

**OJSC "BSW – management company of
"BMC" holding"**

**Consolidated financial statements
for the year ended
31 December 2015
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 the 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 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting principles 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 audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and of its consolidated financial performance and its consolidated 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 states that the Group reported a recurring loss of EUR 556 741 thousand during the year ended 31 December 2015 (2014: EUR 143 955 thousand). Furthermore, current liabilities of the Group as at 31 December 2015 exceeded current assets by EUR 880 958 thousand (as at 31 December 2014: EUR 515 938 thousand). These conditions indicate the existence of a material uncertainty in relation to the Group's ability to continue as a going concern.

Irina Vereschagina
Partner

KPMG in Belarus
Minsk
1 July 2016



Details of the audited entity

Name: Open Joint Stock Company "Byelorussian Steel Works" - Management Company of "Byelorussian Metallurgical Company" Holding

Registration details: registered by the Zhlobin District Executive Committee of the Gomel region on 2 January 2012
registration number in the Unified State Register of entities and individual entrepreneurs No. 400074854

Legal address: 37 Promyshlennaya str, 247210 Zhlobin, Republic of Belarus

Details of the audit company

Name: Limited Liability Company "KPMG"

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 2015

thousands of euros	Notes	31 December 2015	31 December 2014
Assets			
Property, plant and equipment	8	1 230 741	1 706 706
Investments in associates	9	1 002	923
Available-for-sale investments		2 593	2 507
Long-term loans granted		1 292	595
Trade and other receivables	10	496	1 409
Prepayments and other assets	11	8 639	16 770
Bank deposit		2 596	4 124
Deferred tax assets	23	48 963	5 005
Total non-current assets		1 296 322	1 738 039
Inventories	12	192 309	347 504
Short-term loans granted		47	61
Trade and other receivables	10	57 589	87 396
Prepayments and other assets	11	18 262	40 002
Tax receivables		20 281	29 254
Income tax receivable		207	2 240
Bank deposit		4 653	1 876
Cash and cash equivalents	13	16 141	43 613
Total current assets		309 489	551 946
Total assets		1 605 811	2 289 985
Liabilities			
Trade and other payables		1 340	3 441
Advances received and other liabilities	14	2 937	1 100
Loans and borrowings	15	333 837	366 973
Government grants		23 220	23 820
Deferred tax liabilities	23	983	48 458
Total non-current liabilities		362 317	443 792
Trade payables		213 601	181 617
Advances received and other liabilities	14	79 961	102 609
Loans and borrowings	15	885 083	744 170
Income tax payable		1 131	378
Other taxes payable		10 207	38 630
Government grants		464	480
Total current liabilities		1 190 447	1 067 884
Total liabilities		1 552 764	1 511 676
Net assets		53 047	778 309
Equity			
Share capital	17	653 683	653 683
Reserve capital		3 747	3 091

Consolidated Statement of Financial Position as at 31 December 2015

Property, plant and equipment revaluation reserve		354 746	380 746
Retained earnings		(836 049)	(279 572)
Foreign currency translation reserve		(141 682)	(1 605)
Equity attributable to equity holders of the parent company		34 445	756 343
Non-controlling interest	17	18 602	21 966
Total equity		53 047	778 309

First Deputy General Director
Volkov A.V.



Chief Accountant
Kosteeva O.B.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

thousands of euros	Notes	2015	2014
Revenue	18	1 216 035	1 340 677
Cost of sales	19	(1 159 741)	(1 184 003)
Gross profit		56 294	156 674
Administrative expenses	20	(79 262)	(85 040)
Selling expenses	21	(73 392)	(75 823)
Other operating expenses		(20 623)	(38 247)
Other operating income		17 682	13 740
Government grants	16	1 533	5 769
Recovery/ (charge) of provision for doubtful debts	10,11	3 258	(498)
Operating loss		(94 510)	(23 425)
Loss from impairment of property, plant and equipment	8	(31 065)	(41 858)
Finance income	22	1 431	6 030
Finance costs	22	(512 600)	(208 068)
Share of loss of investees accounted for under the equity method		(171)	(2 211)
Gain on net monetary position		-	166 468
Loss before tax		(636 915)	(103 064)
Income tax benefit (expense)	23	80 174	(40 891)
Loss for the year		(556 741)	(143 955)
Other comprehensive income (loss)			
<i>Items that will never be reclassified to profit or loss:</i>			
Effect of revaluation of property, plant and equipment	8	(31 755)	252 725
Tax effect of revaluation of property, plant and equipment		5 755	(45 492)
Effect of translation to presentation currency		(140 077)	33 203
Other comprehensive income (loss) for the reporting year		(166 077)	240 436
Total comprehensive income (loss) for the reporting year		(722 818)	96 481
<i>Loss attributable to:</i>			
Equity holders of the Company		(554 613)	(143 582)
Non-controlling interests		(2 128)	(373)
		(556 741)	(143 955)
<i>Total comprehensive income (loss) attributable to</i>			
Equity holders of the Company		(720 027)	98 439
Non-controlling interests		(2 791)	(1 958)
Total comprehensive income (loss)		(722 818)	96 481

First Deputy General Director
Volkov A.V.



Chief Accountant
Kosteeva O.B.

Consolidated statement of changes in equity for the year ended 31 December 2015

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 as at 1 January 2014		575 659	3 439	167 244	204	(131 654)	614 892	22 275	637 167
Comprehensive income (loss)									
Loss for the year		-	-	-	-	(143 582)	(143 582)	(373)	(143 955)
Effect of property, plant and equipment revaluation	8	-	-	252 725	-	-	252 725	-	252 725
Tax effect of property, plant and equipment revaluation	23	-	-	(45 492)	-	-	(45 492)	-	(45 492)
Effect of translation to presentation currency		32 771	169	6 269	(1 809)	(2 612)	34 788	(1 585)	33 203
Total comprehensive income (loss)		32 771	169	213 502	(1 809)	(146 194)	98 439	(1 958)	96 481
Transactions with the equity holder accounted for in equity									
Dividends	17	-	-	-	-	(886)	(886)	(1 473)	(2 359)
Transfer of subsidiaries with non-controlling interests	17	45 253	-	-	-	-	45 253	3 122	48 375
Gratuitous transfer of shares in an associate		-	-	-	-	(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
Other transactions affecting equity									
Transfer to reserve capitals		-	(517)	-	-	517	-	-	-
Total other transactions affecting equity		-	(517)	-	-	517	-	-	-
Balance as at 31 December 2014		653 683	3 091	380 746	(1 605)	(279 572)	756 343	21 966	778 309
Comprehensive income									
Loss for the year		-	-	-	-	(554 613)	(554 613)	(2 128)	(556 741)

The accompanying notes on pages 12 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2015

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
Effect of property, plant and equipment revaluation	8	-	-	(31 755)	-	-	(31 755)	-	(31 755)
Tax effect of property, plant and equipment revaluation	23	-	-	5 755	-	-	5 755	-	5 755
Transfer of revaluation reserve		-	-	-	-	-	-	-	-
Effect of translation to presentation currency		-	-	-	(140 077)	-	(140 077)	-	(140 077)
Total comprehensive income (loss)		-	-	(26 000)	(140 077)	(554 613)	(720 690)	(2 128)	(722 818)
Transactions with the equity holder accounted for in equity									
Dividends	17	-	-	-	-	-	-	(1 236)	(1 236)
Gratuitous transfer of shares in an subsidiary	24	-	-	-	-	(1 208)	(1 208)	-	(1 208)
Total transactions with the equity holders accounted for in equity		-	-	-	-	(1 208)	(1 208)	(1 236)	(2 444)
Other transactions affecting equity									
Transfer to reserve capitals		-	656	-	-	(656)	-	-	-
Total other transactions affecting equity		-	656	-	-	(656)	-	-	-
Balance as at 31 December 2015		653 683	3 747	354 746	(141 682)	(836 049)	34 445	18 602	53 047



First Deputy General Director
Volkov A.V.

Chief Accountant
Kosteeva O.B.

Consolidated statement of cash flows for the year ended 31 December 2015

thousands of euros	Notes	2015	2014
Cash flows from operating activities			
Loss for the year		(556 741)	(143 955)
Income tax expense (benefit)	23	(80 174)	40 891
Gain on net monetary position		-	(166 468)
Depreciation of property, plant and equipment	8	86 253	55 917
Recognition of income related to government grants	16	(1 533)	(479)
Inventory write-off	12	2 516	8 700
Loss from impairment of property, plant and equipment		31 065	41 858
Impairment of trade and other receivables	10, 11	(3 258)	498
Provisions for pension payments		3	262
Loss from disposal of property, plant and equipment		1 310	2 369
Net finance costs	22	511 169	202 038
Share of loss of investees accounted for under the equity method		171	2 211
Loss from goodwill impairment		-	2 583
Other non-monetary adjustments		-	(2)
		(9 219)	46 423
Changes in:			
Inventories		68 941	(12 609)
Trade and other receivables		25 204	(27 449)
Tax receivables		2 100	(6 562)
Tax liabilities		(19 778)	10 089
Prepayments granted and other current assets		19 694	9 658
Trade and other payables		37 067	14 740
Prepayments received		4 217	35 551
Cash flows from operations before income taxes and interest paid		128 226	69 841
Interest paid		(70 710)	(71 269)
Income tax paid		(4 759)	(5 066)
Cash flows from (used in) operating activities		52 757	(6 494)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(164 828)	(240 534)
Proceeds from sale of property, plant and equipment		440	1 917
Loans granted		(1 008)	(98)
Dividends received		-	126
Bank deposit		(1 346)	4 122
Purchases of investments in associates and investments in available for sale		(568)	-

Consolidated statement of cash flows for the year ended 31 December 2015

Proceeds from disposal of investments available for sale	149	-
Cash and cash equivalents from acquired subsidiaries	-	754
Cash flows used in investing activities	(167 161)	(233 713)
Cash flows from financing activities		
Loans and borrowings paid	(830 541)	(627 991)
Loans and borrowings received	898 454	826 385
Dividends paid	(1 236)	(2 359)
Net cash flow from financing activities	66 677	196 035
Net decrease in cash and cash equivalents	(47 727)	(44 172)
Inflation effect on cash and cash equivalents	-	43 384
Effect of foreign currency translation and effect of exchange rate changes on cash and cash equivalents	20 255	(2 556)
Cash and cash equivalents at 1 January	13	43 613
Cash and cash equivalents at 31 December	13	43 613

First Deputy General Director
Volkov A.V.



Chief Accountant
Kosteeva O.B.

1. GENERAL INFORMATION

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

On 30 December 2011, Republican Unitary Enterprise "Byelorussian 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 2015 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 in order to establish "Byelorussian Metallurgical Company" holding.

The Company is part of "Byelorussian Metallurgical Company" holding and is the managing 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, two section rolling shops, three steel cord and wire shops and seamless pipes production shop. Service facilities comprise 18 auxiliary shops (2014: 19 auxiliary shops).

The Company's average number of employees for the years ended 31 December 2015 and 2014 was 11 183 employees and 10 989 employees, respectively.

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

Company	Country of incorporation	Effective ownership interest, %		Type of activities
		2015	2014	
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
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 "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	100,00	Development, production and sale of electrical goods, consumer goods, and special technological equipment and tools
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	82,50	82,50	Wholesale of OJSC "BSW"'s steel products
OJSC "Plant "Legmash"	Republic of Belarus	81,71	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-Baltiyya"	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	50,00	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
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
JLLC "Manuli Hydraulics Manufacturing Bel"	Republic of Belarus	55,42	53,67	Production of high-pressure hoses for hydraulic devices
OJSC "Minsk Bearing Plant"	Republic of Belarus	99,97	99,97	Production of bearings

CJSC "DOR-MPZ"	Republic of Belarus	82,18	82,18	Production of component parts for rail fastenings, and equipment
PUE "BMZ-Ekoservice", Zhlobin	Republic of Belarus	100,00	100,00	Processing of ferrous waste and scrap
UE «Metallurgcotsservice»	Republic of Belarus	100,00	100,00	Rendering of services
AUE "Rechitsky-Agro"	Republic of Belarus	100,00	100,00	Crop production combined with cattle breeding
TUE "BVTM-Market"	Republic of Belarus	100,00	100,00	Retail and public catering
SAUE "Selhoz-Povitie"	Republic of Belarus	100,00	100,00	Crop production combined with cattle breeding
Belaruski lageri AD, Bulgaria, Sofia	Bulgaria	59,98	59,98	Wholesale of OJSC "MPZ"'s products
LLC Belmet Steel DMSS, Dubai	UAE	50,00	50,00	Wholesale of OJSC "BSW"'s steel products
<i>Associates</i>				
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
CJSIC "Promtransinvest"	Republic of Belarus	13,93	13,93	Insurance services
LLC "MetallurgPress"	Republic of Belarus	26,00	-	Procurement and processing of ferrous waste and scrap

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 2016.

2. BASIS OF PRESENTATION

Statement of compliance

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

Hyperinflation

During the 2014 and prior years the economy of the Republic of Belarus was considered to be hyperinflationary in accordance with IAS 29. Starting from 1 January 2015, the economy of the Republic of Belarus is no longer considered hyperinflationary. Thus, the value of non-monetary assets, liabilities, equity and items of Statement of Profit and Loss and Other Comprehensive Income of the Group presented in measuring units as at 31 December 2014, were used to form the opening balances as at 1 January 2015.

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 continued to affect adversely the Group's activities in 2015. The Group is also at the final 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 2015 current liabilities of the Group exceeded its current assets by EUR 880 958 thousand (2014 – EUR 515 938 thousand) and in 2015 the Group incurred a loss which amounted to EUR 556 741 thousand (2014 – EUR 143 955 thousand).

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

- stabilization of revenue for products sold with its subsequent increase due to improved production structure and sales of high quality grades of steel, products of rolling mill, metal goods, which are items with high added value and marginal profit;
- structure optimization and cost reduction through the introduction of more efficient methods of production and management;
- improvement of logistics schemes and schemes of usage of material resources;
- reduction of administrative costs;
- development of energy-saving technologies and reducing electricity costs.

So for example, from the beginning of 2016 electricity tariff was reduced by 3,04 cents per kWh. Also reducing the railway tariff. Management of the Group believe that this will result in cost savings about USD 20,0 mln. and USD 2,0 mln. respectively.

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.

Thus in 2016 the delivery contract to Canada was signed. That will enable Group to diversify the geography of deliveries. In addition, in 2015-2016 there is an increase in sales in Europe, which have a high-added value. That was caused by the launch of the new rolling light section mill.

In the medium term implementation of investment measures aimed at maintaining the existing production capacities is planned, as well as projects with stringent conditions to the performance of their effectiveness (payback of capital costs is less than one year). Consideration of existing enterprise plans (areas) for further investment development, included in the investment program, and which also require a significant distraction and an infusion of resources, are postponed to a later date - until a more favorable situation of steel market will come (increase in demand for products and consequently its price).

The Group continues collaboration with credit institutions and financial institutions about refinancing of debt, 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 2016 the following work on the debt refinancing, increasing credit limits and obtaining waiver was carried out:

- Bonds issue of OJSC "BMZ - the managing company of "BMC" holding " up to 28.02.2021, in the amount of USD 240,6 million with the interest (coupon) income in the amount of 7,0%;
- The revolving credit line in amount of EUR 15 million with UniCredit Bank Austria AG was prolonged;
- The loan repayment term on the loan of OJSC "Globexbank", Moscow in the amount of USD 40 million was postponed to 2017;
- The Credit limit was increased by 10 million USD and new loan agreements amounted to USD 28,9 million were signed with JSC "Promsvyazbank";
- New loans amounted EUR 15 million and CHF 1 million were received from Písec Group GmbH, Austria
- short-term credit resources of JSC "Belarusbank", Zhlobin in the amount of USD 9,1 million were obtained within the credit limit;
- short-term credit resources of JSC "Priorbank", Minsk in the amount of EUR 6,0 million were obtained within the credit limit;
- short-term credit resources of JSC "Belagroprombank", Zhlobin in the amount of EUR 7.2 million and CNY 1,2 million were obtained within the credit limit;
- New long term loan amounted EUR 261.3 thousand of the JSC "BPS-Sberbank" with the usage of the foreign credit line for investment purposes was signed.
- New long-term loans from JSC "Paritetbank", Minsk and JSC "Bank Moscow-Minsk" amounted USD 7,0 million and USD 11,0 million were obtained.
- The loan in the amount of up to 70 mln. USD with an interest rate of 7% per annum was provided by Ministry of Finance of the Republic of Belarus to OJSC "BSW – management company of "BMC" with the purpose of working capital financing.

- The consent to waiver the loan agreement with Credit Suisse AG, Zurich, Switzerland, dated 06.15.2016 was received.
- The Group received an approval of the credit committee of JSC Bank "Novikombank" on refinancing the loan amounted USD 30 million.

Cash received from the bonds issue in the amount of USD 240,6 million were used for repayment the loan principals, while as a result of the refinancing the borrowings rate decreased by 3,7% and the maturity date was postponed by 3 years.

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 2016 amounted to BYR 119 821,6 million (about EUR 5 209 thousand), from which BYR 63 778,5 million (EUR 2 888,4 thousand) was received as at the date of issue of the financial statements. In addition in February 2016 the Parent company of the Group received the confirmation of intention to support its activities from the Ministry of Industry of the Republic of Belarus. These facts indicate the intention of the State to support the activities of the Group.

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 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.

The following policies are applied for presenting the financial statements in the Group's presentation currency:

- comparative amounts are those that were presented as the current year amounts in the relevant prior year consolidated financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates);
- assets and liabilities are translated at the exchange rate at the end of the reporting date, items of income and expenses are translated at the dates of relevant transactions. The resulting exchange differences are recognised in other comprehensive income as Foreign currency translation difference.

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 2015 and 31 December 2014 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 2015 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 10). 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. Management's assumptions in respect of current period disclosed in Note 8.

Fair value of loans granted, loans and borrowings and other financial instruments

Loans granted, loans and borrowings 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 2015 and 31 December 2014 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 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 2015 and 31 December 2014 were as follows:

	31 December 2015	Average rate for 2015	31 December 2014
EUR/BYR	20 300,00	17 610,33	14 380,00
EUR/RUB	79,50	67,58	67,04
EUR/USD	1,09	1,11	1,21

(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.

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. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will

flow to the Group. 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.

Revaluation surplus is never translated to retained earnings.

(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:

	<i>Years</i>
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.

(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 10 and cash and cash equivalents as presented in Note 13.

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 at fair value, 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, which till the 01 January 2015 was 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 "Events after the reporting period" 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;
- foreign currency gain or loss on financial assets and financial liabilities;

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, 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 benefit 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.

(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. NEW STANDARDS AND INTERPRETATIONS

In the current period starting 1 January 2015 the Group applied all new and revised Standards and Interpretations approved by the IASB and the IFRIC that were effective for the period starting 1 January 2015 and were applicable to the Group's operations. The nature and effect of the changes are presented below:

- **IAS 19 Employee benefits.**

The amendments to IAS 19 clarify that the discount rate used in calculating employee benefit obligations should be based on high quality corporate bonds or government bonds in the same currency in which the benefit are to be paid.

The amendments had no significant impact on the consolidated financial statements.

New standards and interpretations not yet effective

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, 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 2018, 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 significant impact on the Group's financial position or performance.

- *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 Standard is not expected to have a significant impact of the Group's consolidated financial statements.

- *Annual Improvements to IFRSs 2012-2014 Cycle* were issued on 25 September 2014 and introduces five amendments to four standards that result in accounting changes for

presentation, recognition or measurement purposes. The amendments are effective 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 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 IAS 1* include the following five, narrow-focus improvements to the disclosure requirements contained in the standard. The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group.

- *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 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 IFRS 10 and IAS 28 Sale or contribution of assets* between an investor and its associate or joint venture clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary

The effective date has not yet been determined by the IASB, but early adoption is permitted. The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group.

- *Amendments to IFRS 10, 12 and IAS 28: Investment entities - applying the consolidation exception* clarify that:

- An investment entity parent is required to fair value a subsidiary providing investment-related services that is itself an investment entity.
- An intermediate parent (holding) owned by an investment entity group can be exempt from preparing consolidated financial statements.
- A non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

The Amendments are effective for annual periods beginning on or after 1 January 2016 and apply prospectively. Earlier application is permitted.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group.

8. PROPERTY, PLANT AND EQUIPMENT

thousands of euros	Buildings and infrastructure	Production machinery	Other equipment	Other property, plant and equipment	Construction in progress and equipment for installation	Total
Cost						
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
31 December 2014	477 723	1 058 859	14 082	78 704	556 668	2 186 036
Additions	22 023	48 758	3 517	23 487	70 632	168 417
Transfers	129 133	198 389	-	35 525	(363 047)	-
Disposals	(1 059)	(6 663)	-	(2 326)	-	(10 048)
Revaluation of property, plant and equipment	(30 087)	(234 887)	-	-	-	(264 974)
Change in exchange rates of presentation currency	(153 715)	(237 658)	(4 588)	(21 972)	(123 770)	(541 703)
31 December 2015	444 018	826 798	13 011	113 418	140 483	1 537 728
Depreciation						
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
31 December 2014	63 395	376 969	5 386	33 580	-	479 330
Depreciation charge	7 598	68 327	3 484	8 606	-	88 015
Disposals	(773)	(5 392)	-	(1 148)	-	(7 313)
Revaluation of property, plant and equipment	(10 151)	(192 003)	-	-	-	(202 154)
Change in exchange rates of presentation currency	(17 914)	(21 222)	(2 048)	(9 707)	-	(50 891)
31 December 2015	42 155	226 679	6 822	31 331	-	306 987
Carrying amount						
1 January 2014	283 825	457 208	8 877	50 843	338 968	1 139 721
31 December 2014	414 328	681 890	8 696	45 124	556 668	1 706 706
31 December 2015	401 863	600 119	6 189	82 087	140 483	1 230 741

As at 31 December 2015 and 2014, property, plant and equipment in the amount of EUR 767 405 thousand and EUR 652 812 thousand, respectively, were pledged as collateral under received loans.

As at 31 December 2015 the property, plant and equipment with the cost of EUR 60 103 thousand were fully depreciated but the Group used them in production activities and for administrative purposes (2014: EUR 57 282 thousand).

Depreciation of property and equipment is included in "Cost of sales", "Administrative expenses" and "Selling and distribution expenses" and "Finished goods" depending on the nature of their use

thousands of euros	Notes	2015	2014
Cost of sales	19	80 397	50 466
Administrative expenses	20	5 430	3 571
Selling and distribution expenses	21	426	1 880

Finished goods	1 762	1 263
Total depreciation	88 015	57 180

As at 31 December 2015 the fair value of property, plant and equipment was determined in the amount: buildings and infrastructure – EUR 401 863 thousand, production machinery – EUR 600 119 thousand. The fair level was categorized as Level 3 fair value hierarchy based on the inputs to valuation techniques used.

During 2015 the Group put into operation small section rolling mill -2 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.

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 is 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 is 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.

As at 31 December 2015 Management decided not to involve independent appraiser for determination of fair values for both specialized and non-specialized items of property, plant and equipment as there were no observable data available in respect of significant fair values growth. In relation to downside change of fair values Management performed impairment testing using value in use method which resulted in fair values being decreased by EUR 62 820 thousand in arriving at the above value.

The following key assumptions were used in performing the testing:

- Cash flows were projected based on past experience, actual operating results, macroeconomic forecasts and the Group's five-year business plan.
- According to the forecasts, the compounded annual growth rate (CAGR) of revenue from the sale of products, goods and services in Belarusian roubles excluding VAT will equal to 11,6%-15,4% during 5 years depending on CGU. Similar indicators of revenue translated to USD at forecast rate have 5-year CAGR of 2,2%-5,7% 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 CAGR for 5-year projection period varies from 0,0% to 3,5% depending on CGU.
- Cash flows for 2016-2020 were extrapolated based on the assumption that revenue and expenses will increase on a pro rate basis in accordance with inflation.
- For the purposes of discounting the rate of 16,16% for OJSC "BSW – management company of "BMC" holding" was used (for others CGU – 16,67%). 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 51,5% and unlevered beta 0.65. Risk-free rate was calculated in the amount of effective yield to maturity on 20-year treasury bonds of the Government of the USA (as at 31 December 2015 – 2,67%).

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 projection period using Gordon Constant Growth model. When calculating the terminal value of estimated property, plant and equipment, the terminal rate of 16,16% (for other CGU – 16,67%) 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 164 487 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 estimates provided above are particularly sensitive in the following areas:

- Increase in applied discount rate by 0,26%-16,08% depending on CGU would have caused the discounted amount of future cash flows to equal the carrying amount.
- Decrease in long-term growth rate by 0,5%-81,5% 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 2015		31 December 2014	
	Buildings and infrastructure	Production machinery	Buildings and infrastructure	Production machinery
Cost	466 247	568 259	653 229	803 107
Accumulated depreciation	(153 862)	(245 652)	(181 914)	(278 338)
Carrying amount	312 385	322 607	471 315	524 769

9. INVESTMENTS IN ASSOCIATES

As at 31 December 2015 and 31 December 2014, investments in associates were as follows:

Company	31 December 2015	31 December 2014
LLC "Dismas Trading s.r.l."	786	685
LLC "Transconsult Poland Sp. z o.o."	146	170
LLC "VLB s.r.l."	60	58
LLC "RMZ Polska Sp. z o.o."	10	10
Total	1 002	923

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at 31 December 2015 and 31 December 2014 comprised the following:

thousands of euros	31 December 2015	31 December 2014
Trade receivables	53 726	89 201
Other receivables	5 958	4 631
Provision for impairment of trade and other receivables	(1 599)	(5 027)
Total trade and other receivables	58 085	88 805
Short-term part	57 589	87 396
Financial trade and other receivables	52 127	84 174
Non-financial trade and other receivables	5 958	4 631

Change in provision for impairment of trade and other receivables:

thousands of euros	2015	2014
At the beginning of the year	5 027	4 813
Charge/ (Reversal) during the year	(1 962)	430
Effect of hyperinflation and exchange rate changes	(1 466)	(216)
At the end of the year	(1 599)	(5 027)

The provision for impairment of trade receivables is reflected in "Charge of provision for doubtful debts in the statement of profit and loss and other comprehensive income.

As at 31 December 2015 and 31 December 2014 past due but not impaired receivables were insignificant.

11. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets as at 31 December 2015 and 31 December 2014 comprised the following:

thousands of euros	31 December 2015	31 December 2014
Prepayments	13 962	38 740
VAT recoverable and paid	5 855	11 840
Biological assets	4 166	5 035
Intangible assets	2 361	2 986
Other assets	557	-
Provision for impairment of prepayments	-	(1 829)
Total prepayments and other assets	26 901	56 772
Short-term part	18 262	40 002

Change in provision for impairment of prepayments:

thousands of euros	2015	2014
At the beginning of the year	1 829	1 666
Charge/ (Reversal) during the year	(1 296)	68
Effect of exchange rate changes	(533)	95
At the end of the year	-	1 829

12. INVENTORIES

As at 31 December 2015 and 31 December 2014 inventories comprised the following:

thousands of euros	31 December 2015	31 December 2014
Raw materials, supplies and auxiliary items	100 000	203 515
Finished goods	63 254	96 844
Work in progress	29 055	47 145
Total	192 309	347 504

As at 31 December 2015, inventories of EUR 72 134 thousand (31 December 2014: EUR 166 319 thousand) were pledged as collateral.

As at 31 December 2015 and 31 December 2014 inventories are stated at the lower of cost and net realisable value. In 2015 the Group wrote down the inventories to the net realizable value in the amount of EUR 2 516 thousand. In 2014 the Group wrote down the inventories to the net realizable value in the amount of EUR 8 842 thousand. The reversal of write-downs amounted to EUR 142 thousand in 2014. The write-down and reversal are included in cost of sales.

13. CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 31 December 2014 cash and cash equivalents comprised the following:

thousands of euros	31 December 2015	31 December 2014
Cash at banks	9 400	37 055
Cash in transit	6 690	6 525
Cash on hand	51	33
Total cash and cash equivalents	16 141	43 613

Significant amounts of cash are placed as at 31 December 2015 with the following banks:

thousands of euros	Moody's Investors Service credit rating	Standard and Poor's credit rating	Balance at 31 December 2015
OJSC "Savings Bank Belarusbank"	Caa1/ Negative; B3/ Negative	B-/Stable	2 641
DZ Bank AG	Aa2	AA-	6 459
«CreditSuisse»	A1/Stable; A1/Stable	A/Stable	720
ОАО "Банк БелВЭБ"	-	B-/Stable; C/Stable	388
OJSC "BPS-Sberbank"	B3/Caa2	B-/Stable	373
OJSC «Belgazprombank»	-	B-/Stable	179
ОАО "Приорбанк"	-	B-/Stable; B/Stable	173
			10 933

Significant amounts of cash are placed as at 31 December 2014 with the following banks:

thousands of euros	Moody's Investors Service credit rating	Standard and Poor's credit rating	31 December 2014
OJSC "Savings Bank Belarusbank"	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

14. ADVANCES RECEIVED AND OTHER LIABILITIES

As at 31 December 2015 and 31 December 2014 advances received and other liabilities comprise the following:

thousands of euros	31 December 2015	31 December 2014
Advances received	55 323	82 913
Amounts due to personnel	9 840	9 270
Payroll taxes	2 153	3 002
Dividends accrued	54	8
Letter of credit	8 477	7 219
Other liabilities	7 051	1 297
Total advances received and other liabilities	82 898	103 709
Short-term part	79 961	102 609

Financial advances received and other liabilities	8 477	7 219
Non-financial advances received and other liabilities	74 421	96 490

15. LOANS AND BORROWINGS

The Group received significant funding from DZ Bank AG, Raiffeisenlandesbank, Eurasian Development Bank and Credit Suisse Bank. As at 31 December 2015, the Group breached financial covenants under the agreements with "Credit Suisse" and "Raiffeisenlandesbank" with regard to the following ratio: "Net debt/EBITDA", "Total debt/capitalisation"; breached financial covenants under the agreements with Eurasian Development Bank with regard to the following ratio: "Overall liquidity ratio", "Overall solvency 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", "The ratio of EBITDA to debt service". 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 134 375 thousand is presented within current liabilities.

At 31 December 2015, loans and borrowings comprised the following:

Counterparty	Currency	Contractual maturity	31 December 2015
OJSC "Savings Bank Belarusbank"	EUR	2022	153 511
"Eurasian Bank of Development", Kazakhstan	EUR	2023	135 278
OJSC "Savings Bank Belarusbank"	USD	2017	85 342
OJSC "Savings Bank Belarusbank"	USD	2016	80 004
OJSC «Belagroprombank»	USD	2016	74 679
JSC "GLOBEXBANK"	USD	2016	59 508
OJSC «Belgazprombank»	USD	2016	46 126
OJSC «Belinvestbank»	USD	2016	41 586
JSC «NOVIKOMBANK»	USD	2016	36 898
OJSC "Savings Bank Belarusbank"	EUR	2017	32 485
VTB Bank AG	EUR	2016	28 681
UniCredit Bank Austria AG	USD	2016	26 238
OJSC «Belagroprombank»	EUR	2016	23 933
OJSC «Bank BelVEB», Minsk	USD	2016	23 316
OJSC «Bank BelVEB», Minsk	USD	2017	21 814
OJSC «Belagroprombank»	EUR	2017	17 246
Prefinance RBI	EUR	2016	16 935
DZ Bank AG	EUR	2017	15 566
OJSC «BPS-Sberbank»	USD	2017	15 422

OJSC «Belagroprombank»	USD	2017	15 380
JSC "GLOBEXBANK"	EUR	2016	15 000
OJSC "Savings Bank Belarusbank"	EUR	2016	14 991
OJSC "Savings Bank Belarusbank"	EUR	2024	14 827
JSC «NOVIKOMBANK»	EUR	2016	13 910
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	EUR	2019	13 313
Raiffeisen Bank	EUR	2016	12 272
OJSC "Savings Bank Belarusbank"	EUR	2019	11 961
OJSC «Belinvestbank»	USD	2017	11 397
OJSC «BPS-Sberbank»	USD	2016	11 233
OJSC FUNDSERVICEBANK	EUR	2016	8 359
AKA Ausfuhrkredit - Gessellschaft mbH	EUR	2020	8 351
OJSC «Priorbank»	EUR	2016	7 840
OJSC "Moscow-Minsk Bank"	USD	2017	6 456
Credit Suisse	EUR	2018	6 453
JSC «NOVIKOMBANK»	USD	2018	6 027
KAMAZ	EUR	2016	6 014
Bank Austria	EUR	2016	5 902
AKA Ausfuhrkredit - Gessellschaft mbH	EUR	2021	5 667
OJSC «BPS-Sberbank»	EUR	2016	5 318
Pisec Group GmbH	EUR	2016	5 224
Foster Loan	USD	2017	5 097
JSC «Promsvyazbank	EUR	2016	4 984
OJSC "Savings Bank Belarusbank"	EUR	2018	4 777
CJSC «Bank VTB», Belarus	USD	2016	4 612
OJSC "Savings Bank Belarusbank"	BYR	2018	4 426
Erste Bank	EUR	2016	4 139
FINPROMBANK A/O	EUR	2016	3 826
RBI Finance LLC	USD	2016	3 623
OJSC «BPS-Sberbank»	EUR	2019	2 784
Credit Suisse	EUR	2017	2 644
OJSC "Savings Bank Belarusbank"	BYR	2016	2 455
OJSC «Bank Saint Petersburg»	RUB	2016	2 133
OJSC «Belinvestbank»	EUR	2019	1 989
JSC «NOVIKOMBANK»	RUB	2016	1 883
Ministry of Finance of Republic of Belarus	BYR	2017	1 848

OJSC "Savings Bank Belarusbank"	USD	2018	1 778
CJSC «Bank VTB», Belarus	EUR	2016	1 616
AO "Manuli Hidravlics, Polska	EUR	2019	1 574
OJSC «BPS-Sberbank»	EUR	2018	1 470
OJSC «Priorbank»	USD	2016	1 382
JSC «Runabank»	RUB	2016	1 317
OJSC «BPS-Sberbank»	BYR	2016	1 307
Pisec Group GmbH	USD	2016	1 160
OJSC "Moscow-Minsk Bank"	RUB	2017	1 114
OJSC «BPS-Sberbank»	EUR	2017	1 071
AB "Šiaulių Bankas"	EUR	2016	1 035
OJSC «Belgazprombank»	EUR	2018	990
Bank Austria	USD	2016	961
OJSC «Belgazprombank»	USD	2017	924
BAWAG	EUR	2016	913
JSC «NOVIKOMBANK»	RUB	2019	875
Raiffeisenlandesbank	EUR	2016	874
OJSC "Savings Bank Belarusbank"	RUB	2017	834
Raiffaisen, Austria	EUR	2016	806
Bank Austria	EUR	2016	676
OJSC «Belinvestbank»	EUR	2016	595
Bank Austria	USD	2016	552
OJSC «Belagroprombank»	BYR	2016	537
OJSC «Belagroprombank»	BYR	2018	489
OJSC «Belinvestbank»	BYR	2016	392
OJSC «BPS-Sberbank»	USD	2019	341
OJSC «Bank BelVEB», Minsk	BYR	2016	296
OJSC "Savings Bank Belarusbank"	BYR	2020	210
OJSC «Paritetbank»	BYR	2017	156
OJSC "Savings Bank Belarusbank"	BYR	2019	148
OJSC «Belagroprombank»	BYR	on demand	107
OJSC «Belinvestbank»	BYR	2017	106
OJSC «Belagroprombank»	BYR	2051	62
OJSC "BELAZ" - Management Company of Holding "BELAZ-HOLDING"	BYR	on demand	60
OJSC «Belagroprombank»	BYR	2047	57
OJSC "Savings Bank Belarusbank"	BYR	2017	56

Partner Panin O.V.	RUB	2016	53
OJSC "Gomeloilproduct"	BYR	2016	52
OJSC «Belagroprombank»	BYR	2049	44
OJSC «Belagroprombank»	BYR	2020	39
OJSC «Belagroprombank»	BYR	2050	34
OJSC «Belagroprombank»	BYR	2046	29
JSC "Development Bank of the Republic of Belarus"	BYR	2022	27
JSC "Development Bank of the Republic of Belarus"	BYR	2024	26
OJSC «Belagroprombank»	BYR	2048	25
OJSC "Belarusian cement plant"	BYR	2016	22
VKB	EUR	on demand	12
OJSC «Belagroprombank»	BYR	2026	7
OJSC «Belagroprombank»	BYR	2041	7
OJSC «Belagroprombank»	BYR	2044	5
JSC "Ikar"	RUB	2016	5
OJSC «Belagroprombank»	BYR	2045	4
JSC "Kobrin Butter and Cheese making Factory"	BYR	2016	2
Export support fund	BYR	2016	1
OJSC "Brest-meat packing plant"	BYR	2016	1
OJSC «Belagroprombank»	BYR	2040	1
Total loans and borrowings			1 218 920
Short-term part			885 083

At 31 December 2014 loans and borrowings comprised the following:

Counterparty	Currency	Contractual maturity	31 December 2014
OJSC "Savings Bank Belarusbank"	EUR	2022	152 910
"Eurasian Bank of Development", Kazakhstan	EUR	2023	119 707
OJSC "Savings Bank Belarusbank"	USD	2016	72 304
OJSC «Belagroprombank»	EUR	2015	56 269
OJSC «Belagroprombank»	USD	2015	52 132
JSC "GLOBEXBANK"	USD	2015	41 235
OJSC «Bank BelVEB», Minsk	USD	2015	40 127
OJSC «Belgazprombank»	USD	2016	39 854
JSC «NOVIKOMBANK»	USD	2015	38 960
OJSC «Belinvestbank»	USD	2016	37 815

"Deutsche Zentral-Genossenschaftsbank" ("DZ Bank AG"), Frankfurt am Main, Germany и "Bayerische Landesbank", Munich, Germany.	EUR	2017	25 398
OJSC "Savings Bank Belarusbank"	USD	2015	25 113
UniCredit Bank Austria AG, Austria	USD	2015	24 528
VTB Bank (Austria) AG	EUR	2016	23 333
JSC "GLOBEXBANK"	EUR	2015	17 733
OJSC "Savings Bank Belarusbank"	EUR	2015	17 143
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, Austria	EUR	2019	16 446
OJSC "Savings Bank Belarusbank"	EUR	2024	16 283
RZB Vienna	EUR	on demand	15 171
JSC «Promsvyazbank	EUR	2015	15 000
SBERBANK EUROPE AG	EUR	2015	13 035
JSC «NOVIKOMBANK»	EUR	2015	12 500
OJSC «Bank BelVEB», Minsk	USD	2016	12 475
OJSC «BPS-Sberbank»	USD	2017	12 136
VTB Bank AG	EUR	2015	10 554
OJSC «Belinvestbank»	USD	2017	10 248
OJSC "Savings Bank Belarusbank"	EUR	2019	10 022
CJSC «Bank VTB», Belarus	USD	2016	9 924
RZB Finance	EUR	on demand	9 854
Bank Austria	EUR	on demand	9 534
OJSC «BPS-Sberbank»	USD	2016	9 385
OJSC "Savings Bank Belarusbank"	EUR	2017	9 326
"Credit Suisse", Switzerland	EUR	2018	8 812
Pisec Group GmbH	EUR	on demand	8 590
CJSC "Alfa-Bank", Minsk	USD	2016	7 076
JSC «NOVIKOMBANK»	USD	2018	5 888
OJSC "Moscow-Minsk Bank"	USD	2015	5 501
OJSC "Savings Bank Belarusbank"	EUR	2018	5 338
OJSC «Bank Saint Petersburg»	RUB	2015	5 221
Raiffeisen Bank	EUR	on demand	5 216
KAMAZ, Austria	EUR	2015	5 011
OJSC «BPS-Sberbank»	USD	2015	4 988
OJSC «Priorbank»	EUR	2015	4 637
Erste Bank	EUR	on demand	4 636

"Credit Suisse", Switzerland	EUR	2017	4 410
OJSC "Savings Bank Belarusbank"	BYR	2018	4 367
Foster Loan	EUR	2016	4 158
OJSC «Priorbank»	USD	2015	4 154
OJSC "Savings Bank Belarusbank"	BYR	2016	3 827
JSC «Promsvyazbank	USD	2015	3 807
OJSC «BPS-Sberbank»	EUR	2016	3 602
JSC «NOVIKOMBANK»	RUB	2015	3 368
Ministry of Finance of Republic of Belarus	BYR	2017	2 604
OJSC «Belgazprombank»	EUR	2015	2 339
OJSC «Belgazprombank»	USD	2015	2 244
OJSC «Belinvestbank»	EUR	2016	2 083
AKA Ausfuhrkredit - Gesellschaft mbH, Germany	EUR	2020	1 918
OJSC "Savings Bank Belarusbank"	BYR	2015	1 758
CJSC «Bank VTB», Belarus	EUR	2014	1 613
JSC «Runabank»	RUB	2015	1 566
OJSC «BPS-Sberbank»	EUR	2017	1 500
OJSC "Moscow-Minsk Bank"	RUB	2015	1 490
OJSC "Savings Bank Belarusbank"	RUB	2015	976
BAWAG	EUR	on demand	896
OJSC «BPS-Sberbank»	BYR	2015	854
Raiffeisenlandesbank	EUR	on demand	795
Fis Finance&Investment Services GesmbH Vienna, Austria	EUR	2016	782
OJSC «Belinvestbank»	BYR	2016	766
AO "Manuli Gidravlics, Polska	EUR	2019	731
Bank Austria UNICREDIT	EUR	on demand	671
OJSC «Belagroprombank»	BYR	2018	665
OJSC «BPS-Sberbank»	BYR	2016	591
OJSC «Belagroprombank»	BYR	2015	580
CJSC «Bank VTB», Belarus	EUR	2016	465
OJSC «Belagroprombank»	EUR	2017	435
OJSC "Savings Bank Belarusbank"	BYR	2020	361
OJSC «Paritetbank»	BYR	2017	356
OJSC "Moscow-Minsk Bank"	EUR	2015	325
OJSC «Bank BelVEB», Minsk	BYR	2015	319
Bank Austria	EUR	1905	239

OJSC "Savings Bank Belarusbank"	BYR	2017	226
OJSC "Savings Bank Belarusbank"	BYR	2019	221
OJSC "BELAZ" - Management Company of Holding "BELAZ-HOLDING"	BYR	2012	209
OJSC «Belinvestbank»	USD	2015	149
OJSC «Belagroprombank»	BYR	2020	145
OJSC «Belagroprombank»	BYR	2050	139
OJSC «Bank BelVEB», Minsk	RUB	2015	131
OJSC «Belinvestbank»	BYR	2015	106
OJSC «Bank BelVEB», Minsk	BYR	2015	104
OJSC «Belagroprombank»	BYR	2047	83
OJSC «BPS-Sberbank»	USD	2019	83
JSC «NOVIKOMBANK»	RUB	2019	75
OJSC «Belagroprombank»	BYR	2016	65
OJSC «Belagroprombank»	BYR	2049	64
JSC "Development Bank of the Republic of Belarus"	BYR	2022	44
OJSC "Savings Bank Belarusbank"	RUB	2019	43
JSC VTB Bank	EUR	2015	43
OJSC «Belagroprombank»	BYR	2046	42
JSC "Development Bank of the Republic of Belarus"	BYR	2024	41
Raiba	EUR	on demand	39
OJSC «Belagroprombank»	BYR	2048	37
OJSC «Belagroprombank»	BYR	2026	10
OJSC «Belagroprombank»	BYR	2041	10
Ministry of Industry Innovation Fund	BYR	2009	10
Export support fund	BYR	2016	9
JSC "Kobrin Butter and Cheese making Factory"	BYR	2015	8
OJSC «Belagroprombank»	BYR	2044	8
OJSC «Belagroprombank»	BYR	2045	5
OJSC «Belagroprombank»	BYR	2008	5
AO "Manuli Hidravlics, Polska	EUR	2015	4
OJSC «Belagroprombank»	BYR	2040	1
Committee on Labor and Employment, Social Protection	BYR	2014	1
Total loans and borrowings			1 111 143
Short-term part			744 170

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 1,25-22% and 1,7-16%, respectively.

The Group pledged property, plant and equipment and inventory to secure bank loans (Notes 8, 12).

16. 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. The funding received is initially recorded as deferred income and is taken to income in the consolidated statement of comprehensive income in the amount proportionally to the amount of depreciation of the corresponding property, plant and equipment in the respective periods, as interests which funding is intended to compensate were previously capitalized following borrowing costs accounting policy (Note 6 (g)). As a result, the Group recognized an income on government grant in the amount of EUR 531 thousand in 2015 in line "Government grants" in the statement of profit and loss and other comprehensive income.

The Group also received some other government grants representing government financing for acquisition of property, plant and equipment. The Group recognized an income on government grant in the amount of EUR 1 002 thousand in 2015.

17. EQUITY AND RESERVES

Share capital of the Group as at 31 December 2015 amounted to EUR 653 683 thousand (including effect of inflation equal to EUR 155 849 thousands).

<i>Number of shares</i>	Ordinary shares	
	2015	2014
In issue at the beginning of the year	364 414	330 984
Shares issued due to contribution of the owner as a transfer of shares of OJSC "Minsk Bearing Plant" and OJSC "Polesyelectromash"	-	33 430
In issue at the end of the year, fully paid	364 414	364 414
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.

During the year ended 31 December 2015 the Group declared dividends in the amount of EUR 1 236 thousand (2014: EUR 2 359 thousand). Dividends were fully paid.

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, 3 393 663 103 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».

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 from the functional currency to the presentation currency.

Non-controlling interest

31 December 2015 thousands of euros	Belmet Handelsge sellschaft m.b.H.	OJSC "Mogilev Metallurgi cal Works"	OJSC "Minsk Bearing Plant"	"BSW" Trading House, Saint Petersburg	Trading House "BSW- Baltiya"	JLLC "Manuli Hydraulics Manufactu ring Bel"	"BSW" Trading House, Moscow	BELAST AHL Außenha ndel GmbH	BEL- KAP- STEEL LLC	JLLC "BSW- GKS"	OJSC "Plant "Legmash"	Other individu ally immateri al subsidi aries	Intra- group elimina tions	Total
NCI percentage	50,00%	45,30%	0,033%	40,00%	45,00%	44,60%	17,50%	25,00%	50,00%	42,60%	18,3%	-	-	-
Assets	30 872 (17 942)	32 220 (44 533)	66 404 (45 036)	83 098 (73 303)	19 791 (10 805)	14 034 (6 081)	15 038 (10 108)	15 409 (10 921)	70 785 (66 753)	23 608 (21 829)	4 891 (3 722)	-	-	-
Liabilities														
Net assets	12 930	(12 313)	21 368	9 795	8 986	7 953	4 930	4 488	4 032	1 779	1 169	-	-	-
Net assets attributable to NCI	6 465	(5 578)	7	3 918	4 044	3 547	863	1 122	2 016	758	214	15	1 211	18 602
Revenue	136 312	30 442	17 582	155 342	103 514	3 951	129 887	55 499	162 475	9 426	8 718	-	-	-
Loss (profit)	1 574	(11 924)	(17 157)	6 334 (663)	3 325 (607)	(1 853) (538)	111 (331)	673	783 (272)	(1 638) (124)	(3 786) (77)	-	-	-
OCI	-	832	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	1 574	(11 092)	(17 157)	5 671	2 718	(2 391)	(220)	673	511	(1 762)	(3 863)	-	-	-
Loss (profit) allocated to NCI	937	(5 402)	(6)	2 534	1 496	(826)	19	168	392	(698)	(693)	(49)	-	(2 128)
OCI allocated to NCI	-	377	-	(265)	(273)	(240)	(58)	-	(136)	(53)	(14)	(1)	-	(663)

31 December 2014 thousands of euros	Belmet Handelsgesellschaft m.b.H.	OJSC "Mogilev Metallurgical Works"	OJSC "Minsk Bearing Plant"	"BSW" Trading House, Saint Petersburg	Trading House "BSW- Baltiya"	JLLC "Manuli Hydraulics Manufacturing Bel"	"BSW" Trading House, Moscow	BELAST AHL Außenhandel GmbH	BEL- KAP- STEEL LLC	JLLC "BSW- GKS"	OJSC "Plant "Legmash"	Other individually immaterial subsidiaries	Intra- group eliminations	Total
NCI percentage	50,00%	45,30%	0,03%	40,00%	45,00%	46,30%	17,50%	25,00%	50,00%	42,60%	20,400%	-	-	-
Assets	32 991 (20 186)	40 784 (42 533)	95 979 (44 990)	96 303 (90 326)	15 523 (9 449)	7 542 (1 404)	47 099 (41 172)	16 130 (11 949)	57 706 (55 071)	29 545 (25 221)	10 222 (3 878)	-	-	-
Liabilities														
Net assets	12 805	(1 749)	50 989	5 977	6 074	6 138	5 927	4 181	2 635	4 324	6 344	-	-	-
Net assets attributable to NCI	6 403	(792)	15	2 391	2 733	2 842	1 037	1 045	1 318	1 842	1 294	62	1 776	21 966
Revenue	128 657	34 091	15 032	153 585	100 312	-	179 432	50 087	143 049	-	11 459	-	-	-
Loss (profit)	2 089	(7 213)	(7 178)	2 116	2 141	(11)	1 339	729	551	288	(4 934)	-	-	-
OCI	-	218	(7 491)	(743)	(756)	(764)	(737)	-	(328)	(537)	(793)	-	-	-
Total comprehensive income	2 089	(6 995)	(14 669)	1 373	1 385	(775)	602	729	223	(249)	(5 727)	-	-	-
Loss (profit) allocated to NCI	1 383	(3 267)	(2)	846	963	(5)	234	182	276	123	(1 007)	(99)	-	(373)
OCI allocated to NCI	-	99	(2)	(297)	(340)	(354)	(129)	-	(164)	(229)	(162)	(7)	-	(1 585)

18. REVENUE

Revenue of the Group by types of products:

thousands of euros	2015	2014
Rolled products	299 014	462 733
Cast billet	222 376	219 810
Steel pipes	195 074	144 079
Other types of wire	171 467	129 385
Steel cord	110 822	123 486
Hose wire	31 094	43 628
Sale of scrap	46 998	57 565
Bronze-plated bead wire	15 517	25 200
Nails	18 543	16 106
Bearing	16 388	23 499
Other products	88 742	95 186
Total revenue	1 216 035	1 340 677

The geographical concentration of the Group's revenue:

thousands of euros	2015	2014
Non-CIS countries	795 639	736 388
Russian Federation	236 739	343 852
Domestic market	175 404	229 718
Other CIS countries	8 253	30 719
Total revenue	1 216 035	1 340 677

19. COST OF SALES

thousands of euros	2015	2014
Materials	651 167	741 412
Electricity and fuel	241 281	200 311
Payroll expenses and related taxes	128 236	135 669
Depreciation	80 397	50 466
Repair and maintenance of property, plant and equipment	7 356	7 193
Transportation expenses	6 126	3 733
Taxes other than income tax	2 576	2 507
Spoilage and waste	2 061	4 073
Travel expenses	1 145	759
Other expenses	39 396	37 880
Total cost of sales	1 159 741	1 184 003

20. ADMINISTRATIVE EXPENSES

thousands of euros	2 015	2 014
Payroll expenses and related taxes	36 506	43 249
Third party services	8 122	2 792
Taxes other than income tax	7 956	7 856
Bank charges	7 885	7 380
Depreciation	5 430	3 571
Excess over maximum permissible concentration	2 250	1 758
Electricity, fuel, water	1 355	1 244
Repair and maintenance of property, plant and equipment	1 125	1 061
Materials	729	1 103
Travel expenses	233	806
Legal and consultancy	208	761
Insurance	172	271
Private security	911	1 114
Other expenses	6 380	12 074
Total administrative expenses	79 262	85 040

21. SELLING EXPENSES

thousands of euros	2015	2014
Transportation expenses	56 389	51 219
Payroll expenses and related taxes	4 819	5 523
Materials	4 066	7 061
Advertising expenses	627	1 965
Depreciation	426	1 880
Travel expenses	92	95
Insurance	40	51
Taxes other than income tax	29	725
Other expenses	6 904	7 304
Total selling expenses	73 392	75 823

22. FINANCE INCOME AND COSTS

Finance income and costs comprise the following:

thousands of euros	2015	2014
Finance income		
Interest income	816	5 324
Dividends received	-	126

Other income	615	580
Total finance income	1 431	6 030
Finance costs		
Interest expenses	(103 499)	(57 492)
Net foreign exchange loss	(408 086)	(149 437)
Other	(1 015)	(1 139)
Total finance costs	(512 600)	(208 068)
Net finance costs, recognized in profit and loss	(511 169)	(202 038)

23. 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 2015 and 2014 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)	
	2015	2014
Property, plant and equipment	25 021	(44 236)
Prepayments and other assets	34 410	(3 427)
Trade and other payables	(678)	6 717
Trade and other receivables	242	(630)
Loans granted	(51)	(80)
Government grants	4 263	4 374
Inventories	4 850	(5 256)
Loans and borrowings	(572)	(649)
Other differences	(520)	3 583
Tax assets/ (liabilities) before offset	66 965	(39 604)
Change in unrecognized deferred tax assets	(18 985)	(3 849)
Net deferred tax assets/(liabilities)	47 980	(43 453)

Management of the Group believes that following measures disclosed in Note 2, the Group will improve its financial position and will have future taxable profit against which it will be possible to utilize deductible temporary differences.

As at 31 December 2015 and 31 December 2014 deferred tax asset/ liabilities comprise the following:

thousands of euros	2015	2014
Deferred tax asset	48 963	5 005
Deferred tax liability	(983)	(48 458)
Total	47 980	(43 453)

The reconciliation between theoretical tax expense, current income tax and accounting profit for the year ended 31 December 2015 and 31 December 2014 is as follows:

thousands of euros	2015	2014
Loss before tax	(636 915)	(103 064)
Effect of consolidation adjustments	1 183	(2 118)
Loss before tax of consolidated subsidiaries subject to income taxes	(635 732)	(105 182)
Theoretical income tax benefit at the effective interest rate of 18%	(114 432)	(18 933)
Write down of foreign exchange currency differences in taxation records through revaluation reserve	-	21 335
Effect of net monetary position on taxation	-	16 530
Effect of local revaluation write-off	21 224	33 559
Permanent differences	(37 513)	(23 939)
Tax effect of losses for current year, for which deferred tax assets were not recognized	30 817	10 139
Effect on deferred tax from non-taxable income and expenses	1 283	3 035
Tax effect of different tax rates in other jurisdictions	360	339
Tax effect of unrecognised tax losses	18 985	3 849
Other adjustments	(898)	(5 023)
Income tax expense	(80 174)	40 891

Expenses on income tax for the years ended 31 December 2015 and 31 December 2014 are as follows:

thousands of euros	2015	2014
Current income tax expense for the year	(6 167)	(8 190)
Deferred income taxes for the year	86 341	(32 701)
Total income tax expense	80 174	(40 891)

Movements in deferred taxes are as follows:

thousands of euros	2015	2014
At the beginning of the reporting year	(43 453)	37 787
Recognized in other comprehensive income	5 755	(45 492)
Recognized in profit or loss	86 341	(32 701)
Effect of translation to presentation currency	(663)	(3 047)
Net asset (liability) at the end of the reporting year	47 980	(43 453)

24. 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 2015 and 31 December 2014 amounted to EUR 2 646 thousand and EUR 1 553 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. 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:

In 2015 agricultural unitary enterprise «Domovitsky-agro» were gratuitously transferred to republican ownership. The result of transaction in the amount of EUR 1 208 thousand was recognized directly in equity in transactions with owner.

25. 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 significant part of Group's operations are 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 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 which in total estimated as non-significant. The Group has a portion of sales to Russian Federation (Note 18) which is 19,5% of total sales for 2015 (2014: 25,6%), Trade accounts receivables in RUB is equal to EUR 3 345 thousand as at 31 December 2015 (2014: EUR 3 548 thousand), Trade payables in RUB is equal to EUR 19 287 thousand as at 31 December 2015 (2014: EUR 9 747 thousand), Loans and borrowings in RUB is equal to EUR 2 825 thousand as at 31 December 2015 (2014: EUR 2 175 thousand) and no significant amounts of other assets or liabilities. The future business environment may differ from management's assessment.

26. 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	Notes	2015	2014
Available-for-sale investments		2 593	2 507
Cash and cash equivalents	13	16 141	43 613
Deposits		7 249	6 000
Loans granted		1 339	656
Financial trade and other receivables	10	52 127	84 174

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. It also manages assets with liquidity in mind and monitors future cash flows and liquidity. 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. Management's plans for improving liquidity position disclosed in Note 2.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the Group's financial liabilities as at 31 December 2015 and 2014, 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.

31 December 2015	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	(885 083)	(119 776)	(801 936)	-	-	(921 712)
Long-term loans and borrowings	(333 837)	(9 176)	(48 749)	(327 037)	(50 782)	(435 744)
Financial advances received and other liabilities	(8 477)	(6 403)	(465)	(1 609)	-	(8 477)
Trade payables	(214 941)	(202 958)	(10 443)	(1 540)	-	(214 941)
Total financial liabilities	(1 442 338)	(338 313)	(861 593)	(330 186)	(50 782)	(1 580 874)

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)
Financial advances received and other liabilities	(7 219)	-	(986)	(6 233)	-	(7 219)
Trade and other payables	(185 058)	(135 428)	(37 105)	(12 114)	(411)	(185 058)
Total financial liabilities	(1 303 420)	(385 663)	(717 852)	(266 126)	(71 205)	(1 440 846)

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, the refinancing rate of the National Bank of the Republic of Belarus) held at 31 December 2015 and 2014. The structure of Group financial assets and liabilities as at 31 December 2015 is indicated below:

thousands of euros	Interest Free	Fixed interest rate	Floating interest rate	Total
Financial assets				
Available-for-sale investments	2 593	-	-	2 593
Short-term loans granted	47	-	-	47
Long-term loans granted	1 292	-	-	1 292
Financial trade and other receivables	52 127	-	-	52 127
Deposits	841	3 866	2 542	7 249
Cash and cash equivalents	8 219	1 555	6 367	16 141
Financial liabilities				
Financial advances received and other liabilities	(8 477)	-	-	(8 477)
Trade and other payables	(214 941)	-	-	(214 941)
Loans and borrowings	-	(751 826)	(467 094)	(1 218 920)
Open position of interest rate	(158 299)	(746 405)	(458 185)	(1 362 889)

The structure of Group financial assets and liabilities as at 31 December 2014 is indicated below:

thousands of euros	Interest Free	Fixed interest rate	Floating interest rate	Total
Financial assets				
Available-for-sale investments	2 507	-	-	2 507
Short-term loans granted	61	-	-	61
Long-term loans granted	595	-	-	595
Financial trade and other receivables	84 174	-	-	84 174
Deposits	1 096	4 198	706	6 000
Cash and cash equivalents	26 295	10 249	7 069	43 613
Financial liabilities				
Financial advances received and other liabilities	(7 219)	-	-	(7 219)
Trade and other payables	(185 058)	-	-	(185 058)
Loans and borrowings	(14 322)	(689 885)	(406 936)	(1 111 143)
Open position of interest rate	(91 871)	(675 438)	(399 161)	(1 166 470)

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 2015		31 December 2014	
	Interest rate	Interest rate	Interest rate	Interest rate
	1%	-1%	1%	-1%
Effect on profit/(loss) before tax	(4 582)	4 582	(3 992)	3 992
Effect on equity	(3 757)	3 757	(3 273)	3 273

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 2015 and 31 December 2014 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).

thousands of euros	USD	EUR	RUB	Other	Total
Financial assets					
Available-for-sale investments	-	-	-	-	-

Short-term loans granted	-	-	-	-	-
Long-term loans granted	-	-	-	-	-
Financial trade and other receivables	4 412	19 661	3 345	-	27 418
Deposits	249	4 251	1	396	4 897
Cash and cash equivalents	1 401	11 015	787	72	13 275
Total financial assets	6 062	34 927	4 133	468	45 590

Financial liabilities					
Financial advances received and other liabilities	(6 403)	(2 074)	-	-	(8 477)
Trade and other payables	(74 942)	(34 106)	(19 287)	(816)	(129 151)
Loans and borrowings	(571 979)	(593 283)	(2 825)	-	(1 168 087)
Total financial liabilities	(653 324)	(629 463)	(22 112)	(816)	(1 305 715)
Total net monetary position	(647 262)	(594 536)	(17 979)	(348)	(1 260 125)

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2014:

thousands of euros	USD	EUR	RUB	Other	Total
Financial assets					
Available-for-sale investments	-	1 361	-	-	1 361
Short-term loans granted	-	-	-	-	-
Long-term loans granted	-	-	-	-	-
Financial trade and other receivables	4 558	527	3 548	-	8 633
Deposits	1 282	1 300	-	-	2 582
Cash and cash equivalents	3 453	21 453	5 705	-	30 611
Total financial assets	9 293	24 641	9 253	-	43 187
Financial liabilities					
Financial advances received and other liabilities	(5 768)	(1 451)	-	-	(7 219)
Trade and other payables	(60 683)	(31 189)	(9 747)	(8)	(101 627)

Loans and borrowings	(460 124)	(466 775)	(2 715)	-	(929 614)
Total financial liabilities	(526 575)	(499 415)	(12 462)	(8)	(1 038 460)
Total net monetary position	(517 282)	(474 774)	(3 209)	(8)	(995 273)

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 and 31 December 2015 is presented as follows:

31 December 2015	BYR/USD		BYR/EUR		BYR/RUB	
	40%	-10%	20%	-10%	20%	-10%
Effect on profit/(loss) before tax	(258 905)	64 726	(118 907)	59 454	(3 596)	1 798
Effect on equity	(212 302)	53 075	(97 504)	48 752	(2 949)	1 474
31 December 2014	BYR/USD		BYR/EUR		BYR/RUB	
	40%	-10%	20%	-10%	30%	-10%
Effect on profit/(loss) before tax	(206 913)	51 728	(94 955)	47 477	(963)	321
Effect on equity	(169 669)	42 417	(77 863)	38 931	(790)	263

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%. Management of the Group believes that actions described in Note 2 of these financial statements will improve current year's deterioration of gearing ratio during 2016. 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.

thousands of euros	2015	2014
Short-term and long-term loans and borrowings	1 218 920	1 111 143
Trade payables and other current liabilities	297 839	288 767
Less cash and cash equivalents, and amounts due from banks	(23 390)	(49 613)
Net debt	1 493 369	1 350 297
Net assets	53 047	778 309
Net assets and net debt	1 546 416	2 128 606
Gearing ratio	97%	63%

27. 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 2015						
Financial assets						
Available-for-sale investments		2 593	-	-	2 593	2 593

Short-term loans granted		47	-	-	-	-
Long-term loans granted		1 292	-	-	1 292	1 292
Financial trade and other receivables	10	52 127	-	-	-	-
Deposits		7 249	-	-	-	-
Cash and cash equivalents	13	16 141	-	-	-	-
Total financial assets		79 449	-	-	3 885	3 885
Financial liabilities						
Financial advances received and other liabilities		(8 477)	-	-	(8 477)	(8 477)
Trade and other payables		(214 941)	-	-	-	-
Loans and borrowings	15	(1 218 920)	-	-	(1 203 155)	(1 203 155)
Total financial liabilities		(1 442 338)	-	-	(1 211 632)	(1 211 632)

thousands of euros	Note	Carrying amount	Level 1	Level 2	Level 3	Total
31 December 2014						
Financial assets						
Available-for-sale investments		2 507	-	-	2 507	2 507
Short-term loans granted		61	-	-	-	-
Long-term loans granted		595	-	-	595	595
Financial trade and other receivables	10	84 174	-	-	-	-
Deposits		6 000	-	-	-	-
Cash and cash equivalents	13	43 613	-	-	-	-
Total financial assets		136 950	-	-	3 102	3 102
Financial liabilities						
Financial advances received and other liabilities		(7 219)	-	-	(7 219)	(7 219)
Trade and other payables		(185 058)	-	-	-	-
Loans and borrowings	15	(1 111 143)	-	-	(1 106 702)	(1 106 702)
Total financial liabilities		(1 303 420)	-	-	(1 113 921)	(1 113 921)

There were no transfers between fair value hierarchy levels in 2015 and 2014.

The Group did not perform fair value analysis on cash and cash equivalents, deposits, trade and other receivables, trade and other payables 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 other financial liabilities valuation technique of discounted cash flows is used. Significant unobservable inputs are not available for the Group.

28. SUBSEQUENT EVENTS

During the period from 31 December 2015 and until 30 June 2016, the Belarusian Ruble has devalued by 7,99%, 9,41% and 22,24% against the US dollar, EUR and Russian ruble.

Inflation (change in CPI) in the Republic of Belarus for the period of January - May 2016 was 6,96%.

As at the date of the issue of the financial statements, in 2016 new borrowings were raised:

- On 22 February 2016 Decree of the President of the Republic of Belarus № 75 was signed. This decree allows OJSC "BSW – management company of "BMC" holding to make the bond issue up to USD 240,6 mln. with an interest rate of 7% per annum and the maturity date – 5 years from the date of issue. These bonds were bought by resident banks in the amounts up to debts formed by previously received loans.
- According to Executive of the President of the Republic of Belarus the loan in the amount of up to USD 70 mln. with an interest rate of 7% per annum was provided by Ministry of Finance of the Republic of Belarus to OJSC "BSW – management company of "BMC" with the purpose of working capital financing.
- During 2016 the Group attracted additional funding in the amount EUR 108 220 thousand (Note 2).

Bound and numbered on 58 pages

Director

LLC "KPMG"

Vereschagina I.V.

A handwritten signature in dark ink, appearing to read 'I.V. Vereschagina', is written over the printed name.