYR	2015	1 539
OJSC «BPS-sberbank»	BYR	2019	1 500
OJSC «Bank Moscow-Minsk»	USD	2015	1 490
OJSC «Belagroprombank»	USD	2015	1 457
OJSC «Belgazprombank»	USD	2015	1 413
OJSC «Savings Bank Belarusbank»	USD	2015	1 411
OJSC «Savings Bank Belarusbank»	USD	2015	1 393
OJSC «Belgazprombank»	USD	2015	1 354
OJSC «Savings Bank Belarusbank»	USD	2016	1 307
OJSC «Belagroprombank»	USD	2016	1 208
OJSC «Belinvestbank»	EUR	2015	1 181
JSC «NOVIKOMBANK»	EUR	2015	1 131

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «Savings Bank Belarusbank»	EUR	2015	1 101
OJSC «Savings Bank Belarusbank»	EUR	2015	1 043
Erste Bank	USD	2015	1 000
OJSC «Belgazprombank»	EUR	2015	986
BAWAG	EUR	2015	896
JSC «Runabank»	USD	2016	895
OJSC «Belgazprombank»	USD	2017	831
OJSC «Bank BelVEB»	USD	2015	814
Fis Finance&Investment Services GesmbH Vienna , Austria	EUR	2015	782
OJSC «BPS-sberbank»	EUR	2015	781
OJSC «Belinvestbank»	USD	2015	766
Manuli Gidravlics, Polska	USD	2015	743
Pisec Group GmbH	USD	2015	736
Pisec Group GmbH	EUR	2015	733
OJSC «Savings Bank Belarusbank»	USD	2015	682
Bank Austria	EUR	2015	671
OJSC «Belagroprombank»	USD	2015	665
OJSC «Belinvestbank»	EUR	2015	639
Pisec Group GmbH	USD	2015	606
Raiffeisenlandesbank	EUR	2015	600
OJSC «BPS-sberbank»	USD	2015	522
OJSC «BPS-sberbank»	EUR	2015	477
CJSC «Bank VTB»	USD	2015	465
JSC «Runabank»	EUR	2015	447
OJSC «Belagroprombank»	EUR	2015	435
OJSC «Savings Bank Belarusbank»	USD	2015	431
Pisec Group GmbH	USD	2015	426
OJSC «Belagroprombank»	USD	2016	415
Pisec Group GmbH	USD	2016	414
OJSC «Savings Bank Belarusbank»	USD	2016	388
OJSC «Savings Bank Belarusbank»	USD	2016	361
OJSC «Paritetbank»	USD	2015	356
OJSC «Savings Bank Belarusbank»	USD	2016	348
OJSC «Bank Moscow-Minsk»	USD	2015	325

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «Bank BelVEB»	USD	2015	319
Pisec Group GmbH	USD	2015	307
Pisec Group GmbH	USD	2015	304
OJSC «BPS-sberbank»	USD	2015	294
OJSC «Belinvestbank»	EUR	2015	274
OJSC «Belinvestbank»	EUR	2023	264
OJSC «Savings Bank Belarusbank»	EUR	2017	263
OJSC «Savings Bank Belarusbank»	EUR	2017	259
OJSC «Belinvestbank»	EUR	2018	255
Pisec Group GmbH	EUR	2019	250
Bank Austria	EUR	2020	239
CJSC “Runabank”	USD	2015	224
OJSC «BPS-sberbank»	USD	2018	218
OJSC "BELAZ"	USD	2015	209
OJSC «Belagroprombank»	USD	2015	208
Pisec Group GmbH	RUB	2019	202
Raiffeisenlandesbank	EUR	2017	195
OJSC «Savings Bank Belarusbank»	EUR	2022	179
OJSC «Belagroprombank»	EUR	2022	144
OJSC «Bank BelVEB»,	USD	2016	144
OJSC «Bank BelVEB»,	EUR	2015	131
Pisec Group GmbH	USD	2015	130
Pisec Group GmbH	USD	2017	128
OJSC «BPS-sberbank»	USD	2016	114
OJSC «BPS-sberbank»	USD	2016	104
OJSC «Savings Bank Belarusbank»	EUR	2015	102
Pisec Group GmbH	EUR	2015	94
Pisec Group GmbH	USD	2016	94
OJSC «Belagroprombank»	EUR	2015	90
OJSC «Savings Bank Belarusbank»	USD	2016	85
Pisec Group GmbH	EUR	2016	84
OJSC «BPS-sberbank»	BYR	2015	83
Pisec Group GmbH	BYR	2017	83
Pisec Group GmbH	BYR	2015	81
OJSC «Belagroprombank»	EUR	2015	77

Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «Belagroprombank»	EUR	2015	76
JSC «NOVIKOMBANK»	EUR	On demand	75
Pisec Group GmbH	EUR	On demand	75
Pisec Group GmbH	EUR	On demand	75
OJSC «BPS-sberbank»	EUR	On demand	73
Pisec Group GmbH	EUR	On demand	71
OJSC «BPS-sberbank»	EUR	On demand	69
Pisec Group GmbH	EUR	On demand	69
OJSC «Belagroprombank»	EUR	On demand	68
OJSC «Belagroprombank»	EUR	On demand	65
OJSC «Belagroprombank»	EUR	On demand	55
Pisec Group GmbH	EUR	On demand	53
OJSC «Belagroprombank»	EUR	On demand	52
OJSC «Belagroprombank»	EUR	On demand	49
OJSC «Savings Bank Belarusbank»	EUR	On demand	47
OJSC «Development Bank»	EUR	On demand	44
JSC VTB Bank	EUR	On demand	43
OJSC «Development Bank»	EUR	On demand	41
Pisec Group GmbH	EUR	On demand	40
Pisec Group GmbH	EUR	On demand	39
Raiba	EUR	On demand	39
OJSC «Belagroprombank»	EUR	On demand	37
OJSC «Belagroprombank»	EUR	On demand	37
OJSC «Belagroprombank»	EUR	On demand	32
OJSC «BPS-sberbank»	EUR	On demand	31
OJSC «Belagroprombank»	EUR	On demand	31
OJSC «Belagroprombank»	EUR	On demand	30
Pisec Group GmbH	EUR	On demand	27
Pisec Group GmbH	EUR	On demand	27
OJSC «Belagroprombank»	EUR	On demand	24
OJSC «Belagroprombank»	EUR	On demand	24
OJSC «Savings Bank Belarusbank»	EUR	On demand	23
OJSC «Belagroprombank»	EUR	On demand	22
OJSC «Belagroprombank»	EUR	On demand	22
Pisec Group GmbH	EUR	On demand	21

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «BPS-sberbank»	EUR	On demand	20
Pisec Group GmbH	EUR	On demand	18
OJSC «Savings Bank Belarusbank»	EUR	On demand	17
OJSC «Belagroprombank»	EUR	On demand	17
Pisec Group GmbH	EUR	On demand	14
Pisec Group GmbH	EUR	On demand	14
OJSC «Belagroprombank»	EUR	On demand	13
OJSC «Belagroprombank»	EUR	On demand	12
OJSC «Belagroprombank»	EUR	On demand	12
OJSC «Belagroprombank»	EUR	2015	10
OJSC «Belagroprombank»	EUR	On demand	10
OJSC «Belagroprombank»	RUB	2015	10
OJSC «Belagroprombank»	EUR	2015	10
Export support fund	EUR	2015	9
OJSC "Kobrin BCF"	EUR	2015	8
OJSC «Belagroprombank»	EUR	2015	7
OJSC «Belagroprombank»	EUR	2015	6
OJSC «Belagroprombank»	RUB	2015	6
OJSC «Belagroprombank»	RUB	2015	5
OJSC «Belagroprombank»	RUB	2015	4
OJSC «Savings Bank Belarusbank»	RUB	2015	4
OJSC «Savings Bank Belarusbank»	RUB	2015	3
OJSC «Belagroprombank»	EUR	2019	1
OJSC «Belagroprombank»	BYR	2015	1
Committee on Labor and Employment, Social Protection	BYR	2015	1
Total			1 111 143
Short-term part			744 170

At 31 December 2013, loans and borrowings comprised the following:

Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «Savings Bank Belarusbank»	EUR	2022	100 013
OJSC «Belagroprombank»	USD	2014	68 249
OJSC «Savings Bank Belarusbank»	USD	2015	41 442
Deutsche Zentral-Genossenschaftsbank (DZ Bank AG)	EUR	2017	38 827
"Eurasian Bank of Development", Kazakhstan	EUR	2023	38 063
Globex Bank, Russia	USD	2014	36 378
OJSC «Belgazprombank»	USD	2014	34 969
VTB Bank(Austria) AG	EUR	2016	28 175
OJSC «Belinvestbank»	USD	2016	27 784
OJSC «Bank BelVEB»	USD	2015	26 571
Globex Bank, Russia	EUR	2014	25 146
JSC «NOVIKOMBANK»	USD	2014	24 781
JSC «NOVIKOMBANK»	USD	2015	21 827
OJSC «Bank BelVEB»	USD	2014	19 124
OJSC «Sberbank»	USD	2014	18 199
OJSC «Belagroprombank»	EUR	2014	17 558
OJSC «Savings Bank Belarusbank»	EUR	2014	16 786
OJSC «BPS-Sberbank»	USD	2014	16 544
JSC «Promsvyazbank»	EUR	2014	15 080
OJSC «Savings Bank Belarusbank»	EUR	2024	14 528
VTB Bank AG	EUR	2014	14 277
RZB Vienna	USD	On demand	13 703
OJSC «Savings Bank Belarusbank»	USD	2016	10 871
Credit Suisse	EUR	2018	10 811
Amsterdam Trade Bank N.V	USD	2014	10 269
JSC «NOVIKOMBANK»	EUR	2014	10 058
Bank Austria	EUR	2014	9 650
JSC VTB Bank	USD	2014	8 790
Stemkor	EUR	2014	8 252
Pisec Group	EUR	On demand	7 275
OJSC «Savings Bank Belarusbank»	USD	2014	6 952
Erste Bank	EUR	2014	6 599
Credit Suisse	EUR	2017	6 175

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
CJSC «Alfa-Bank»	USD	2014	6 145
OJSC «Belinvestbank»	USD	2014	5 495
UniCredit Bank Austria AG	USD	2014	5 195
OJSC «Belagroprombank»	EUR	2015	4 669
JSC «NOVIKOMBANK»	USD	2018	4 652
OJSC «Priorbank»	EUR	2014	4 635
OJSC «Bank «Saint Petesburg»	RUB	2014	4 165
Raiffeisenlandesbank	EUR	On demand	4 009
OJSC «Savings Bank Belarusbank»	RUB	2014	3 720
OJSC «Priorbank»	USD	2014	3 664
Pisec Group	USD	2015	3 366
Uralsib Bank	RUB	2015	3 336
OJSC «Belinvestbank»	EUR	2016	2 795
OJSC «Savings Bank Belarusbank»	EUR	2017	2 771
OJSC «Savings Bank Belarusbank»	EUR	2018	2 763
Raiffeisenlandesbank	EUR	2019	2 544
RZB Finance	USD	On demand	2 488
Pisec Group	USD	On demand	2 400
JSC «NOVIKOMBANK»	RUB	2014	1 971
OJSC «BPS-Sberbank»	EUR	2016	1 779
OJSC «BPS-Sberbank»	EUR	2017	1 748
OJSC «Bank Moscow-Minsk»	EUR	2014	1 499
OJSC «Savings Bank Belarusbank»	EUR	2019	1 415
OJSC «Belgazprombank»	EUR	2015	1 354
OJSC «BPS-Sberbank»	BYR	2014	1 322
Uralsib Bank	RUB	2014	1 255
OJSC «Bank Moscow-Minsk»	USD	2014	1 059
BNP Paribas	EUR	2014	1 015
JSC VTB Bank	EUR	2014	1 008
Raiffeisenlandesbank	EUR	2014	967
OJSC «Priorbank»	BYR	2014	781
OJSC «Bank BelVEB»	EUR	2014	775
Fis Finance&Investment Services GesmbH Vienna, Austria	EUR	2016	750
OJSC «Bank BelVEB»	RUB	2014	701

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Counterparty	Currency	Contractual maturity	Amount, thousands of euros
BAWAG	EUR	2014	700
OJSC «Belagroprombank»	EUR	2018	671
OJSC «Belagroprombank»	EUR	2017	665
OJSC «Savings Bank Belarusbank»	BYR	2014	597
OJSC «Belagroprombank»	RUB	2014	596
OJSC «BPS-Sberbank»	USD	2017	574
OJSC «BPS-Sberbank»	EUR	2014	488
OJSC «Bank Moscow-Minsk»	EUR	2015	486
OJSC «Savings Bank Belarusbank»	BYR	2020	470
Bank Austria	EUR	2015	400
OJSC «Belagroprombank»	BYR	2014	377
OJSC «Savings Bank Belarusbank»	BYR	2017	287
OJSC «Belinvestbank»	BYR	2016	251
OJSC «Belaz»	BYR	On demand	229
OJSC «Belagroprombank»	BYR	2015	219
OJSC «Savings Bank Belarusbank»	BYR	2016	212
OJSC «Belagroprombank»	BYR	2050	156
OJSC «Belagroprombank»	USD	On demand	115
OJSC «Bank BelVEB»	BYR	2014	111
OJSC «Belagroprombank»	BYR	2047	106
OJSC «Belagroprombank»	BYR	2020	87
OJSC «Belagroprombank»	BYR	2046	77
OJSC «Belagroprombank»	BYR	2049	72
OJSC «BPS-Sberbank»	BYR	2015	61
OJSC «Development Bank»	BYR	2022	56
OJSC «Belagroprombank»	BYR	2016	52
OJSC «Development Bank»	BYR	2024	51
OJSC «Belagroprombank»	BYR	2048	42
OJSC «BPS-Sberbank»	RUB	2014	41
Committee on Labor and Employment, Social Protection	BYR	2014	34
OJSC «Belagroprombank»	BYR	2039	21
Ministry of industry of The Republic of Belarus	BYR	2016	17
Innovational Fund of Ministry of industry	BYR	On demand	15
OJSC «Belagroprombank»	BYR	2041	12

Counterparty	Currency	Contractual maturity	Amount, thousands of euros
OJSC «Savings Bank Belarusbank»	BYR	2018	10
OJSC «Belagroprombank»	BYR	2044	10
OJSC «Belagroprombank»	BYR	2018	6
OJSC «Belagroprombank»	BYR	2045	6
OJSC «Belinvestbank»	BYR	On demand	6
OJSC "Kobrin BCF"	BYR	2014	4
OJSC «Belagroprombank»	BYR	2040	1
Total			850 328
Short-term part			649 916

For the years ended 31 December 2014 and 31 December 2013, the Group's loans and borrowings denominated in foreign currencies had interest rates of 1,7-16% and 2-14%, respectively. The Group received loans and borrowings in the following currencies:

thousands of euros	2014	2013
EUR	619 508	407 184
USD	460 124	421 598
RUB	12 870	15 785
BYR	18 641	5 761
	1 111 143	850 328

17 Taxation

The Group companies calculate current income taxes based on tax accounts maintained and prepared in accordance with the tax regulations of the countries of their registration which may differ from IFRS. The applicable tax rate for income tax for the Group is 18% and represents income tax rate for Belarusian enterprises.

Particular types of expenses are not recognized for taxation purposes, resulting in certain permanent tax differences for the Group.

Deferred taxes reflect net tax effects of temporary differences between carrying amounts of assets and liabilities for the purposes of consolidated financial statements and those used for taxation purposes. Temporary differences at 31 December 2014 and 2013 relate mostly to different methods of income and expense recognition, as well as the carrying amounts of certain assets.

Deferred tax assets and liabilities are attributable to the following items:

	Net deferred tax assets/(liabilities)	
	2014	2013 (restated)
Property, plant and equipment	(44 236)	32 124
Prepayments and other assets	(3 427)	2 259
Trade and other payables	6 717	1 857
Trade and other accounts receivable	(630)	374
Loans granted	(80)	-
Government grants	4 374	2 883
Inventories	(5 256)	(3 066)
Loans and borrowings	(649)	(46)
Other differences	3 583	1 402
Tax assets/ (liabilities) before offset	(39 604)	37 787
Unrecognized deferred tax assets	(3 849)	-
Net deferred tax assets/(liabilities)	(43 453)	37 787

As at 31 December 2014, 31 December 2013 and 31 December 2012 deferred tax asset/ liabilities comprise the following:

thousands of euros	2014	2013 (restated)	2012 (restated)
Deferred tax asset	5 005	38 802	75 520
Deferred tax liability	(48 458)	(1 015)	(827)
Total	(43 453)	37 787	74 693

The reconciliation between theoretical tax expense, current income tax and accounting profit for the year ended 31 December 2014 and 31 December 2013 is as follows:

thousands of euros	2014	2013 (restated)
Profit/loss before tax	(103 064)	7 492
Effect of consolidation adjustments	(2 118)	926
Profit/Loss before tax of consolidated subsidiaries subject to income taxes	(105 182)	8 418
Theoretical income tax expense/(benefit) at the effective interest rate of 18%	(18 933)	1 515
Write down of foreign exchange currency differences in taxation records through revaluation reserve	21 335	39 310
Effect of net monetary position on taxation	16 530	18 178
Permanent differences	12 272	5 022
Tax effect of losses for current year, for which deferred tax assets were not recognized	10 139	1 514
Effect on deferred tax from non-taxable income and expenses	3 035	(3 278)
Tax effect of different tax rates in other jurisdictions	339	502
Tax loss carried forward	-	(1 386)
Other adjustments	(3 826)	(26 326)
Income tax expense	40 891	35 051

Expenses on income tax for the years ended 31 December 2014 and 31 December 2013 are as follows:

thousands of euros	2014	2013 (restated)
Current income tax expense for the year	(8 190)	(8 081)
Reversal of deferred income taxes	(32 701)	(26 970)
Total income tax expense	(40 891)	(35 051)

Movements in deferred taxes are as follows:

thousands of euros	2014	2013 (пересчитано)
At the beginning of the reporting year	37 787	74 693
Recognized in other comprehensive income	(45 492)	-
Recognized in profit or loss	(32 701)	(26 970)
Effect of translation to presentation currency	(3 047)	(9 936)
Net asset (liability) at the end of the reporting year	(43 453)	37 787

18 Government grants

In November 2013, as a result of achievement of target performance indicators as defined in Decree No. 231 of the President of the Republic of Belarus “On Certain Issues Concerning Incentives for Development of High-Technology Production” dated 6 June 2011, the Group was included in the list of legal entities which are to receive compensation of interest on investment loans received to achieve these target indicators. The Group does not expect any additional costs or capital expenditures related to performance indicators already achieved. This Government grant is recognized when expenses on which these grant was issued are recognized. As a result, the Group recognized an income on government grant in the amount of EUR 4,864 thousand in 2014.

The Group also received government grants representing government financing for acquisition of property, plant and equipment. The funding received is recorded as liabilities and is taken to income in the consolidated statement of comprehensive income in the amount equal to the amount of depreciation of the corresponding property, plant and equipment in the respective periods.

19 Advances received and other liabilities

As at 31 December 2014, 31 December 2013 and 31 December 2012 advances received and other liabilities comprise the following:

thousands of euros	2014	2013	2012
Advances received	82 913	52 062	70 187
Amounts due to personnel	9 270	9 450	19 302
Payroll taxes	3 002	3 279	-
Dividends accrued	8	476	1 681
Other liabilities	8 516	9 239	13 267
Total advances received and other liabilities	103 709	74 506	104 437
Short-term part	102 609	73 244	101 086

20 Equity and reserves

Share capital of the Group as at 31 December 2013 amounted to EUR 653 683 thousand.

Number of shares

	Ordinary shares	
	2014	2013
In issue at the beginning of the year	330 984	306 228
Shares issued due to contribution of the owner as a transfer of shares of OJSC “Minsk Bearing Plant” and OJSC “Polesyelectromash”	33 430	-
Shares issued due to contribution of the owner as a transfer of shares of OJSC “Minsk Bearing Plant” OJSC “BELNIILIT” and NPRUE “Kvarc-avto”	-	24 756
In issue at the end of the year, fully paid	364 414	330 984
Shares issued – nominal value, BYR thousand	18 350	18 350

All shares are ordinary and fully paid, they give a right for one vote, receive of dividends and participate in the distribution of residual assets of the Group.

The sole owner of the Company is The Republic of Belarus. According to the Charter of the Company, The Republic of Belarus has a right for profit distribution. The amount and the process of dividend payment to budget is established by the legislation.

On 10 July 2013, according to Order of the President of the Republic of Belarus, 3 393 666 294 shares of OJSC «Minsk Bearing Plant» and 3 191 shares of OJSC «BELNIILIT» in the amount of EUR 1 202 thousand were transferred to the share capital of OJSC «BSW - management company of «BMC» holding. On 17 March 2014 according to Order of the President of The Republic of Belarus 12 739 714 248 ordinary shares of OJSC «Minsk Bearing Plant» were transferred as a contribution to share capital of the Group in total amount of EUR 44 840 thousand. As a result of this operation the Group acquired control over OJSC «Minsk Bearing Plant» (Note (9b)).

On 17 March 2014 according to Order of the President of The Republic of Belarus ordinary shares of OJSC «Polesyelectromash» were transferred as a contribution to share capital of the Group in total amount of EUR 413 thousand. The total amount of ordinary shares was 327 895. As a result of this operation the share of the Group in the equity of the OJSC “Polesyelectromash” has increased from 95,72% to 100%.

Nature and purpose of other reserves

Reserve capital is created by entities as required by the legislation of the country of registration to cover general risks and unforeseen losses

Property, plant and equipment revaluation reserve is used to record increases in the fair value of buildings and decreases in such value to the extent that such decrease relates to an increase in the value of the same asset previously recognized in equity.

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

21 Revenue

Revenue of the Group by types of products:

thousands of euros	2014	2013 (restated)
Rolled products	462 733	580 662
Cast billet	219 810	117 878
Steel pipes	144 079	147 936
Other types of wire	129 385	134 051
Steel cord	123 486	128 483
Hose wire	43 628	44 438
Sale of scrap	57 565	61 705
Bronze-plated bead wire	25 200	34 254
Nails	16 106	25 980
Bearing	23 499	6
Other products	95 186	106 577
Total revenue	1 340 677	1 381 970

The geographical concentration of the Group's revenue:

thousands of euros	2014	2013
Non-CIS countries	736 388	644 336
Russian Federation	343 852	444 407
Domestic market	229 718	278 647
Other CIS countries	30 719	14 580
Total revenue	1 340 677	1 381 970

22 Cost of sales

thousands of euros	2014	2013 (restated)
Materials	741 412	752 580
Electricity and fuel	200 311	215 273
Payroll expenses and related taxes	135 669	127 069
Depreciation	50 466	40 936
Transportation expenses	3 733	11 652
Repair and maintenance of property, plant and equipment	7 193	8 851
Spoilage and waste	4 073	3 155
Taxes other than income tax	2 507	1 515
Travel expenses	759	573
Other expenses	37 880	16 400
Total cost of sales	1 184 003	1 178 004

23 Administrative expenses

thousands of euros	2014	2013
Payroll expenses and related taxes	43 249	43 167
Taxes other than income tax	7 856	7 544
Bank charges	7 380	5 464
Depreciation	3 571	3 670
Third party services	2 792	735
Electricity, fuel, water	1 244	2 395
Security	1 114	1 442
Materials	1 103	609
Repair and maintenance of property, plant and equipment	1 061	1 320
Excess over maximum permissible concentration	1 758	1 271
Travel expenses	806	1 138
Legal and consultancy	761	874
Insurance	271	410
Other expenses	12 074	6 711
Total	85 040	76 750

24 Selling Expenses

thousands of euros	2014	2013 (пересчитано)
Transportation expenses	51 219	58 276
Materials	7 061	2 407
Payroll expenses and related taxes	5 523	5 590
Advertising expenses	1 965	1 093
Depreciation	1 880	954
Taxes other than income tax	725	950
Insurance	51	1 047
Travel expenses	95	72
Other expenses	7 304	7 712
Total	75 823	78 101

25 Other operating expenses

Other operating expenses comprise:

thousands of euros	2014	2013 (restated)
Social expenses	13 815	8 936
Expenses from service production units and households	2 569	3 487
Impairment of goodwill	2 583	-
Loss from disposal of property, plant and equipment	2 369	2 275
Sponsorship	1 351	1 669
Expenses from operations with packing materials	1 241	524
Other expenses	14 319	10 859
Total	38 247	27 750

26 Finance income and costs

Finance income and costs comprise the following:

thousands of euros	2014	2013
Finance income		
Interest income	5 324	4 343
Dividends received	126	1 111
Other income	580	449
Finance costs		
Interest expenses	(57 492)	(52 005)
Net foreign exchange loss	(149 437)	(107 438)
Other	(1 139)	(835)
Net finance costs, recognized in profit and loss	(202 038)	(154 375)

27 Related party transactions

The total amount of payroll, bonuses and other payments to key management personnel of the Group during the years ended 31 December 2014 and 31 December 2013 amounted to EUR 1 553 thousand and EUR 1 486 thousand accordingly.

Republic of Belarus exercises control over the Group’s activities. The Republic of Belarus both directly and indirectly controls and significantly influences a large number of entities (collectively referred to as «state-related entities»). The Group enters into economic transactions with such entities, including sale of goods, purchase of raw and other materials, electricity, and rendering of services, rise of borrowings, receiving government grants (Note 18). Except for state support and transactions, that are disclosed below all transactions are made under market conditions and in the ordinary course of activities.

Following transactions are individually significant because of size or carried out on “non-market” conditions or outside normal activities:

- As described in Notes 9, 20 in 2014 the Republic of Belarus transferred as a contribution to share capital of the Group shares of OJSC «Minsk Bearing Plant» and OJSC «Polesyeelectromash». As a result there was an increase of share capital in the amount of EUR 44 840 thousand and EUR 413 thousand accordingly.
- In 2014 in accordance with the Order of the President of the Republic of Belarus 21% shares of CJSIC “Promtransinvest” were gratuitously transferred to republican ownership (Note 11). The result of transaction in the amount of EUR 1 355 thousand was recognized directly in equity in transactions with owner.
- In 2013, according to Order of the President of the Republic of Belarus, 3 393 666 294 shares of OJSC «Minsk Bearing Plant» and 3 191 shares of OJSC «BELNIILIT» in the amount of EUR 1 202 thousand were transferred to the share capital of OJSC «BSW - management company of «BMC» holding».

28 UNCERTAINTIES

Economy of the Republic of Belarus

The economy of the Republic of Belarus is characterized by high rates of inflation, significant changes in foreign currency exchange rates, a relatively high level of taxation and a high degree of State regulation. Business legislation of the Republic of Belarus constantly changes. Future economic development to a large extent depends on the effectiveness of measures taken by the Belarusian government and is outside the control of the Group. The recoverability of the Group’s assets and ability to maintain or pay debts as they mature is in part dependent on the future direction and results of the economic policy of the government of the Republic of Belarus. Management of the Group has made its best estimates of recoverability and classification assets and liabilities. However, uncertainty stated above may remain and have significant influence on the operations of the Group.

The global financial system continues to face serious problems. In many countries the rates of economic growth have reduced. Moreover, the uncertainty increased regarding the creditworthiness of several Eurozone countries and financial institutions which carry significant risks for the sovereign debt of these countries. These problems can result in slower global growth rate and the growth rate of the Belarusian economy, adversely affect the availability and cost of capital for the Group, as well as the business of the Group in general, results of its operations, financial position and prospects of development.

Legislation

Certain provisions of Belarusian business and tax legislation in particular may contain different treatments and may be applied inconsistently by different state institutions. In addition, interpretations made by Management may be different from official interpretations and compliance established by law may be changed by the authorities. As a result, the Group may be subject to additional tax payments and fines and other preventive actions. Management of the Group considers that it has made the required tax and other payments and no additional provisions are needed in the consolidated financial statements. The previous financial years remain open for consideration by the authorities.

Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue

development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

29 Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to various controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate and currency risks. It is also exposed to operating risks.

Credit risk

Credit risk is the risk that the Group will incur losses because its customers, clients or counterparties failed to discharge their obligations under financial instruments or contractual obligations. The Group is exposed to credit risk inherent to its operating activities (related primarily to trade receivables and loans) and its financing activities, including deposits with banks and foreign currency transactions.

The carrying amount of financial assets represents the maximum credit risk exposure.

The Group's principal financial instruments comprise bank loans and loans from other parties, cash and cash equivalents. The main purpose of loans is to raise finance for the Group's operations. The Group has various financial assets and liabilities, such as trade receivables and trade payables which arise directly from its operations. During the period presented in these consolidated financial statements the Group did not undertake to sell financial instruments.

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and other financial assets. The Group has specific policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of receivables, net of allowance for impairment of receivables, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group.

Cash is placed with banks, which are considered at the time of deposit to have minimal risk of default.

The carrying amount of financial assets represents the maximum credit risk exposure:

thousands of euros	2014	2013
Cash and cash equivalents	43 613	46 957
Deposits	6 000	6 913
Loans granted	656	613
Trade and other receivables	88 805	65 601

Liquidity risk and funding management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

To limit this risk, the management of the Group has arranged diversified funding sources in addition to its existing core deposit base. It also manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the Group's financial liabilities as at 31 December 2014 and 2013, by the earliest possible maturity, based on contractual undiscounted repayment obligations. Total nominal cash outflow in the table represents contractual undiscounted repayment obligations on the financial liabilities. The Group's actual expected future cash flows on these financial liabilities can vary from this analysis.

At 31 December 2014	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Short-term loans and borrowings	(744 170)	(232 429)	(542 538)	-	-	(774 967)
Long-term loans and borrowings	(366 973)	(17 806)	(137 223)	(247 779)	(70 794)	(473 602)
Trade payables	(185 058)	(135 428)	(37 105)	(12 114)	(411)	(185 058)
Total financial liabilities	(1 296 201)	(385 663)	(716 866)	(259 893)	(71 205)	(1 433 627)

At 31 December 2013	Carrying amount	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Short-term loans and borrowings	(649 916)	(317 768)	(371 780)	-	-	(689 548)
Long-term loans and borrowings	(200 412)	-	-	(198 212)	(40 216)	(238 428)
Trade payables	(154 348)	(142 791)	(4 415)	(6 987)	(155)	(154 348)
Total financial liabilities	(1 004 676)	(460 559)	(376 195)	(205 199)	(40 371)	(1 082 324)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into trading and non-trading portfolios. Currently, both trading and non-trading portfolio positions are managed and controlled using sensitivity analysis. Except for foreign currency positions and concentrations of currency risk, the Group has no significant concentration of market risk.

Price risk

Price risk is the risk of changes in the market price of financial asset. The management believes that the Group is not exposed to the price risk as there are no long-term fixed price contracts for the delivery of raw and other materials in its trading portfolio.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's statement of comprehensive income. The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on net interest income for one year, calculated based on the non-trading financial assets and financial liabilities with a floating interest rate (LIBOR, EURIBOR) held at 31 December 2014 and 2013. The structure of Group financial assets and liabilities as at 31 December 2014 is indicated below:

	Interest Free	Fixed interest rate	Floating interest rate	Total
Financial assets				
Investments held for sale	2 507	-	-	2 507
Long-term loans granted	595	-	-	595
Short-term loans granted	61	-	-	61
Trade and other receivables	88 805	-	-	88 805
Deposits	1 096	4 198	706	6 000
Cash and cash equivalents	26 295	10 249	7 069	43 613
Financial liabilities				
Trade payables	(185 058)	-	-	(185 058)
Loans and borrowings	(14 322)	(689 885)	(406 936)	(1 111 143)
Open position of interest rate	(80 021)	(675 438)	(399 161)	

The structure of Group financial assets and liabilities as at 31 December 2013 is indicated below:

	Interest Free	Fixed interest rate	Floating interest rate	Total
Financial assets				
Investments held for sale	1 327	-	-	1 327
Long-term loans granted	556	-	-	556
Short-term loans granted	57	-	-	57
Trade and other receivables	65 601	-	-	65 601
Deposits	147	2 596	4 170	6 913
Cash and cash equivalents	39 705	167	7 085	46 957
Financial liabilities				
Trade payables	(154 348)	-	-	(154 348)
Loans and borrowings	(17)	(540 024)	(310 287)	(850 328)
Open position of interest rate	(46 972)	(537 261)	(299 032)	

The table below indicates the sensitivity of statement of comprehensive income to possible changes in interest rates and all other variables are held constant.

	31 December 2014		31 December 2013	
	Interest rate	Interest rate	Interest rate	Interest rate
	1%	-1%	18.7%	-18.7%
Effect on profit/(loss)				
before tax	(3 992)	3 992	(55 859)	55 859
Effect on equity	(3 273)	3 273	(45 805)	45 805

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2014 and 2013 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rates against the Belarusian rouble on the consolidated statement of comprehensive income (due to non-trading monetary assets and liabilities whose fair value is sensitive to exchange rate changes).

	<i>BYR</i>	<i>USD</i>	<i>EUR</i>	<i>RUB</i>	<i>Other</i>	<i>Total</i>
Financial assets						
Investments held for sale	-	-	1 361	-	-	1 361
Long-term loans granted	42	-	-	-	-	42
Short-term loans granted	614	-	-	-	-	614
Trade and other receivables	22 951	4 558	527	3 548	-	31 584
Deposits	547	1 282	1 300	-	-	3 129
Cash and cash equivalents	7 446	3 453	21 453	5 705	-	38 057
Total financial assets	31 600	9 293	24 641	9 253	-	74 787
Financial liabilities						
Trade payables	(82 785)	(60 683)	(31 189)	(9 747)	(8)	(184 412)
Loans and borrowings	(18 641)	(460 124)	(466 775)	(2 715)	-	(948 255)
Total financial liabilities	(101 426)	(520 807)	(497 964)	(12 462)	(8)	(1 132 667)
Total net monetary position	(69 826)	(511 514)	(473 323)	(3 209)	(8)	(1 057 880)

The effect on net assets does not differ from the effect on the statement of comprehensive income. All other variables are held constant. A negative amount in the table reflects a potential net reduction in the statement of comprehensive income or net assets attributable to the participants, while a positive amount reflects a potential net increase.

The sensitivity analysis as at 31 December 2014 is presented as follows:

	<i>BYR/USD</i>		<i>BYR/EUR</i>		<i>BYR/RUB</i>	
	40.00%	-10.00%	20.00%	-10.00%	30.00%	-10.00%
Effect on profit/(loss) before tax	(204 606)	51 151	(94 665)	47 332	(963)	321
Effect on equity	(167 777)	41 944	(77 625)	38 812	(790)	263

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2013.

	<i>BYR</i>	<i>USD</i>	<i>EUR</i>	<i>RUB</i>	<i>Other</i>	<i>Total</i>
Financial assets						
Investments held for sale	159	-	-	-	-	159
Long-term loans granted	556	-	-	-	-	556
Short-term loans granted	57	-	-	-	-	57
Trade and other receivables	19 675	4 461	449	4 651	-	29 200
Deposit	216	3 384	1 830	50	-	5 480
Cash and cash equivalents	10 272	7 221	15 029	4 041	-	36 563
Total financial assets	30 935	15 066	17 308	8 706	-	72 015
Financial liabilities						
Trade payables	(55 979)	(31 604)	(41 873)	(16 566)	(7)	(146 029)
Loans and borrowings	(5 761)	(399 641)	(284 845)	(5 058)	-	(695 305)
Total financial liabilities	(61 740)	(431 245)	(326 718)	(21 624)	(7)	(841 334)
Total open currency position	(30 805)	(416 179)	(309 410)	(12 918)	(7)	(769 319)

The sensitivity analysis as at 31 December 2013 is presented as follows:

	BYR/USD		BYR/EUR		BYR/RUB	
Effect on profit/(loss)	+32,48%	-32,48%	+33,90%	-33,90%	+48,26%	-48,26%
before tax	(135 175)	135 175	(104 890)	104 890	(6 234)	6 234
Effect on equity	(110 844)	110 844	(86 010)	86 010	(5 112)	5 112

Operational risk

Operational risk is the risk arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and monitoring and by responding to potential risks the Group is able to manage such risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment procedures.

Capital management and capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to participants and return capital to participants. No changes were made in the capital management objectives, policies and procedures from the previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by net assets attributable to the Group's participants plus net debt. The Group's policy is to keep the gearing ratio between 35% and 70%. Net debt includes interest-bearing and interest-free loans, trade and other payables, less cash and amounts due from banks. Net assets include net assets attributable to the Group's shareholders owning a majority of shares, and non-controlling interests.

	2014 z.	2013 z.
Short-term and long-term loans and borrowings	1 111 143	850 328
Trade payables and other current liabilities	288 767	228 854
Less cash and cash equivalents, and amounts due from banks	(49 613)	(53 870)
Net debt	1 350 297	1 025 312
Net assets	778 309	637 167
Net assets and net debt	2 128 606	1 662 479
Gearing ratio	63%	62%

30 Fair value of financial instruments

Assets for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid, have flexible interest rate or have a short term maturity it is assumed that their fair value approximates their carrying amount. This assumption is also applied to demand deposits and current accounts without a specific maturity.

Financial instruments with the fixed interest rate

The following table shows fair value of financial instruments according to the requirements of IFRS 7 «Financial instruments: Disclosures». Fair value of financial instruments with the fixed rate carried at amortized cost is estimated by comparing market rates at recognition with current market interest rates for similar financial instruments. The estimated fair value of these financial instruments is determined as a present value of cash flows using prevalent market rates for financial instruments with similar characteristics.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. None of financial assets and financial liabilities are measured at fair value.

thousands of euros	Note	Carrying amount	Level 1	Level 2	Level 3	Total
31 December 2014						
Financial assets						
Investments held for sale		2 507	-	-	2 507	2 507
Long-term loans granted		595	-	-	595	595
Short-term loans granted		61	-	-	-	-
Trade and other receivables	13	88 805	-	-	88 561	88 561
Deposits		6 000	-	-	5 980	5 980
Cash and cash equivalents	15	43 613	-	-	-	-
Total financial assets		141 581	-	-	97 643	97 643
Financial liabilities						
Trade payables		(185 058)	-	-	(184 803)	(184 803)
Loans and borrowings	16	(1 111 143)	-	-	(1 106 702)	(1 106 702)
Total financial liabilities		(1 296 201)	-	-	(1 291 505)	(1 291 505)

thousands of euros	Note	Carrying amount	Level 1	Level 2	Level 3	Total
31 December 2013						
Financial assets						
Investments held for sale		1 327	-	-	1 327	1 327
Long-term loans granted		556	-	-	556	556
Short-term loans granted		57	-	-	57	57
Trade and other receivables	13	65 601	-	-	65 601	65 601
Deposits		6 913	-	-	6 913	6 913
Cash and cash equivalents	15	46 957	-	-	-	-
Total financial assets		121 411	-	-	74 454	74 454
Financial liabilities						
Trade payables		(154 348)	-	-	(154 348)	(154 348)
Loans and borrowings	16	(850 328)	-	-	(850 328)	(850 328)
Total financial liabilities		(1 004 676)	-	-	(1 004 676)	(1 004 676)

There were no transfers between fair value hierarchy levels in 2014 and 2013.

The Group did not perform fair value analysis on cash and cash equivalents as due to short-term nature of these financial instruments their carrying values are generally equivalent to their fair values.

For the valuation of Level 3 for loans and borrowings and accounts receivable and other financial liabilities valuation technique of discounted cash flows is used. Significant unobservable inputs are not available for the Group.

31 Subsequent events

As at the date of the issue of the financial statements, in 2015 new borrowings were raised:

- A new loan in the amount of USD 18,8 million in OJSC «Promsvyazbank» (Russia) was raised during the first quarter of 2015.
- Additional credit resources in the amount of USD 40 million from OJSC “ASB «Belarusbank» were raised in the first quarter of 2015.
- The agreements on refinancing of the credit line of CJSC JSCB «Novikombank» (Russia) were signed in June 2015 and amounted to USD 40 million.
- The agreements on refinancing of the credit line of «Globexbank» (Russia) were signed and amounted to USD 50 million, a new loan was raised and amounted to USD 15 million.

In January 2015 revolving credit line in «Unicreditbank» (Austria) was prolonged for one year and amounted to USD 35 million.

In April 2015 thin bar mill was put into trial operation, which construction was performed in terms of investment program that started in 2011.

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Director
LLC "KPMG"
Vereschagina I.V.

