DRUJBA GLASSWORKS AD
ANNUAL REPORT OF ACTIVITIES AND
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2009

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ANNUAL REPORT OF ACTIVITIES AND CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

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GENERAL INFORMATION

Board of Directors
Dimitar Koev
Kostantinos Kavouras
Evangelos Voulgarakis
Theodoros Zitounis
Georgios Fragoulis
Nikolaos Georgopoulos
Christodoulos Tsilopoulos

Executive Directors
Nikolaos Georgopoulos
Christodoulos Tsilopoulos

Financial Director
Nikolay Mochev

Chief Accountant
Tsvetelina Vulcheva

Address:
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Legal consultants
Penkov, Markov and Partners OOD

Servicing banks
Pireaus Bank - Eurobank AD
Eurobank EFG Bulgaria AD
United Bulgarian Bank AD
Emporiki Bank AD
ING Bank H.V.
Citibank, Sofia
SG Expressbank AD
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Auditor
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Business Park Sofia, bldg. 10, floor 2
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ANNUAL REPORT OF ACTIVITIES

The management of Drujba Glassworks AD submits the 2009 annual consolidated report of activities and the annual consolidated financial statements for the year ending 31 December 2009 prepared in compliance with the International Financial Reporting Standards adopted by the European Union. The financial statements are audited by Ernst & Young Audit OOD.

Introduction

Drujba Glassworks AD is a leading manufacturer of packaging glass. The Group was registered on 2 June 2003 when *Stind AD* (Sofia) merged into *Drujba AD* (Plovdiv). Drujba Glassworks AD (hereinafter referred to as "Drujba GW" or "the Company") has two production units – in the cities of Sofia and Plovdiv. The Company is a leading manufacturer of glass bottles and jars for Bulgaria and the region.

In 2003 Drujba Glassworks AD purchased as a privatisation deal the company *Ambalazh – Sofia Grad EOOD* with main business to rent out real estate and trade in glass wastes. Ambalazh – Sofia Grad EOOD is at 5, Konstantin Preslavski, Voenna Rampa, in close proximity to the production premises of Drujba Glassworks AD in Sofia.

On 15th December 2009 *Drujba* acquired 100% of the equity of *Beluxen Enterprises Ltd*., Cyprus. On its part, *Beluxen Enterprises Ltd.* owns 100% of the equity of *Hellenic Recycling Papayoanou – EPE*, Greece. *Hellenic Recycling Papayoanou – EPE* owns 74.28% of the capital of *Srpska Fabrika za Reciklazhu*, Republic of Serbia. In this report the purchased companies are designated as "the Group".

This report of activities provides additional information to the consolidated financial statements of Drujba Glassworks AD for 2009, and was prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as in line with the plans for the Group's development in 2010.

1. Review of Activities

Basic Information

Drujba Glassworks AD manufactures and sells packaging glass and offers to its customers services in relation to the sales of its products.

In 2009, the Group's sales registered an expected decrease compared to the preceding 2008 owing to the global economic crisis. The net operating revenues amounted to BGN 163,780,000, marking a 21.8% drop against the BGN 209,475,000 revenues for 2008. In 2009, sales of glass packaging decreased by 21.4% down to BGN 154,588,000. The gross profit of *Drujba* dropped by 34.2% compared to 2008 from BGN 56,765,000 to BGN 37,315,000. The 2009 administrative expenses and selling expenses decreased by 1.2% compared to 2008 from BGN 14,560,000 to 14,380,000. Financial expenses for the year decreased from BGN 7,464,000 to 4,982,000 owing to lower interest rate levels. Other expenses increased to BGN 5,578,000 mainly as a result of retirement and impairment of inventories, made because of the continuing economic recession.

Drujba reported a decrease in 2009 profit before tax down to BGN 13,548,000.

Sales

In 2009, the Group's sales of ready products and goods at the external market reached BGN 105,866,000, or 65% of total sales, with domestic market sales of BGN 57,914,000 – 35% of total revenue. The Group exports its products to more than 20 countries in Europe and the region, Serbia, Greece, FYR Macedonia, Turkey, Romania, UK and Italy being the main external markets in which Drujba sells its products. It is the main supplier to the international beer and soft drink producers in the region. At the Bulgarian market, the Group has preserved its position as a major producer of packaging glass for the international companies making wine, alcoholic beverages, and for the companies operating in the canning industry.

In 2010 sales are expected to increase slightly above the total sales in 2009.

Production, Raw Materials, Fuels and Suppliers

Total production decreased by 20.8% in 2009 against the 2008 levels.

The reduced production volume is mainly due to stopping production in one of the furnaces at the Plovdiv site in July 2009. The management's intentions are to commission it into operation after the routine repair is over and the market returns to its normal levels.
In 2009 the fuel prices in the Bulgarian market increased as follows: the average annual price of gas and electricity increased in 2009 by 11.8% and 2%, respectively, against the 2008 average prices. Transport costs and the costs of raw materials also marked an increase in 2009 compared to 2008. As of December 2009, the annual inflation rate in Bulgaria was 0,6%. The global economic crisis stayed the inflation rate growth, nevertheless the 2009 production costs registered growth. In spite of the cost-reducing measures pursued by the Group's management, the cost of sales level increased compared to the preceding year.

Drujba is supplied with gas by *Bulgargas*. For electric power supply the Group works with EVN and the CHES Group, but it is also registered at the free electric power market.

The main raw materials for the production of glass are soda ash, supplied to the Group by *Solvay*, and sand, mainly supplied by *Caolin* and other domestic producers. Other raw materials used for the production process are limestone, dolomite, feldspar and sulphate, which are also supplied by domestic producers. The main raw material for the production of glass is crushed recycled glass, the so-called cullet. *Drujba* is the main user of processing recycled glass from glass packaging, and it works with all major organizations for waste collection and recycling. The Group has a cullet processing plant on its Plovdiv site.

There were no significant transactions outside the usual operation of the Group, and no such are expected during the next reporting period.

The sales to and purchases from related parties are effected in accordance with the contractual terms and conditions. More information about such transactions can be found in the Group's annual financial statements. There are no initiated court, administrative or arbitration proceedings in relation to receivables or liabilities of the Group exceeding 10% of its equity.

The Group has the following interest in other companies:

- *Staklo i fina keramika* OOD – 10% interest;
- UBB Balanced Fund – Sofia – the Group owns 100 shares of BGN 100 face value each;
- *Ecobulpack* AD – 0.3% of its equity.

Drujba Glassworks OOD has no branch network.

Research and Development

As a major manufacturer of glass packaging, the Group has a team of designers developing new products, mainly to meet our customers' requirements. Drujba Glassworks AD is a leading innovator in this area. In 2009, the newly developed products are more than 130, and 52 of them (16 in Sofia and 36 in Plovdiv) were implemented in the production and are in the market through our customers. These activities play an important role for glass packaging users to prefer our products.

Quality Management Systems

An Integrated Management System is developed and implemented in the Group. It comprises a Quality Management System, Food Safety Management System, Environmental Management System, and a Healthy and Safe Working Conditions System. The certificates obtained: ISO 9001:2008 Quality management systems (obtained in 2003), and ISO 22000:2005 - Food Safety Management Systems (obtained in 2005 with recertification in 2008) are a recognition of the organizational progress of the Group, of the high level of standards met, of the guarantee provided by Drujba to its business partners, customers and suppliers, and of the market-oriented policies pursued by the management. In 2006, Drujba was certified under ISO 14001:2004 – Environmental Management Systems. In January 2008 the Group was certified under OHSAS 18 001:2007. It is also certified under the four standards of Lloyd's Register Quality Assurance, a leading certification agency worldwide. In April 2009 the Group was subject of two recertification audits – under ISO 9001:2008 (the current 2008 version, which is the second certification renewal under this standard for the Group) and under ISO 14001:2004. Two supervision audits were conducted in April 2009 – under ISO 22000:2005 and OHSAS 18 001:2007. Supervision audits under ISO 9001, ISO 14001, and OHSAS 18 001 were conducted in November.

Environment-related Information

After the EU accession of Bulgaria, the country was included in the greenhouse gas Emissions Trading Scheme. The Group holds the respective emission trading permits issued by the Ministry of Environment and Waters (MOEW) for all of its plants. According to the requirements of the permits, the Group monitors the CO2 emissions and as of this moment it has a verification for 2009 made by Lloyd's Register Quality Assurance. The emission allowances are recognized in the financial statements as net liabilities for the whole five-year period, i.e. when the actual emissions exceed the allowances granted, the Group will post the whole financial liability. Based on the strategy for the Group's development and modernization of production capacities, the Group does not expect to exceed the allowances granted by the end of the five-year period. As of the date of this report, the 2009 allowances are not yet granted to the Group's account under the allowance distribution plan for the country, as the plan is awaiting approval by the European Commission. The Group takes actions to reduce the NOx emissions from the bath furnaces. These emissions are high because of the nature of the production process carried out at very high temperatures.

In compliance with the conditions of the Comprehensive Permits (CP) in 2009 the Group continued to conduct its own monitoring of waste gas and water emissions. The Management of *Drujba* has made a commitment to support the activities necessary for environmental protection. The nature of our operation, being the manufacturing of the most healthy and harmless environmentally friendly packaging, obliges us to work in support of all environment protection activities. As of the date of preparation of this report, *Drujba* has obtained a new Comprehensive Permit for its Plovdiv cite in relation to the changed number of installations operating there.

Personnel

The average number of personnel employed in *Drujba GW* in 2009 is changed compared to 2008 as indicated in the table below:

Average number of personnel	**2008**	**2009**
Sofia	232	216
Plovdiv	507	463
TOTAL	**739**	**679**

In 2009 the number of employees of Drujba was reduced, the main reasons for this being both stopping one furnace at the Plovdiv cite from operation, and the operation since 2008 of a new furnace with high-tech equipment. This resulted in significant personnel cost reduction compared to prior years. The total personnel costs in 2009 amounted to BGN 13,305,000, which is by 9.5% less than in 2008. In 2010 the Group's management continued the process already underway of full review of the organization, which streamlined the operation and increased productivity. The Group's management will continue to recruit and train highly qualified personnel, and to provide excellent labour conditions and opportunities for development.

Planned Investments

The total investments in 2009 amounted to BGN 8,274,000 (BGN 28,928 in 2008). The global economic crisis beginning in 2008 and continuing throughout 2009 caused a delay of planned investments in development. In 2009 the construction of the new furnace in Plovdiv that was launched in 2008 was discontinued. The Group intends to continue with the construction upon recovery of market levels.

In 2009 investments were made primarily in the development of new moulding sets with a view to meeting the requirements of Drujba's customers, which given the highly shrunk domestic and global market guarantees keeping our long-term counterparties. Investments in improvements to be made in 2010 are aimed primarily at increasing energy efficiency, reducing expenses, and environmental protection. All investments in improvements are financed by own resources.

2. Capital Resources

Long-term capital borrowings as of 31 December 2009

(1) Loan amount – EUR 20,000,000 (BGN 39,117,000).

The maturity date of the obligation is 15 September 2010. It is redeemed at ten instalments of EUR 2,000,000 each (BGN 3,912,000) falling due twice a year on 15 March and 15 September in the period from 15 March 2006 to 15 September 2010. The interest rate on the loan is EURIBOR + a margin.

(2) Loan amount EUR 8,600,000 (BGN 16,820,000)

The maturity date of the obligation is 15 September 2015. It is redeemed at twelve instalments of EUR 717,000 each (BGN 1,402,000). The interest rate on the loan is EURIBOR + a margin.

(3) Loan amount – EUR 2,000,000 (BGN 3,912,000).

The maturity date of the obligation is 15 March 2011. It is redeemed at four equal instalments of EUR 500,000 each (BGN 978,000) falling due twice a year on 15 March and 15 September in the period from 15 September 2009 to 15 March 2011. The interest rate on the loan is EURIBOR + a margin.

The outstanding long-tem loans as of 31 December 2009 are investment ones and they are secured by collateral and mortgage of land, buildings, machines, plant and equipment of BGN 53,517,000 carrying amount as of 31 December 2009 (2008: BGN 62,816,000)

Short-term capital borrowings as of 31 December 2009

(1) Loan amount – EUR 7,500,000 (BGN 14,669,000). The maturity date of the obligation is 30 September 2010. The interest rate on the loan is EURIBOR + a margin.

(2) Loan amount EUR 6,000,000 (BGN 11,735,000).The maturity date of the obligation is 4 April 2010. The interest rate on the loan is EURIBOR + a margin.

(3) Loan amount – BGN 6,500,000. The maturity date of the obligation is 30 April 2010. The interest rate on the loan is SOFIBOR + a margin.

(4) Loan amount – BGN 14,000,000. The maturity date of the obligation is 30 September 2010. The interest rate on the loan is SOFIBOR/EURIBOR + a margin.

(5) Loan amount EUR 3,000,000 (BGN 5,867,000).The maturity date of the obligation is 31 March 2010. The interest rate on the loan is EURIBOR + a margin.

(6) Loan amount EUR 4,000,000 (BGN 7,823,000).The maturity date of the obligation is 28 February 2011. The interest rate on the loan is EURIBOR/SOFIBOR + a margin.

(7) Loan amount EUR 4,000,000 (BGN 7,823,000).The maturity date of the obligation is 18 November 2010. The interest rate on the loan is EURIBOR + a margin.

As of 31 December 2009 the short-term bank loans used are secured by collateral of receivables and ready products amounting to BGN 53,643,000, fixed assets of BGN 2,295,000 carrying amount, and a bank guarantee in the amount of BGN 5,867,000.

Guarantees undertaken

Drujba Glassworks AD, jointly with other associates of the Yioula Group, has undertaken a guarantee under a long-term bonded loan of Yioula Glassworks S.A., Greece. According to the terms and conditions of the guarantee, the companies act as sureties for the obligations of Yioula Glassworks S.A., Greece arising from a bonded loan of total original value of EUR 140,000,000 which will amount, together with subsequent issues, up to a total of EUR 200,000,000 at annual interest rate of 9% with a maturity of 10 years (maturity date 31 December 2015).

3. Capital Structure

The registered share capital of Drujba Glassworks AD amounts to BGN 53,516,496 and comprises 53,516,496 shares of BGN 1 nominal value. The capital of the Group is fully paid in and all shares are registered in the Shareholders Register, and are voting shares granting a right to vote in the General Meeting of Shareholders. The Company's shares can be transferred only in the regulated market. The transfer of shares comes into effect at the time of their registration with the Central Depository AD. The Company has not acquired or transferred shares in the year and as of the date of this report. The Company does not hold its own shares. There are no classes of shares prohibited for trading in the Bulgarian or international markets. There are no restrictions with regard to transferring of shares, or any need of the Company's or any other shareholder's consent for the acquisition or transfer of shares, unless any such is required under the Bulgarian legislation. There are no shareholders having any special controlling rights in the Company, and there are no restrictions with regard to the voting rights.

The shareholding structure is as follows:

Shareholder	**Number of shares**	**Face value in BGN**	**% Interest**
Barek Overseas Limited	28,150,280	28,150,280	52.60%
Glassinvest Limited	25,106,232	25,106,232	46.91%
Physical persons	204,715	204,715	0.38%
Legal persons	55,269	55,269	0.11%
TOTAL	**53,516,496**	**53,516,496**	**100%**

Drujba Glassworks AD was incorporated when Stind AD (Sofia) merged into Drujba AD (Plovdiv). Stind AD was established in 1931 and privatised in 1997 by Glavinvest Limited, and Drujba AD was established in 1962 and privatised in 1998 by Barek Overseas Limited. The table above shows the equity share of all shareholders in Drujba Glassworks AD after the merger of the two companies. The Group has no information about any agreements between the shareholders which could result in any restrictions on the transfer of shares, voting rights, or the share capital structure. The Group has issued no bonds.

4. Information about the Board of Directors

Membership

Drujba Glassworks AD has one-tier management system – a Board of Directors (BD). The Company is managed and represented by its Executive Directors – Mr. Nikolaos Efstrarious Georgopoulos and Mr. Christodoulos Haridimous Tsilopoulos – jointly and severally. The Group is also represented by its procurators – Mr. Athanasios Kotsikas, Mr. Panayotis Likos, and Mr. Hans Peter Tenta. The procurators have limited powers related to the operating activities assigned to them and in line with the powers of attorney granted to them by the Executive Directors. The members of the BD are as follows:

- Dimitar Lazarov Koev - Chairman of the BD
- Nikolaos Efstrarios Georgopoulos - Member of BD and Executive Director
- Christodoulos Charidimos Tsilopoulos - Member of BD and Executive Director
- Konstantinos Georgios Kavouras - Member of BD
- Evangelios Kiryakos Voulgarakis - Member of BD
- Teodoros Evangelos Zitounis - Member of BD
- Georgios Pantelis Fragoulis - Member of BD

BD members are elected for a 5-year term of office and may be reelected without limitation. As of the date of this report there are no changes in the membership of the Board of Directors of Drujba Glassworks AD. The BD members holding more than 25% in the equity of other companies are:

- Dimitar Lazarov Koev – partner (50% interest) in Bulco Trading EOOD, Sofia
- Evangelios Voulgarakis - partner (33% interest) in Marco Property OOD, Sofia; partner (30% interest) in Euroglass EOOD, Sofia;

The following BD members participate in the management of other companies:

- Dimitar Lazarov Koev – as manager of Euroglass OOD, Sofia.

BD members do not participate in any companies as unlimited liability partners. In 2009, the members of BD of Drujba Glassworks AD have not acquired and/or transferred shares in the Company’s capital. The BD members’ rights of acquisition of shares are not explicitly provided for in the Articles of Association of the Company. BD members do not hold any shares in the Company.

Rights of the Company’s Management Bodies

It is provided for in the Articles of Association of Drujba Glassworks AD that the activities of the Board of Directors are regulated by the Rules of Procedure of the BD. The Company’s Articles of Association do not provide any particular procedure for buy-back or issuance of shares by the BD. As of the date of this report, there were no changes in the key principles of management of the Company, nor in the Rules of Procedure of the BD.

Remuneration of BD

The remuneration paid to BD members, the Executive Directors and the Procurators amounted to BGN 450,000 in 2009 and are deemed short-term incomes. There are no remunerations agreed with the BD members, which have been delayed to date, or which have not been paid. There are no special agreements for payment of compensations upon retirement or leaving the Company of any of the BD members of the Group. There are no agreements between the management bodies and the Group for payment of special compensations with the exception of the ones provided for in the Bulgarian legislation.

5. Potential Risks and Challenges

Risks in relation to the Group’s business

The possible challenges before the Group are as follows:

Energy prices – In 2009 the prices of fuels increased in Bulgaria. The Group’s management has developed and is successfully implementing an Energy Efficiency Programme aiming at both expense reduction and environmental protection.

Prices of raw materials and input materials – the global economic crisis held back the drastic material price increases in 2009, nevertheless there are such expectations when the economy recovers. The increased transport prices in Bulgaria, however, had their impact on the costs of raw and input materials for Drujba. Basic raw materials are mainly bought from domestic producers, spare parts and other raw materials are mainly imported. To be able to manage this risk, the Group is periodically making an analysis of materials consumption, also looking for new suppliers offering favourable trade conditions.

Glass making as a continuous uninterruptible process - Recognizing the possible adverse effect of stopping of the production process may have on the Group's financial stability, the Group's management keeps particularly close relations with suppliers. The main suppliers of Drujba have been the Group's counterparties for decades and this partnership continues to further develop. Besides, the Group has invested in various technological solutions which should ensure the continuity of the production process in emergency cases. Part of these facilities was successfully utilised during the gas crisis of January 2009.

Highly qualified personnel of professionals - Drujba is an enterprise using high technologies and an automated production process. The management recognises the contribution of the employees and the importance of enhancing their expertise, qualification and motivation. In this regard, the Group keeps pursuing its Personnel Management Programmes to ensure opportunities for professional development and training. The management team of Drujba Glassworks AD realises that the ambitious programme for the Group's development can and will be accomplished only with the active participation of all the employees, hence their efforts are highly valued.

Increasing Requirements to Environmental Protection – Glass manufacture is a heavy industry, subject to norms, laws, rules and decrees on environmental protection. The Group does all the internal and external monitoring activities with the maximum transparency and accuracy. The technical level of the production facilities guarantees the compliance with the environmental protection regulations. An important element much effort is spent on is reducing the NOx emissions. The Group employs a highly qualified environmentalist who ensures, with the support of all the personnel of Drujba, the implementation of all environmental protection measures.

Impact of the global economic crisis – The economic crisis resulted in a reduced demand for glass packaging. The registered drop of sales was expected by the management. As a result of its good positioning and anticipatory measures with regard to the expected consequences of the crisis, Drujba preserved its leading position as a supplier of glass packaging in Bulgaria and the region. The main competitive advantage of Drujba is the capacity to manufacture high quality products of diverse colours and forms. Owing to this, the management believes the Group will keep its leadership position in the market.

Financial risk

Credit risk - Drujba Glassworks AD is exposed to a credit risk in relation to the risk that some of the counterparties may not be able to fulfil in full and within the envisaged time limits any of their obligations. Financial assets are concentrated in two groups: cash and receivables from customers. The cash of the Group is concentrated in several first class commercial banks known for their good reputation and stability in the market. The Group keeps long-term relations with its lenders. In this regard, the risk in relation to the Group's cash is very limited. The Group pursues a policy of accepting deferred payments from its customers. The collectibility and concentration of receivables from customers is monitored on on-going basis in line with the established credit policy, which guarantees minimum risk of potential default by a customer. The current financial situation has increased this risk due to the limited amount of financial resources in the market. A major part of Drujba's customers, with the exception of multinational companies, are companies of long history operating in their markets for many years. The Group's management works in close cooperation with its customers.

Liquidity risk – Liquidity risk represents the potential possibility that the Group will not be in a position to meet unconditionally all its obligations at their maturity. The Group's core business is production of glass, which is an interruptible process. This requires the availability of sufficient inventories to ensure the continuity of the production process. There are two main characteristics that influence the management of this risk: the seasonal nature of sales and the deferred payment system established with major customers. In addition, the current economic crisis causes greater uncertainty with regard to the timely sales of existing output. The Group uses short-term borrowings to stabilize its cash flows in the 'weak' seasons.

Currency risk – Greater part of the Group's customers and suppliers are foreign companies. Main part of currency exchange is between Bulgarian levs and euro. The Group keeps a minimal amount of cash in currencies other than the national one or euro. There is a low currency risk arising mainly from the exchange rate of British pounds and US dollars. Some purchases are contracted in US dollars, while sales in the United Kingdom are primarily in British pounds. To control this risk, the Group contracts in euro its transactions with its international counterparties. Drijba does not practice hedging as a financial instrument.

Interest rate risk – Interest rate risk comes from the fluctuations in the prices of financial instruments depending on the changes in interest rate levels. The Group does not own any interest-bearing assets except its deposits with banks, hence its revenues and operating cash flows are independent from any changes in the market interest rate levels. At the same time, the Group is exposed to interest rate risk as it uses long-term and short-term loans to finance its business. Interest rates on these loans are usually with a fixed margin over EURIBOR and SOFIBOR, respectively for euro-denominated and lev-denominated loans, which exposes its cash flow to risk. To manage this risk, the management of the Group continuously improves its relations with its servicing banks which, combined with good financial results and correctness in repaying all its liabilities to the banks, allows for contracting loans at better interest rate levels.

6. Good corporate management

As a public Group Drujba Glassworks AD pursues its business in compliance with the provisions of the Public Offering of Securities Act, the ordinances and requirements of the Financial Supervision Commission, and in line with the Good Corporate Management Programme, hereinafter referred to as "the Programme".

In their management in 2009, the Executive Directors and BD members have been consistently and strictly following and implementing the principles of effective protection of the shareholders' rights, and their equal treatment. The rights and interests of all stakeholders were recognised. Timely and accurate information about financial results, ownership and management were ensured throughout the year. The management of the Group has complied with the existing legislation, exercised effective management control over the activities with a view to the shareholders' interests.

The Director in charge of relations with investors is Mrs. Maya Stankova, phone: 032 908 512, e-mail address: mstankova@drujba.bg .

7. Events after the balance sheet date

This report was prepared in compliance with the Bulgarian legislation and IFRSs operating as of 31 December 2009 with comparative data as of 31 December 2008. The report on the activities was approved by the BD by a resolution of 31 March 2009. The events after the balance sheet date include those occurring in the period from 1 January 2010 to 31 March 2010.

In the period after 1 January 2010 to 31 March 2010, the Group renewed the following short-term agreements:

- Extending the maturity of a short-term loan of BGN 6,500,000 until 30 April 2010;
- Extending the maturity of a short-term loan of EUR 3,000,000 (BGN 5,867,000) until 31 March 2010;
- Extending the maturity of a short-term loan of EUR 4,000,000 (BGN 7,823,000) until 28 February 2011;
- Extending the maturity of a short-term loan of EUR 6,000,000 (BGN 11,735,000) until 4 April 2010.

In March 2010, Drujba Glassworks has repaid maturing principal and interest amounting to EUR 3,216,000 (BGN 6,290,000) under a long-term loan from the International Financial Corporation (IFC).

Independent Auditors' Report
to the Shareholders
of Drujba Glassworks AD

Report on the Financial Statements

We have audited the accompanying financial statements of Drujba Glassworks AD and its subsidiary (the Group), which comprise the consolidated balance sheet as of 31 December 2009, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as endorsed by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditors' 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 give a true and fair view of the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the EU.

Report on Other Legal Requirements

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4, we read the Annual Management Report accompanying the consolidated financial statements for the year ended 2009.

In our opinion, the information given in the Annual Management Report is consistent with the accompanying annual consolidated financial statements for December 2009.

…………………..	………………….
(signature illegible)	(signature illegible)
Ioannis Mystakidis	Nikolay Garnev, CPA
Manager	Registered Auditor

27 May 2010
Sofia, Bulgaria

DRUJBA GLASSWORKS AD
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	Notes	2009	2008
		BGN thousand	*BGN thousand*
Sale of finished products		152,823	183,288
Sale of goods		1,765	13,574
Rendering of services		9,192	12,613
Revenue	3.1	**163,780**	**209,475**
Cost of sales	3.2	(126,465)	(152,710)
Gross profit		**37,315**	**56,765**
Other income	3.3	1,091	1,675
Administrative expenses	3.4	(8,769)	(8,965)
Selling and distribution costs	3.4	(5,611)	(5,595)
Other expenses	3.5	(5,578)	(4,698)
Operating profit		**18,448**	**39,182**
Finance revenue	3.7	44	103
Finance costs	3.8	(4,982)	(7,464)
Profit before tax		**13,510**	**31,821**
Income tax (expense)/income	4	(1,699)	(3,315)
Profit for the year		**11,811**	**28,506**
		=========	========
Attributable to:			
Equity holders of the parent Group		11,811	28,506
Non-controlling interest		-	-
		========	=======
		11,811	**28,506**
		========	========

Executive Director
(signature illegible)

Chief Accountant
(signature illegible) Seal

The Financial Statements were approved for issuance by a resolution of the Board of Directors of 31 March 2010.
The Notes to the Financial Statements from page 8 to page 60 are an integral part of the Financial Statements.

With the auditor’s stamp affixed to it :

Financial Statements
on which we have prepared an auditors’ report as of: 27.05.2010
Ernst & Young Audit OOD
Manager Registered Auditor
(sign. illgb.) (sign. illgb.)

DRUJBA GLASSWORKS AD

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Notes	2009	2008
		BGN thousand	*BGN thousand*
Profit for the year		**11,811**	**28,506**
		=======	=======
Other comprehensive income			
Profit/ (loss) from revaluation of available-for-sales Investments		1	(8)
Other comprehensive income for the year, net of tax		**1**	**(8)**
Total comprehensive income for the year, net of tax		**11,812**	**28,498**
		========	========
Attributable to:			
Equity holders of the parent Group		11,812	28,498
Non-controlling interest		-	-
		11,812	**28,498**
		=========	=======

Executive Director
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Chief Accountant
(signature illegible) Seal

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The Notes to the Financial Statements from page 8 to page 60 are an integral part of the Financial Statements.

Follows the round rubber stamp of Drujba Glassworks AD
Follows the rectangular rubber stamp of Ernst & Young Audit OOD:

Financial Statements
on which we have prepared an auditors' report as of: 27.05.2010
Ernst & Young Audit OOD
Manager Registered Auditor
(sign. illgb.) (sign. illgb.)

DRUJBA GLASSWORKS AD

CONSOLIDATED BALANCE SHEET
for the year ended 31 December 2009

	Notes	2009	2008
		BGN thousand	*BGN thousand*
ASSETS			
Non-current assets			
Property, plant and equipment	5	180,186	197,327
Intangible assets	6	1,958	735
Available-for-sale investments	8	27	13
		182,171	**198,075**
Current assets			
Inventories	9	52,040	52,033
Trade receivables	10	38,339	39,214
Receivables from related parties	18	67,560	48,469
Other receivables	11	3,196	4,082
Cash and short-term deposits	12	626	1,015
		161,761	**144,813**
TOTAL ASSETS		**343,932**	**342,888**
		=========	========
EQUITY AND LIABILITIES			
Equity			
Issued capital	13.1	53,516	53,516
Share premium	13.2	12,298	12,298
Legal reserves	13.2	1,329	1,329
Other reserves	13.2	2	1
Revaluation reserves	13.2	17,086	17,124
Retained earnings		101,290	106,031
Equity attributable to equity holders of the parent		185,521	190,299
Non-controlling interest		112	-
Total equity		**185,633**	**190,299**
Non-current liabilities			
Interest-bearing loans and borrowings	14	14,803	27,253
Retirement benefit provision	15	438	525
Finance lease liabilities	16	55	163
Deferred tax liabilities	4	10,532	10,935
		25,828	**38,876**
Current liabilities			
Trade payables		38,734	40,222
Liabilities to related parties	18	18,748	3,716
Interest-bearing loans and borrowings	14	57,119	54,690
Current portion of non-current interest-bearing loans and borrowings	14	12,796	9,544
Finance lease liabilities	16	110	188
Income tax liabilities		688	863
Other payables	17	4,276	4,490
		132,471	**113,713**
Total liabilities		**158,299**	**152,589**
TOTAL EQUITY AND LIABILITIES		**343,932**	**342,888**
		=========	========

Executive Director	Chief Accountant
(signature illegible)	(signature illegible) Sael

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Issued capital	Share premium	Legal reserves	Other reserves	Revaluat. reserves	Retained earnings	Total	Non-contrl. interest	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
	(Note (13.1)	(Note (13.2)	(Note (13.2)	(Note (13.2)	(Note (13.2)				
At 1 January 2008	**6,690**	**59,124**	**1,329**	**9**	**17,164**	**93,819**	**178,135**	**-**	**178,135**
Change of share premium in capital	46,826	(46,826)	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	28,506	28,506	-	**28,506**
Other comprehensive income	-	-	-	(8)	-	-	(8)	-	**(8)**
Total comprehensive income	-	-	-	(8)	-	28,506	28,498	-	**28,498**
Dividend distribution (Note 19)	-	-	-	-	-	(16,334)	(16,334)	-	**(16,334)**
Revaluation reserve written off	-	-	-	-	(40)	40	-	-	-
As at 31 December 2008	**53,516** =====	**12,298** =======	**1,329** =======	**1** =======	**17,124** =======	**106,031** =======	**190,299** =======	**-** =====	**190,299** =======
At 1 January 2009	**53,516**	**12,298**	**1,329**	**1**	**17,124**	**106,031**	**190,299**	**-**	**190,299**
Profit for the year	-	-	-	-	-	11,811	11,811	-	**11,811**
Other comprehensive income	-	-	-	1	-	-	**1**	-	**1**
Total comprehensive income	-	-	-	1	-	11,811	11,812	-	**11,812**
Dividend distribution	-	-	-	-	-	(16,590)	(16,590)	-	**(16,590)**
Revaluation reserve written off	-	-	-	-	(38)	38	-	-	-
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	112	**112**
At 31 December 2009	**53,516** =====	**12,298** ======	**1,329** ======	**2** ======	**17,086** =======	**101,290** ======	**185,521** =======	**112** =====	**185,633** =======

Executive Director
(signature illegible)

Chief Accountant
(signature illegible) Seal

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DRUJBA GLASSWORKS AD
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2009

	Notes	2009	2008
		BGN thousand	*BGN thousand*
OPERATING ACTIVITIES CASH FLOWS			
Profit before tax		**13,510**	**31,821**
Adjustment to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation costs	5, 6	26,241	26,461
Write-off of property, plant and equipment, net	3.3, 3.5	(21)	183
Write-off of doubtful and uncollectible receivables		572	529
Bank charges, commissions, interest expenses	3.9	4,985	6,082
Wastage of inventories	3.5	2,629	2,151
Impairment of inventories	3.5	1,232	1,181
Expenses on retirement benefit provisions	3.6	141	121
Working capital adjustments:			
Increase in inventories		(3,868)	(14,710)
Increase in receivables and advances paid		(18,039)	(15,243)
Increase/(Decrease) in trade payables, including to related parties		13,274	(9,490)
Interest paid		(5,196)	(5,750)
Income tax paid		(2,279)	(5,036)
Paid retirement benefit provisions		(301)	(75)
Net cash flows from operating activities		**32,880**	**18,225**
INVESTING ACTIVITIES CASH FLOWS			
Purchase of property, plant and equipment	5	(8,623)	(28,927)
Purchase of intangible fixed assets	6	(38)	(54)
Proceeds from sale of property, plant and equipment		204	251
Acquisition of subsidiary		(1,760)	-
Net cash flows used in investing activities		**(10,217)**	**(28,730)**
FINANCING ACTIVITIES CASH FLOWS			
Proceeds from short-term loans		45,010	33,491
Repayment of short-term loans		(42,603)	(20,536)
Proceeds from long-term loans		-	20,732
Repayment of long-term loans		(8,683)	(7,823)
Payment of finance lease liabilities, net		(186)	(72)
Dividends paid	19	(16,590)	(16,334)
Net cash flows used in financing activities		**(23,052)**	**9,458**
Net decrease in cash and cash equivalents		**(389)**	**(1,047)**
Cash and cash equivalents at 1 January	12	1,015	2,062
Cash and cash equivalents at 31 December	12	**626**	**1,015**
		==========	==========

Executive Director (signature illegible)

Chief Accountant (signature illegible) Seal

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Financial Statements

DRUJBA GLASSWORKS AD
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2009

on which we have prepared an auditors' report as
of: 27.05.2010
Ernst & Young Audit OOD
Manager Registered Auditor
(sign. illgb.) (sign. illgb.)

EXPLANATORY NOTES

1. Corporate Information

The consolidated financial statements of Drujba Glassworks AD and its two subsidiaries Ambalazh – Sofia Grad EOOD and Srpska Beluxen Enterprises Ltd. (the Group) for the year ending 31 December 2009 were approved for issue pursuant to a resolution of the Board of Directors of 31 March 2010.

Drujba Glassworks AD is a Company incorporated by decision No. 14144/27.12.2004 of the Sofia District Court, with its seat and registered address at 1, Prof. Ivan Georgov Street, Sofia. The Company's financial year ends on 31 December. Drujba Glassworks AD is a public company under the Public Offering of Securities Act.

The core business of Drujba Glassworks AD covers the production of and trade in glass packaging.

As of 31 December 2009, the shareholders of Drujba Glassworks AD are as follows:

- Barek Overseas Limited, Cyprus 52.60%
- Glassinvest Limited, Cyprus 46.91%
- Physical persons 0.39%
- Legal persons 0.10%

Drujba Glassworks AD has one-tier management system – a Board of Directors with 7 members. The Chairman of the Board of Directors is Dimitar Koev. Drujba Glassworks AD is represented and managed by its Executive Directors: Nikolaos Georgopoulos and Christodoulos Tsilopoulos – jointly and severally.

Ambalazh – Sofia Grad EOOD is a company 100% owned by Drujba Glassworks AD as a sole owner. Drujba Glassworks AD acquired 100% of the equity of Ambalazh – Sofia Grad EOOD in 2003.

On 15th December 2009 Drujba acquired 100% of the equity of Beluxen Enterprises Ltd., Cyprus. On its part, Beluxen Enterprises Ltd. owns 100% of the equity of Hellenic Recycling Papayoanou – EPE, Greece. Recycling Papayoanou – EPE owns 74.28% of the capital of Srpska Fabrika za Reciklazhu, Republic of Serbia.

The umbrella parent Group is Yioula Glassworks S.A. - Greece.

2.1. Basis for preparation

The consolidated financial statements are prepared based on historical cost with the exception of the loans and available-for-sale investments which are measured at fair value.

The consolidated financial statements are in Bulgarian levs and all amounts are rounded up to the nearest thousand Bulgarian levs ('000 BGN), unless otherwise indicated.

2.1. Basis for preparation (cont'd)

Drujba Glassworks AD has prepared and submitted stand-alone financial statements for the year ending 31st December 2009, in which the investments in its subsidiaries are disclosed at the cost of acquisition. The stand-alone financial statements of Drujba Glassworks AD were approved for issuance by a resolution of the Board of directors of 31st March 2010.

Statement of compliance

The consolidated financial statements of Drujba Glassworks AD and its two subsidiaries Ambalazh – Sofia Grad EOOD and Beluxen Enterprises Ltd. are prepared in compliance with the International Financial Reporting Standards adopted by the European Union (IFRSs as adopted by the EU).

Basis for consolidation

The consolidated financial statements comprise the financial statements of Drujba Glassworks AD and its subsidiaries Ambalazh – Sofia Grad EOOD and Beluxen Enterprises Ltd., prepared as of 31st December 2009.

The subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Group obtained control, and will continue to be consolidated to the date on which this control is over.

The financial statements of the subsidiaries are prepared for the same reporting period as the one of the parent company, and in line with the same accounting policies.

All intra-group balances, transactions, proceeds and expenses, as well as gains and losses, resulting from intra-group transactions, are recognised in the assets are eliminated in full.

The non-controlling interests represent the share in the profit or the loss, and in the net assets not owned by the Group, and are disclosed separately in the consolidated income statement, while in the consolidated balance sheet they are reported in the equity capital, but separately from the share capital of the parent company's shareholders.

2.2 Changes in accounting policies

New and amended standards and interpretations applicable to reporting periods ending on 31 December 2009.

The adopted accounting policies are consistent with the ones implemented in the preceding reporting period, with the exception of the following:

As of 1 January 2009, the Group implemented the following new and amended IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC):

- IFRS 1 First-time Adoption of International Financial Reporting Standards (amendment)
- IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (amendment)
- IFRS 7 Financial Instruments: Disclosures (amendment)
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (revised)
- IAS 23 Borrowing Costs (revised)
- IAS 27 Consolidated and Separate Financial Statements (amendment)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable instruments and obligations arising on liquidation (amendments)
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (amendments)
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 Transfers of Assets from Customers
- Improvements to International Financial Reporting Standards (2008)

Where the implementation of a specific standard or interpretation is considered to have effect on the consolidated financial statements or operating results of the Group, this effect is described below:

2.2 Changes in accounting policies (cont'd)

New and amended standards and interpretations applicable to reporting periods ending on 31 December 2009 (cont'd)

IFRS 1 First-time Adoption of International Financial Reporting Standards (amendment)

The amendments to IFRS 1 allow for determining the cost of acquisition of investments in subsidiaries, associates, or jointly controlled entities (in the opening IFRS financial statements) as the cost of acquisition determined according IAS 27, or as "deemed cost". The amendments to IFRS 1 have no effect on the financial position or financial results of the Group, as it is not a first-timer in implementing IFRS.

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (amendment)

The standard limits the definition of "vesting condition" to a condition which includes explicitly or implicitly a condition for provision of services. Whatever other conditions there may be, they do not constitute vesting conditions which should be taken into account in determining the fair value of given equity instruments. Provided the respective rights are not vested as a result of failure to meet a given non-vesting condition, which is within the control either of the entity or the counterparty, it should be recognized as termination. As the Group is not a party to share-based payment transactions, the amendment has no impact on its consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures (amendment)

The amended standard requires additional disclosures of measurements at fair value and liquidity risk. The measurement at fair value in relation to items reported at fair value should be disclosed by sources of incoming information applying a hierarchy of fair value on three levels, by class for each financial instrument recognized at fair value. In addition, there is a requirement for reconciliation between the opening and the closing balance of items recognized at fair value measured at the third level, as well as for significant transfers between the levels in the fair value hierarchy. The amendments also clarify the disclosure requirements for liquidity risk in relation to derivative transactions and assets used for liquidity management purposes. Disclosures of measurements at fair value and liquidity risk are not influenced by the amendments and are given in Notes 21 and 22, respectively.

IFRS 8 Operating Segments

IFRS 8 supersedes IAS 14 *Segment Reporting*. The standard adopts the management approach to segment reporting. Entities should provide information to be used by the management for internal purposes and for evaluation of performance of operating segments and the distribution of resources among different segments. This information may differ from the one reported in the balance sheet and the income statement, whereas an explanation and reconciliation of differences is required. As this is a public Group, it should make the disclosures required for all entities covered by the standard - geographic information, information of sales and assets, major customers. Such information is provided in Note 3.1.

2.2 Changes in accounting policies (cont'd)

New and amended standards and interpretations applicable to reporting periods ending on 31 December 2009 (cont'd)

IAS 1 Presentation of Financial Statements (revised)

The revised standard differentiates between changes in equity resulting from transactions related and not related with the owners. The statement of changes in equity includes information only for transactions with the owners, whereas changes in equity not relating to the owners are disclosed as a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it states all recognized income and expense items either in one statement or in two interrelated statements. The Group has opted for preparing two statements.

IAS 23 Borrowing Costs (revised)

The revised IAS 23 requires the borrowing costs which were incurred in relation to the acquisition, construction or production of qualifying assets to be included in their value. These are assets taking a long period of time to prepare for intended use or sale. As the previous policy of the Group was to capitalize borrowing expenses in the value of qualifying assets, the amendments bear no effect on the consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements – Cost of acquisition of investments in subsidiaries, associates, or jointly controlled entities (amendments)

The amended IAS 27 requires dividends obtained from subsidiaries, associates, or jointly controlled entities to be recognized in the statement of comprehensive income from the consolidated financial statements. The amendment to IAS 27 is implemented prospectively. The amendment also allows, only in the case of particular reorganizations, for the cost of acquisition of an investment in a subsidiary to be determined based on its previous carrying amount, and not its fair value. The amendments to IAS 27 have no effect on these consolidated financial statements of the Group.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements –

Puttable instruments and obligations arising on liquidation (amendments)

The amendments are aimed at allowing, as an exception, a limited scope of puttable instruments to be classified as equity if they meet a number of specific criteria. The implementation of these amendments has not impacted the financial position or the operating financial results of the Group.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (amendments)

This amendment of IFRIC 9 requires that an entity must assess if a given embedded derivative is required to be separated from the host contract when the entity reclassifies a hybrid financial asset outside the category *at fair value thought profit or loss*. Such an assessment is done based on the circumstances existing at the later of the date on which the entity has first become a party to the contract, and the date on which any changes in the contract significantly modify the cash flows under it. IAS 39 regulates that if an embedded derivative cannot be reliably assessed, the whole hybrid instrument should remain classified as such at fair value though profit or loss. These amendments bear no effect on the consolidated financial statements of the Group.

2.2 Changes in accounting policies (cont'd)

New and amended standards and interpretations applicable to reporting periods ending on 31 December 2009 (cont'd)

IFRIC 13 Customer Loyalty Programmes

This interpretation requires that loyalty award credits granted to customers should be recognized as a separate component of the sale transaction they result from. Respectively, part of the fair value of the proceeds received should be apportioned to the loyalty award credits granted to customers and should be deferred for the period they are used. As the Group does not yet implement customer loyalty programmes, this interpretation has no effect on its consolidated financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The interpretation should be implemented prospectively. IFRIC 16 provides guidelines to accounting of hedges of a net investment, including with regard to identifying currency risks qualifying for accounting of a hedge when hedging a net investment, where within the group the hedging instruments may be held in a hedge of a net investment; and also how an entity should determine the amount of the foreign exchange gains or losses in relation to both the net investment and the hedging instrument, to be reclassified at the time of disposal of the net investment. This interpretation has no impact on the consolidated financial statements of the Group.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 is implemented for accounting of transfers of property, plant and equipment received from customers. The interpretation clarifies the following issues: (a) whether the definition of asset is met; (b) if the definition of asset is met – how the transferred property, plant and equipment should be measured at its initial recognition; (c) if the property, plant and/or equipment is measured at fair value at its initial recognition, how the respective loan is to be recognized; (d) how the transfer of cash from customers should be recognized. The implementation of these amendments has no impact on the financial position or the operating financial results of the Group.

Improvements to International Financial Reporting Standards (2008)

In May 2008 the IAS Board published its first set of amendments to the standards mainly with the aim of eliminating the inconsistencies and clarifying the wording. There are separate transitional provisions for each standard. The implementation of the following amendments resulted in changes in the accounting policy, but had no impact on the financial position or the operating financial results of the Group.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Provided a subsidiary is held for sale all its assets and liabilities are classified as held for sale according to IFRS 5, even where the entity would hold a minority interest in the subsidiary after the sale. As the Group has no subsidiary held for sale, this amendment has no effect on its consolidated financial statements.

2.2 Changes in accounting policies (cont'd)

New and amended standards and interpretations applicable to reporting periods ending on 31 December 2009 (cont'd)

- IAS 1 *Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, are not automatically classified as current assets and liabilities in the balance sheet.

- *IAS 16 Property, Plant and Equipment:* replaces the term "net selling price" with "fair value less costs to sell".

- *IAS 18 Revenue*: Some guidance (accompanying the standard) is added for determining if the entity acts as a principal or as an agent. The features that should be taken into consideration are if the entity:
    - bears the principal responsibility for the provision of goods and services;
    - bears the risk for inventories;
    - sets the selling prices;
    - bears the credit risk.

The Group has measured its selling arrangements according to these criteria and has come to the conclusion that it acts as a principal to all the arrangements. The revenue recognition accounting policy was updated accordingly.

- *IAS 20 Accounting of Government Grants and Disclosure of Government Assistance*: loans granted at no or very low interest rate are not excluded from the requirement for determining the imputed rate of interest. For loans at below-market rate of interest the imputed rate of interest should be determined.

- *IAS 23 Borrowing Costs*: the definition of borrowing costs was revised to combine two items considered as elements of "borrowing costs" into one – interest costs, calculated by applying the effective interest rate method in line with IAS 39.

- *IAS 36 Impairment of Assets*: where discounted cash flows are used to determine the "fair value less costs to sell", additional disclosures are required with regard to the discount rate, similarly to the disclosures required when discounted cash flows are used for determining the "value in use".

- *IAS 38 Intangible Assets*: advertising and promotional activities costs are recognised as an expense where the Group has right of access to the goods or has been rendered the service.

2.2 Changes in accounting policies (cont'd)

New and amended standards and interpretations applicable to reporting periods ending on 31 December 2009 (cont'd)

Other amendments resulting from the Improvements to IFRSs in the following standards had no impact on the accounting policies, the financial position or the operating financial results of the Group.

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 10 *Events after the Balance Sheet Date*
- IAS 19 *Employee Benefits*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 29 *Financial Reporting in Hyperinflationary Economies*
- IAS 31 *Interests in Joint Ventures*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IAS 40 *Investment Property*
- IAS 41 *Agriculture*

2.3. Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires from the management to make judgements, estimates and assumptions that influence the value of reported assets and liabilities and the disclosures of contingent liabilities as of the balance sheet date, as well as the recognized revenues and expenses for the period. The uncertainties relating to the assumptions and estimates made could have actual results requiring significant adjustments to the carrying amounts of the respective assets or liabilities in the reporting periods to follow.

Judgements

In the implementation of the adopted accounting policies, in addition to the estimates and assumptions, the management of the Group made the following judgements, which could significantly impact the amounts recognised in the financial statements:

Greenhouse gas (CO2) emissions allowances
The national allocation plan of allowances for greenhouse gas emissions trading for the period 2008-2012 was adopted by a decision of the Council of Ministers of 23 December 2009. This plan is subject to approval by the European Commission, which was not published as of the date of approval of these consolidated financial statements for publication. In the absence of any standard or interpretation regulating the reporting of gas emission allowances, the Group has analysed any possible accounting policies applicable to the industry and has adopted the "net liability method with gain/loss deferrals" to emission allowances, as described in detail in Note 2.4 below. Based on an in-depth analysis of the conditions of the national plan for allocation of allowances for greenhouse gas emissions trading, the management of the Group judged that there is an excess over the allocated allowances where the cumulative actual emissions exceed the total volume of the allowances allocated to the Group for the whole five-year period. As a result of this, the Group will recognize a liability for this excess in the reporting period in which it occurs. As the actual cumulative emissions as of 31 December 2009 do not exceed the total amount of the allowances allocated to it for the whole five-year period, no liability was recognised in these financial statements.

Based on the measurements made and the production equipment modernisation the Group does not expect to exceed the allocated allowances within the five-year period.

Irrevocable commitments under operating leases – the Group as a lessee

The Group has concluded lease agreements for machines and transport vehicles. The management believes that since all significant risks and rewards incident to ownership over these assets do not stay with the Group, these are treated as operating leases.

Estimates and Assumptions

The principal assumption in relation to future and other major sources of uncertainty in the estimates as of the balance sheet date, entailing a significant risk of resulting in substantial adjustments to the carrying amounts of the assets or liabilities in the next reporting period are listed below.

2.3. Significant accounting judgments, estimates and assumptions (cont'd)

Estimates and Assumptions (cont'd)

Personnel's incomes upon retirement

The liability for the personnel's incomes upon retirement is determined by an actuarial assessment. This assessment requires making assumptions as to the discount rate, future growth of salaries and wages, mobility of personnel and mortality levels. Because of the long-term character of personnel's incomes upon retirement, these assumptions are subject to considerable uncertainty. As of 31 December 2009, the Group's liability for the personnel's incomes upon retirement amounted to BGN 438,000 (2008: BGN 525,000). Additional information about personnel's incomes upon retirement is provided in Note 15.

Useful life of Property Plant and Equipment, and Intangible Assets

Financial reporting of Property, Plant and Equipment, and Intangible Assets includes using estimates of their expected useful life and residual value, which are based on judgements made by the Group's management. Information regarding the useful lives of Property, Plant and Equipment is provided in Note 5, and of Intangible Assets – in Note 6.

Impairment of receivables

The Group uses an allowance account for reporting the impairment allowance for doubtful and uncollectible receivables from customers. The management judges the adequacy of this allowance based on age analysis of receivables, historical experience regarding the level of derecognition of uncollectible receivables, and an analysis of a customer's solvency, changes in contracted payment terms, etc. Provided the financial position and operating results of customers deteriorate (in excess of the expectations), the value of receivables that will have to be derecognised in the following reporting periods may exceed the expectations as of the balance sheet date. As of 31 December 2009, the best estimate of the management regarding the necessary impairment of receivables amounted to BGN 1,448,000 (2008: BGN 1,100,000). Additional information is provided in Notes 10 and 11.

Impairment of inventories

The Group recognised the impairment of idle and stale inventories to their net realisable value. Determining the rate of impairment requires from the management to assess the turnover of inventories and their possible realisation by using them as inputs in the production, sales and in-house transfers. As of 31 December 2009, the best estimate of the required impairment of idle and stale inventories amounted to BGN 1,601,000 (2008: BGN 1,123,000). Additional information is provided in Note 9.

Fair value of land

The fair value of land is determined based on valuations by independent valuators. Market values are determined using various valuation methods and analysing specifics of the real estate market in Bulgaria. The assumptions made in the preparation of the valuations entail uncertainty.

2.4. Summary of Significant Accounting Policies

Foreign Currency Translation

The financial statements are presented in Bulgarian levs, which is the currency of operation and the currency of account of the parent company. Each company in the Group determines its own operational currency and the items included in its financial statements are measured on the basis of that operational currency. Transactions in foreign currencies are initially reported in the operational currency at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated in the operational currency, and at the end of each month at the closing exchange rate of the Bulgarian National Bank on the last business day of the month. All foreign exchange gains and losses are reported in the income statement. Non-monetary assets and liabilities measured at their historical cost of acquisition in a foreign currency are translated in the operational currency at the exchange rate on the date of the original transaction (acquisition). Non-monetary assets and liabilities measured at fair value in a foreign currency are translated in the operational currency on the date of measurement at fair value.

The operational currencies of Beluxen Enterprises Ltd., Hellenic Recycling Papayoanou – EPE, and Srpska Fabrika za Reciklazhu, Company for glass recycling and wastes processing AD, which are overseas operations, are euro, and Serbian dinar, respectively. As of the reporting date, the assets and liabilities of these foreign subsidiaries are translated in the currency of account of Drujba Glassworks AD (Bulgarian levs) at the exchange rate operative on the balance sheet date, and their income statements are translated at the average weighted exchange rate for the year. The foreign exchange gains and losses resulting from this translation are reported directly as a separate component in the equity. At the time of sale of any foreign subsidiary, the cumulative amount of the foreign exchange gains and losses, as recognised in the equity and relating to the respective company, will be recognised in the statement of comprehensive income.

Goodwill arising at the acquisition of a foreign business and the adjustments of the carrying amounts of the assets and liabilities to their fair values as a result from the acquisition, are treated as assets and liabilities from the foreign business and are translated at the closing exchange rate.

Property, Plant and Equipment

Property, plant and equipment, with the exception of land, are recognised at their acquisition cost less the accumulated depreciation and accumulated impairment losses, if any. The cost of acquisition comprises any costs for replacement of parts of the machines and equipment, and borrowing costs under long-term construction contracts, provided they meet the criteria for recognition as an asset. When expenses are incurred for a thorough examination of a machine and/or equipment, they are included in the carrying amount of the respective asset as a replacement cost, provided they meet the criteria for recognition as an asset. All other repair and service expenses are recognised in the income statement in the period in which they were incurred.

Depreciation is calculated under the straight-line method for the useful life of the assets.

2.4. Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

Costs of acquisition of property, plant and equipment are deemed capital projects in progress and are measured at their acquisition cost. They are not depreciated until their completion and/or commissioning into operation.

After the initial recognition, land is measured at fair value less accumulated impairment losses. Revaluations are made sufficiently regularly to ensure that the fair value of a revalued asset does not differ significantly from its carrying amount.

Increasing the carrying amount of an asset as a result of revaluation is recognised in the revaluation reserve in the equity section in the balance sheet. However, the increase from revaluation is recognised in the income statement to the extent it recovers a previous decrease from revaluation of the same asset, which was previously recognised as an expense in the statement of comprehensive income. A decrease in the carrying amount of an asset as a result of revaluation is recognised as an expense in the income statement. The decrease from revaluation, however, is recognised directly in the equity against the revaluation reserve up to the amount of the credit balance in the revaluation reserve relating to this asset.

Property, plant and equipment is derecognised upon its sale or when no future economic benefits are expected from its use or disposal. Gains and losses incurred by the asset's derecognition (calculated as the difference between the net proceeds from the sale and its carrying amount) are recognised in the income statement for the year in which it was derecognised, and its revaluation reserve is transferred to the retained earnings.

At the end of each financial year a review is made of residual values, useful life and the applicable asset depreciation methods, and if expectations differ from the previous estimates, the latter are changed prospectively.

Borrowing Costs

The borrowing costs are capitalised in the value of the asset where they can be directly attributed to the acquisition or construction of a qualifying asset. This is an asset taking a long period of time to prepare for intended use.

Intangible Assets

Intangible assets acquired separately are measured initially at the acquisition cost. Where an intangible asset is acquired in a business combination, the cost of acquisition of such an asset is its fair value at the date of acquisition. After the initial recognition intangible assets are reported at the acquisition cost less the accumulated amortisation and the accumulated impairment losses. With the exception of intangible assets originating from research and development activities, the internally generated intangible assets are not recognised as assets, they are taken to profit or loss for the year when they were generated.

The Group judges if the useful life of intangible assets is determined as limited or unlimited.

Intangible assets of limited useful life are amortised for the period of their useful life and are tested for impairment where indications exist that their value is impaired. The period of amortisation and the amortisation method for intangible assets with limited useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or in

2.4. Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

the pattern of consumption of future economic benefits from an intangible asset are reported by changing the amortisation period or method and are treated as a change in the accounting estimates. The costs of amortisation of intangible assets with limited useful life are classified by their function in the income statement depending on the use (purpose) of the intangible asset.

Intangible assets of unlimited useful life are not amortised, they are tested for impairment on annual basis or individually, or on the level of items generating cash flows. The useful life of the intangible asset is reviewed at the end of each reporting period to determine if the events and circumstances continue to support the measurement of the useful life of the respective asset. If they do not, the change in the useful life from unlimited to limited is reported in future periods.

Gains and losses incurred by the derecognition of an intangible asset are measured as the difference between the net proceeds from the sale and the carrying amount of the asset, and are recognised in the income statement for the period of derecognition.

Business Combinations and Goodwill

Business combinations are reported using the purchase (acquisition) method. The cost of acquisition is measured at the fair value of the respective assets, issued equity instruments and liabilities incurred or assumed at the date of acquisition, plus any expenses directly related to the acquisition. The identifiable assets acquired, liabilities assumed and contingent liabilities in a business combination are originally measured at their acquisition-date fair value irrespective of the degree of any non-controlling interests.

Goodwill acquired in a business combination is originally measured at the acquisition cost which is the excess of the acquisition cost of the business combination over the share of the Group in the net fair value of the identifiable assets acquired, liabilities assumed and contingent liabilities. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement.

After the initial recognition, goodwill is measured at the acquisition cost less accumulated impairment losses. For the purposes of the impairment test, from the acquisition date goodwill is allocated to all the cash flow generating items, or groups of cash flow generating items, which are expected to benefit from the synergy of the combination, irrespective if other assets or liabilities of the acquiree business are taken to these items or groups of items.

If goodwill is allocated to a cash flow generating item (group of cash flow generating items), and the Group disposes of the business within this item, then goodwill relating to the disposed business is included in the carrying amount of the business when determining the gain or loss from the disposal of this business. Goodwill relating to the disposed business is measured based on the relative values of the disposed business and the remaining (preserved) holdings of the cash flow generating item.

If the Group acquires a business, the embedded derivatives separated from the host contract by the acquiree are not remeasured at the time of acquisition, unless the business combination results in a change in the terms and conditions of the contract which significantly modifies cash flows that would otherwise be required under the contract.

2.4. Summary of Significant Accounting Policies (cont'd)

Business Combinations and Goodwill (cont'd)

The initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which it is was generated, as either the fair values which should be taken to the identifiable assets, liabilities and contingent liabilities, or the acquisition costs may be determined only provisionally.

The Company recognizes any adjustments to the provisional values resulting from the closing of the initial accounting of a business combination within twelve months from the acquisition date, and retroactively (according to IFRS 3, paragraph 62).

Impairment of Non-financial Assets

As of each reporting date, the Group judges if there are indications that an asset is impaired. If there are such indications, or where an annual testing of an asset for impairment is required, the Group determines the recoverable amount of this asset. The recoverable amount of an asset is the greater of the fair value less costs to sell of the asset or the item generating cash flows, and its value in use. The recoverable amount is determined for each individual asset, except where the use of the asset does not generate any cash flows that are sufficiently independent from the cash flows generated by other assets or groups of assets. Where the carrying amount of an asset is higher than its recoverable amount, it is considered impaired, and its carrying amount is reduced down to its recoverable amount. When determining the value in use of an asset, the expected future cash flows are discounted to their present value using a discount rate before tax, which reflects the current market time value of money and the risks specific for the asset. The fair value less costs to sell is determined using an appropriate valuation model. The calculations made are confirmed by using other valuation models, stock exchange prices of shares of public subsidiary companies or other available sources of information regarding the fair value of an asset or item generating cash flows.

Impairment losses of continuing businesses are recognised as expenses in the income statement depending on the function of the impaired asset, with the exception of the losses from impairment of property revalued in prior reporting periods and the increase from revaluation was recognised directly in the equity. In such a case the impairment loss is also recognised directly in equity against the revaluation reserve up to the amount of the credit balance of the revaluation reserve relating to the respective asset.

As of each reporting date, the Group judges if there are indications that the impairment loss from an asset, which was recognised in prior periods, may no longer exist or may be reduced. If there are such indications, the Group determines the recoverable amount of the asset or the item generating cash flows. The impairment loss is recovered only when there is a change in the estimates used for determining the recoverable amount of the asset after the recognition of the last impairment loss. The recovery of the impairment loss is limited so that the carrying amount of the asset would exceed neither its recoverable amount nor its carrying amount (less depreciation) which would have been determined if no impairment loss was recognised for the asset in prior years. The recovery of the impairment loss is recognised in the income statement unless the asset is reported at revalued amount, in which case the recovery is treated as an increase from revaluation.

The Group applies the following criteria for impairment testing of the specific assets below:

2.4. Summary of Significant Accounting Policies (cont'd)

Impairment of Non-financial Assets (cont'd)

Goodwill

The Group tests goodwill for impairment once a year (as of 31st December) or if any events or changes in circumstances indicate that it may be impaired.

Goodwill is tested for impairment by determining the recoverable amount of the cash generating item (or the group of cash generating items) to which it was allocated. Where the recoverable amount of the cash generating item is less than the carrying amount, an impairment loss is recognised. The loss from impairment of goodwill is not subject to recovery in future periods.

Investments and Other Financial Assets

Financial assets covered by IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets reported at fair value through profit or loss or as loans and receivables, or as investments held to maturity, or as financial assets available for sale, or as derivatives constructed as hedging instruments with effective hedge, as is more appropriate. The Group determines the classification of its financial assets at the time of their initial recognition.

Financial assets are recognised initially at their fair value plus, in case of financial assets not reported at fair value through profit or loss, the transaction costs directly related to the acquisition of the financial asset. The Group judges if a contract contains an embedded derivative when it first becomes a party to it. The embedded derivative is separated from the host contract, which is not recognised at fair value through profit or loss where analyses indicate that the economic characteristics and risks entailed in the embedded derivative are not directly related to the economic characteristics and risks entailed in the host contract.

The Group classifies its financial assets after their initial recognition and at the end of each reporting period, reviewing the classification (reclassifying) the assets for which this is allowable and appropriate.

Regular purchases and sales of financial assets are recognised on the date of the trade (transaction), i.e. the date on which the Group committed itself to purchasing or selling the asset. Regular purchases and sales are regular purchases and sales of financial assets the terms and conditions of which require the transfer of the asset in a period of time usually established in the regulatory framework of or the current practice in the respective market.

The Group's financial assets comprise cash and cash equivalents, trade and other receivables, loans granted, unquoted investments, and other financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After their initial recognition, the Group measures loans and receivables held to maturity at their depreciated value, using the effective interest rate method, less the impairment allowance. The depreciated value is computed by taking into account all premia and discounts at acquisition as well as the charges that are an integral part of the effective interest rate and the transaction costs. Gains and losses from loans and receivables are recognised in the profit or loss for the period when the loans and receivables are derecognised or impaired, and also through the process of depreciation.

2.4. Summary of Significant Accounting Policies (cont'd)

Investments and Other Financial Assets (cont'd)

Available-for-sale Investments

Available-for-sale financial assets are those non-derivative financial assets determined as available for sale or that are not classified in one of the preceding categories. After their initial recognition, available-for-sale investments are measured at fair value, whereas unrealised gains or losses from them are recognised in *Other Comprehensive Income*. Part of the available-for-sale investments are in the form of equity instruments of an entity not quoted in an active market (Note 8). As a result of this, the fair value of the investment cannot be reliably determined, hence it is recognised at the acquisition cost. The interest received or paid for the investment is reported as an interest income and expense using the effective interest rate method. Dividends from available-for-sale investments are recognised in the income statement, item *Dividend Received*, when the Group's right to receive payment is established.

Impairment of Financial Assets

The Group judges at each balance sheet date if there is available objective evidence of the impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets is deemed impaired if and only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (loss event) and this loss event has an impact on the expected future cash flows from the financial asset or a group of financial assets, which can be reliably measured. The evidence of impairment may comprise indications that a debtor or a group of debtors faces serious financial difficulties, default or arrears on an interest or principal payment, possibility for them to become bankrupt, or any other financial reorganization, and when obvious data indicate that there is an assessable decrease in the expected future cash flows, such as changes in arrears or economic conditions comparable to default.

Financial assets measured at depreciated value

For amounts due under loans and advances from customers reported at depreciated value, the Group first determines if there is objective evidence of impairment individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group finds that there is no objective evidence of impairment for an individually measured financial asset, no matter if it is significant or not, it includes the asset in a group of financial assets of similar credit risk characteristics and subjects them collectively to an impairment review.

Assets which are not assessed for impairment individually, and for which an impairment loss is recognised or continues to be recognised, are not included in the collective impairment assessment.

If there is any objective evidence that an impairment loss has been incurred from the impairment of loans and receivables reported at depreciated value, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (with the exception of the expected future losses not yet occurred) discounted at the original effective interest rate for the financial asset (i.e. the effective interest rate calculated at the initial recognition). The carrying amount of the asset is reduced using an allowance account for impairment allowances. The amount of the loss is recognised

2.4. Summary of Significant Accounting Policies (cont'd)
Impairment of Financial Assets (cont'd)

in the income statement. Interest incomes continue to be accrued on the reduced carrying amount, based on the original effective interest rate of the asset. Loans together with relevant allowances are written off where there are no realistic prospects for their future recovery and the whole collateral is realised or is transferred to the Group. If in any subsequent year the amount of expected impairment loss increases or decreases due to an event occurring after the recognition of the impairment, the impairment loss earlier recognised is increased or decreased by an adjustment in the allowance account. If a future derecognition is recovered at a later stage, the recovery is recognised in the income statement.

The present value of expected future cash flows is discounted using the original effective interest rate of the financial asset. If a loan is with a floating exchange rate, the discount rate for assessing the impairment loss is the current effective interest rate.

Trade receivables are impaired where there is objective evidence that the Group will not be able to collect in full all due amounts as per the original terms and conditions of the invoice. The carrying amount of trade receivables is reduced using an allowance account for impairment allowance. Impaired receivables are derecognised when they become uncollectible.

Available-for-sale Investments

For the available-for-sale investments, the Group judges as of each reporting date if there is objective evidence that the investment or group of investments is impaired.

For capital investments of the Group classified as such available for sale, the objective evidence includes a significant or long decrease in the fair value of the investment below the acquisition cost. This "significant decrease" should be assessed against the original cost of acquisition of the investment, and the "long" is assessed against the period during which the fair value is below the original acquisition cost. Where there is evidence of impairment, the cumulative loss – assessed as the difference between the acquisition cost and the present fair value less the impairment loss of this investment earlier recognised in the statement of Other Comprehensive Income – is deducted from the other comprehensive income and is recognised in the income statement. Impairment losses of capital investments are not recovered through income statement; increases in their fair value are recognised directly in *Other Comprehensive Income*.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Expenses incurred in relation to the delivery of inventories to their present location and condition is reported as follows:

Materials and goods	delivery value at acquisition (purchase price of the material/goods and the cost of delivery) and the average weighted value at consumption
Finished products and work in progress	Value of the used direct materials, labour and variable and fixed general production costs distributed on the basis of normal production capacity, excluding borrowing expenses. Direct production costs are apportioned among individual products based on plan indicators and normal capacity of production facilities.

2.4. Summary of Significant Accounting Policies (cont'd)

Inventories (cont'd)

The net realisable value is the assumed selling price in the normal course of business less the estimated costs of completion of the production cycle and those needed to effect the sale.

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet include funds in bank accounts, cash, and short-term deposits with original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above.

Financial Liabilities

Interest-bearing loans and borrowings

At their initial recognition, interest-bearing loans and borrowings are measured at the fair value of the received, less the expenses directly related to the transaction, and are not classified as "recognised at fair value through profit or loss".

After their initial recognition, the Group measures interest-bearing loans and borrowings at their depreciable value using the effective interest rate method. The depreciable value is calculated taking into account all types of charges, commissions, and other expenses, including any discount or premium associated with these loans. Gains and losses from interest-bearing loans are recognised in the statement of comprehensive income when the liability is derecognised, and through the process of depreciation. Where costs of loans cannot be attributed directly to acquisition, construction, or production of a qualifying asset, they are capitalised as part of the value of this asset.

Compensation of Financial Instruments

Financial assets and financial liabilities are compensated and the net amount is presented in the balance sheet, where and only where there is a legally enforceable right for compensation of the recognised amounts and the Group intends to settle on net basis, or to simultaneously realise assets and settle liabilities.

Issued Capital

Issued capital is reported at the face value of shares issued and subscribed by Drujba Glassworks AD. Proceeds from issued shares in excess of their face value, if there are any, are reported in the premium reserve.

Shares bought back

Own equity instruments acquired back (bought back shares) are deducted from the share capital. The Group recognises neither gain nor loss from the purchase, sale, issuance, or retirement of its own equity instruments.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where appropriate a portion of a financial asset, or portion of a group of similar financial assets) is derecognised where:

- contractual rights on the cash flows from the financial asset have expired;

2.4. Summary of Significant Accounting Policies (cont'd)

Derecognition of Financial Assets and Liabilities (cont'd)

- contractual rights for receiving cash flows from the financial asset are preserved, but a contractual obligation is undertaken to pay all collected cash flows, without significant delay, to a third party under a transfer transaction; or
- contractual rights for receiving cash flows from the financial asset are transferred whereas: (a) the Group has transferred substantially all risks and rewards incident to ownership of the financial asset; or (b) it has neither transferred nor preserved substantially all risks and rewards incident to ownership of the financial asset, but has not retained control over it.

Where the Group has transferred its contractual rights for receiving cash flows from the financial asset and has neither transferred nor preserved substantially all risks and rewards incident to ownership of the financial asset, but has retained control over it, the Group continues to recognise the transferred financial asset to the extent of its continuing interest in it. The extent of continuing interest, which is in the form of a guarantee for the transferred asset is measured at the lower of original book value of the asset and the maximum amount of the compensation which the Group may be required to reimburse.

Where the continuing interest is in the form of a written or purchased option on the transferred asset (including an option settled in cash or other such), the extent of continuing interest of the Group is equal to the value of the transferred asset at which the Group can repurchase it. However, in the cases of a written put option (including an option settled in cash or other such) on an asset measured at fair value, the extent of continuing interest of the Group is limited to the lower of the fair value of the transferred asset and the price of exercising the option.

Financial Liabilities
A financial liability is written off the balance sheet when it is redeemed, i.e. when the liability set forth in the contract is invalidated, or cancelled, or its term has expired.
The replacement of an existing financial liability with another debt instrument of the same creditor with significantly differing terms and conditions, or the significant modification of the terms and conditions of the existing financial liability is reported as derecognition of the original financial liability and the recognition of a new financial liability. The difference between the carrying amounts of the original and the new liability is recognised in the statement of comprehensive income.

Provisions

General Provisions
Provisions are recognised where the Group has a current obligation (legal or constructive) as a result of past events; a flow of resources entailing economic benefits is likely to be needed for the repayment of the liability; and a reliable assessment can be made of the amount of the liability. Where the Group expects that some or all expenses needed for the settlement of the liability will be recovered, e.g. under an insurance contract, the recovery is recognised as a separate asset, but only where it is practically certain that these expenses will be recovered. The provision expenses are reported in the income statement net of the amount of recovered expenses. Where the effect of differences of time value of money is significant, provisions are discounted using a current discount rate before taxes, which reflects the risks specific for the liability. Where discounting is used, the increase of the provision as a result of time lapsed is presented as a financial expense.

2.4. Summary of Significant Accounting Policies (cont'd)

Greenhouse gas (CO2) emissions allowances

The greenhouse gas emissions (carbon dioxide, CO_2) allowances are reported under the "net liability method with gain/loss deferrals" according to which the Group recognizes a liability for the CO_2 emissions when the emissions were actually discharged and where those exceed the allocated allowances (in accordance with the national allocation plan of allowances for greenhouse gas emissions trading). The greenhouse gas emissions allowances are recognised as an asset at the acquisition cost.

Personnel's incomes upon retirement

Labour and social insurance relations with employees in the Group are based on the provisions of the Labour Code, of the existing social insurance legislation and the collective employment contract.

According to the Bulgarian labour legislation and the collective employment contract, the Group as an employer is obliged to pay to employees at the time of retirement a compensation depending on the length of service in the Group, between 2 and 7 gross monthly salaries as of the date of discontinuation of the employment relation. The retirement plan of the personnel's incomes upon retirement is not funded. The Group determines its liability for the personnel's incomes upon retirement by an actuarial assessment – projected unit credit method. Actuarial gains and losses are recognised as an income or an expense when the net cumulative unrecognised actuarial gains or losses at the end of the prior reporting year exceeded 10% of the current value of the liability for the personnel's incomes upon retirement. Actuarial gains and losses are recognised for the average remaining number of years of service of the personnel.

Expenses for past length of service are recognised as an expense on straight-line basis for the average period until incomes become unconditionally acquired. To the extent incomes have become unconditionally acquired, immediately upon implementation of any changes in the retirement income plan, the Group recognises immediately the expense of past length of service.

The liability for the personnel's incomes upon retirement comprises the present value of the liability to pay these incomes, less the unrecognised expenses for past length of service.

Leases

Determining if an agreement is or contains a lease is based on the nature of the agreement, at its inception, and requires a judgement if the performance of the agreement depends on the use of a particular asset or assets, and if the agreement transfers the right of use of the asset. Restatement if an agreement contains a lease after its inception is done only if any of the conditions below are met:

(a) there is a change in the contractual conditions, except if the change was meant only to renew or extend the term of the agreement;

(b) a renewal option was exercised, or an extension of the agreement was agreed between the parties, except if the term of renewal or extension was initially included in the lease term;

(c) there is a change in the determination if the performance depends on the specific asset;

(d) there is a significant change in the asset.

2.4. Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

If an agreement is restated and is determined to contain a lease, or not contain a lease, the accounting for the lease is implemented or discontinued by:

- in the case of sub-items (a), (c), and (d) above, where a change in the circumstances occurs which causes the restatement;
- in the case of sub-item (b) above, the beginning of the term of renewal or extension.

The Group as a Lessee

The Group classifies a lease agreement as a finance lease if it transfers substantially all the risks and rewards incident to ownership over the leased asset. At the commencement of the lease term, a financial lease is recognised as an asset and a liability in the balance sheet at an amount which at the inception of the lease is equal to the fair value of the leased asset or, if it is lower – to the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the remaining balance of the liability. Financial expenses are recognised directly in the income statement.

Assets acquired under a finance lease are depreciated over the shorter of the lease term or the useful life of the asset, if there is no reasonable certainty that the Group will obtain ownership over them by the end of the lease.

A lease agreement is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership over the asset. Lease payments under an operating lease are recognised as an expense in the income statement on a straight-line basis over the whole term of the lease.

The Group as a Lessor

A lease under which the Group retains substantially all the risks and rewards incident to ownership over the leased asset is classified as an operating lease. Initial direct costs incurred by the Group in relation to the contracting and arrangement of an operating lease are added to the carrying amount of the leased asset and are recognised as expenses over the whole term of the lease on the same basis as lease incomes. Contingent rent is recognised as an income in the period in which it is earned as an expense in the income statement on a straight-line basis over the whole term of the lease.

Revenue Recognition

Revenue is recognised to the extent it is probable that any economic benefit will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the received remuneration excluding discounts, rebates and other sales taxes or customs duties. The Group analyses its selling arrangements according to specific criteria to determined if it acts as a principal or an agent. It has come to the conclusion that it acts as a principal in all such arrangements. Before recognising a revenue, the following specific recognition criteria should be met:

Sale of Finished Products and Goods

Revenue arising from the sale of products and goods is recognised when the significant risks and rewards of ownership over the products and goods are transferred to the buyer, which usually happens at the time of their shipment.

2.4. Summary of Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)

Rendering of Services

Revenue arising from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion of the transaction is determined based on the man-hours worked to that time as a percentage of the total man-hours to be worked under each contract. Where the result of a transaction (contract) cannot be reliably measured, revenue is recognised only to the extent to which the expenses incurred are recoverable.

Other Revenue

Revenue from other sales is recognised for the period in which it is earned.

Revenue from interest

Revenue from interest is recognised at the time of accrual of interest (using the effective interest rate method, i.e. the interest rate which exactly discounts the expected future cash flows for the term of the expected life of the financial instrument to the carrying amount of the financial asset). Interest revenue is included in the financial revenue in the income statement.

Dividends

Revenue from dividends is recognised when the shareholders' right to receive payment is established.

Revenue from rent

Revenue from rent as a result of an operating lease is recognised on straight-line basis over the whole lease term.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are recognized at the amount expected to be refunded by or paid to the tax authorities. The tax rates and tax laws effective or substantively effective at the balance sheet date are applied in the calculation of current taxes.

Current taxes are recognized directly in the equity (rather than in profit or loss for the period), where the tax concerns items recognized directly in the equity.

Deferred income tax

Deferred taxes are recognized under the balance sheet method for all temporary differences as of the balance sheet date, occurring between the tax base of the assets and liabilities and their carrying amount.

2.4. Summary of Significant Accounting Policies (cont'd)

Taxes (cont'd)

Deferred tax liabilities are recognized for all taxable temporary differences,

- except to the extent the deferred tax liability arising from the initial recognition of an asset or liability under a transaction other than a business combination and which does not affect either the accounting or the taxable profit or loss at the time of the transaction; and
- for taxable temporary difference arising from investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the difference, and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised:

- unless the deferred tax asset arises from the initial recognition of an asset or liability under a transaction other than a business combination and which affects neither the accounting profit nor the taxable profit or loss at the time of the transaction; and
- for deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures, the deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference will be utilised.

The Group reviews the carrying amount of deferred tax assets as of each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available, allowing for the recovery of the whole or part of that deferred tax asset. Unrecognised deferred tax assets are reviewed as of each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available, allowing for the recovery of the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) existing or substantively in effect as of the balance sheet date.

Deferred taxes are recognized in *Other Comprehensive Income* or in the equity capital where the tax relates to items that were recognized outside the profit for the period.

The Group offsets deferred tax assets and liabilities only where it has the legal right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities are set off against income taxes that are levied by the same tax authority on the same tax liable entity.

Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of VAT, except in the cases where:

- VAT on the purchase of assets or services is not refundable by the tax authorities, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the respective expense item, as appropriate; and

2.4. Summary of Significant Accounting Policies (cont'd)

Taxes (cont'd)

- Receivables and liabilities reported with VAT included.

The net amount of VAT refundable by or owed to the tax authorities is included in the value of the receivables or liabilities on the balance sheet.

Earnings per Share

The main earnings per share are calculated by dividing the net profit or loss for the period subject to distribution among ordinary equity holders by the average-weighted number of ordinary shares held for the period.

The average-weighted number of shares is the number of ordinary shares held at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period, multiplied by a time-weighting factor. This factor is the ratio of the number of days during which the specific shares were held to the total number of days in the period. In the case of capitalization of reserves, bonus share issues, etc., which result in no change in the resources of the Group, the number of ordinary shares prior to this transaction are corrected in proportion to their change, as if the transaction was effected at the beginning of the earliest presented period . As a result of this, the number of ordinary shares, respectively the earnings per share in the comparative period, are recalculated.

2.5. Future Changes in Accounting Policies

Standards, interpretations, and amendments to published standards not yet come into effect

The Group has not applied earlier the below listed new standards, interpretations, and amendments to existing standards, which are published and mandatory to apply for the reporting periods starting on or after 1 January 2010, or later:

IFRS 1 Additional Exemptions for First-time Adopters of IFRSs (amendments)

The amendments to IFRS 1 were published in July 2009 and are effective for annual periods starting on or after 1 January 2010. They regulate the additional exemptions from full retrospective implementation of IFRSs in the measurement of oil and gas assets, and of leases in accordance with IFRIC 4. These amendments will not impact the Group's consolidated financial statements. They are not adopted by the EU.

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (amendments)

The amendments to IFRS 2 were published in June 2009 and are effective for annual periods starting on or after 1 January 2010. The amendment is aimed at clarifying the scope and accounting of group transactions with share-based payments settled in cash. The Group does not expect these amendments to have any impact on its financial position or operating financial results.

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised)

The revised standards were published in January 2008 and came into effect for financial years starting on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting of business combinations occurring after the above date, which will impact the amount of the recognised goodwill, the reported results in the period of realisation and acquisition, and future reported results. The revised IAS 27 requires a change in the interest held in a subsidiary (without loss of control) to be reported as an equity transaction. Consequently, such transactions do not generate goodwill, nor result in profit or loss. In addition, the amended standard changes the accounting of losses incurred by the subsidiary, as well of a loss of control over a subsidiary. The changes introduced by the revised IFRS 3 and IAS 27 will have impact on future acquisitions or loss of control, and on transactions in minority interests.

IFRS 9 Financial Instruments

The first phase of IFRS 9 was published in November 2009 and comes into effect from 1 January 2013. It is focused on new guidelines for classification and measurement of financial assets. The Group plans to consider the effect of the first phase of the new IFRS 9. The standard is not adopted by the EU.

2.5. Future Changes in Accounting Policies (cont'd)

Standards, interpretations, and amendments to published standards not yet come into effect (cont'd)

IAS 39 Financial Instruments: Recognition and Measurement – eligible hedged items (amendments)

These amendments to IAS 39 were published in August 2008 and came into effect for financial years starting on or after 1 July 2009. The amendment addresses the measurement of a one-sided risk in a hedged item and determining the inflation as a hedged risk or part thereof in specific situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group does not expect these amendments to have any influence on its financial statements.

IAS 24 Related Party Disclosure (revised)

The revised standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2011. The definition of related parties is clarified and simplified. The Group does not expect these amendments to have any impact on its financial statements. The revised standard was not adopted by the EU.

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)

The amendment was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2011. It allows entities having minimum funding requirements to report the early payments as an asset, rather than a liability. The Group does not expect these amendments to have any impact on its consolidated financial statements. The revised standard is not adopted by the EU.

IFRIC 17 Distribution of *Non-Cash Assets to Owners*

The interpretation was issued on 27 November 2008 and becomes effective for financial years beginning on or after 1 July 2009 and should be applied prospectively. IRFIC 17 is applied to all non-reciprocal distributions of fixed assets to owners. It provides guidance on when to recognise a liability, how to measure it and the assets related thereto, and when the asset and the liability should be written off, as well as the consequence thereof. The Group is in the process of assessing the effect of IFRIC 17 on its financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 was issued in November 2009 and becomes effective for annual periods beginning on or after 1 July 2010. The interpretation provides guidance on the measurement of equity instruments issued to extinguish a financial liability, as well as on the treatment of the difference between this measurement and the carrying amount of the financial liability at its derecognition. The Group is in the process of assessing the effect of IFRIC 19 on its financial statements. The interpretation is not adopted by the EU.

Improvements to International Financial Reporting Standards (2009)

The Improvements of IFRSs were issued in 2009 by the IAS Board and become effective for financial years beginning on or after 1 January 2010. At the moment the impact of these improvements on the Group's consolidated financial statements are analysed.

3. Revenues and Expenses

3.1 Revenue from Sales of Products and Goods and Rendering of Services
Revenues from external customers

(a) Geographic information

	2009	**2008**
	BGN '000	*BGN '000*
Bulgaria	57,914	87,124
Greece	45,389	54,478
Romania	26,141	15,553
Serbia	14,418	25,903
Others (less than 10% of turnover)	19,919	26,417
	163,780	**209,475**
	===========	===========

(b) Sales information – domestic market and exports

	2009	**2008**
	BGN '000	*BGN '000*
Domestic market	57,914	87,124
Exports	105,866	122,351
	163,780	**209,475**
	===========	===========

(c) Information about major customers

	2009	**2008**
	BGN '000	*BGN '000*
Customer 1 (more than 10% of turnover)	18,673	28,265
Other customers (below 10% of turnover)	145,107	181,210
	163,780	**209,475**
	===========	===========

3.2 Cost of Sales

	2009	**2008**
	BGN '000	*BGN '000*
Cost of input materials recognized as expense	(32,922)	(40,539)
Depreciation of property, plant and equipment	(22,158)	(22,755)
Amortization of intangible assets	(224)	(366)
Expenses for personnel	(9,734)	(10,564)
Other expenses	(50,294)	(52,587)
Cost of services rendered (transport, decoration, and other services)	(9,484)	(13,486)
Cost of goods sold	(1,649)	(12,413)
	(126,465)	**(152,710)**
	===========	===========

3.3 Other Revenue

	2009	**2008**
	BGN '000	*BGN '000*
Revenue from other services	442	716
Earnings from sale of materials	393	612
Earnings from sales of property, plant and equipment	24	60
Written off liabilities	68	2
Earnings from insurance indemnifications	24	-
Other revenue	140	285
	1,091	**1,675**
	===========	===========

3.4. Administrative expenses and selling and distribution costs

	2009	**2008**
	BGN '000	*BGN '000*
Expenses for personnel (including social benefits)	(2,807)	(3,069)
Other hired services	(2,417)	(2,943)
Products selling expenses	(2,120)	(1,899)
Depreciation of plant and equipment	(2,612)	(1,403)
Rents	(886)	(1,078)
Consumables	(727)	(771)
Insurance	(686)	(738)
Local taxes and other fees	(274)	(589)
Maintenance and current repairs	(406)	(449)
Public utilities	(451)	(423)
Business trips and other transportation expenses	(212)	(311)
Fees for professional services	(54)	(228)
Bank commissions	(134)	(172)
Advertising costs	(18)	(96)
Donations	(47)	(36)
Expenses for subscriptions	(17)	(20)
Other expenses	(512)	(335)
	(14,380)	**(14,560)**
	===========	===========

The above expenses are administrative expenses and selling and distribution costs, as follows:

	2009	**2008**
	BGN '000	*BGN '000*
Administrative expenses	(8,769)	(8,965)
Selling and distribution costs	(5,611)	(5,595)
	(14,380)	**(14,560)**
	===========	===========

3.5. Other expenses

	2009	2008
	BGN '000	*BGN '000*
Retired inventories	(2,629)	(2,151)
Liquidation and retirement of machinery and equipment	(3)	(243)
Fines and penalties paid	(130)	(149)
Receivables written-off	(572)	(529)
Impairment of doubtful and uncollectible receivables, Including written-off impairment of receivables written-off, net	(347)	38
Inventory impairment loss (Note 9)	(1,232)	(1,181)
Other expenses	(665)	(483)
	(5,578)	**(4,698)**
	===========	===========

3.6 Personnel Incomes

	2009	2008
	BGN '000	*BGN '000*
Salaries and Wages	(10,189)	(11,304)
Social Security Contributions	(2,035)	(2,497)
Benefits-in-kind and training	(940)	(980)
Expenses for employee benefits on retirement (Note 15)	(141)	(121)
	13,305	**14,902**
	===========	===========

3.7. Financial Revenues

	2009	2008
	BGN '000	*BGN '000*
Revenues from interest on bank accounts and deposits	5	14
Foreign exchange gains	39	89
	44	**103**
	===========	===========

3.8. Financial Expenses

	2009	2008
	BGN '000	*BGN '000*
Interest expenses on long-term bank loans	(1,327)	(2,249)
Interest expenses on short-term bank loans	(2,835)	(3,161)
Fees and commissions for financial instruments reported at amortized value and not included in the application of the effective interest rate method	(233)	(272)
Foreign exchange loss	3	(1,382)
Other financial liabilities	(580)	(383)
Financial expenses on financial leases	(10)	(17)
	(4,982)	**(7,464)**
	===========	===========

4. Income Tax

The main components of the (expense on)/income from income tax in the years ending on 31st December 2009 and 31st December 2008 are as follows:

	2009	**2008**
	BGN '000	*BGN '000*
Current income tax		
Current income tax expense	(2,102)	(3,634)
Deferred income tax		
related to arising and reversal of temporary differences	403	319
Income tax expense reported in the income statement	**(1,699)**	**(3,315)**
	===========	===========

The applicable income tax rate in 2009 is 10% (2008:- 10%). The applicable income tax rate in 2010 is 10%.

The change in the deferred tax liability reported in the statement of equity for the years ending on 31st December 2009 and 31st December 2008 is as follows:

The reconciliation between the income tax expense and the accounting profit multiplied by the applicable tax rate in the years ending on 31st December 2009 and 31st December 2008 is as follows:

	2009	**2008**
	BGN '000	*BGN '000*
Profit before taxes	**13,510**	**31,821**
	===========	==========
Expense on income tax per applicable tax rate of 10% for 2009 (2008:- 10%)	(1,351)	(3,182)
Expenses unrecognized for tax purposes	(346)	(123)
Income not subject to taxation	8	-
Others	(10)	(10)
Income tax expense	**(1,699)**	**(3,315)**
	===========	==========

Deferred taxes as of 31st December 2009 and 31st December 2008 are related to the following:

	Balance Sheet		Income Statement	
	2009	2008	2009	2008
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Deferred tax liabilities				
Property, plant and equipment	(10,956)	(11,318)	362	223
Revaluation of investments available for sale	-	-	-	1
	(10,956)	(11,318)		
Deferred tax assets				
Inventory impairment	160	111	49	86
Impairment of trade and other receivables	145	110	35	(4)
Impairment of property, plant and equipment	31	31	-	-
Accruals for unused leave	86	121	(35)	8
Retirement benefit provisions	2	10	(8)	5
	424	383		
Income/ (expense) per deferred taxes			**403**	**319**
Deferred tax liabilities, net	**(10,532)**	**(10,935)**		
	=======	========		

5. Property, Plant and Equipment

	Land	Buildings & assets belonging to them	Plant and equipment	Transport vehicles	Others	Acquisition costs and advances	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Carrying Amount (acquisition cost or fair value)							
On 1st January 2008	**21,307**	**58,559**	**236,424**	**4,589**	**979**	**29,440**	**351,298**
Acquisitions	-	-	-	-	-	28,927	28,927
Transfers	-	3,927	40,569	592	199	(45,287)	-
Write-offs	-	(14)	(1,307)	(130)	(13)	-	(1,464)
On 31st December 2008	**21,307**	**62,472**	**275,685**	**5,051**	**1,165**	**13,080**	**378,761**
Acquisitions	20	-	372	-	-	8,236	8,628
Acquisition of a subsidiary (restated) Note 8	**4**	319	34	-	-	-	357
Transfers	-	417	7,502	-	6	(7,925)	-
Write-offs	-		(3,269)	(183)	(1)	(42)	(3,495)
On 31st December 2009	**21,331**	**63,208**	**280,325**	**4,868**	**1,170**	**13,349**	**384,251**
Depreciation and Impairment							
On 1st January 2008	**-**	**(29,309)**	**(122,727)**	**(3,429)**	**(583)**	**-**	**(156,048)**
Depreciation accrued for the year	-	(1,134)	(24,340)	(433)	(136)	-	(26,043)
Write-off	-	8	509	130	10	-	657
On 31st December 2008	**-**	**(30,435)**	**(146,558)**	**(3,732)**	**(709)**	**-**	**(181,434)**
Depreciation accrued for the year	-	(1,181)	(24,237)	(442)	(140)	-	(26,000)
Write-off	-	-	3,186	182	1	-	3,369
On 31st December 2009	**-**	**(31,616)**	**(167,609)**	**(3,992)**	**(848)**	**-**	**(204,065)**
Carrying Amount							
On 31st December 2009	**21,331**	**31,592**	**112,716**	**876**	**322**	**13,349**	**180,186**
	======	======	======	======	======	======	======
On 31st December 2008	**21,307**	**32,037**	**129,128**	**1,319**	**456**	**13,080**	**197,327**
	======	=====	======	======	======	======	======
On 1st January 2008	**21,307**	**29,250**	**113,697**	**1,160**	**396**	**29,440**	**195,250**
	======	======	======	======	======	======	======

Idle Assets

As of 31st December 2009 the carrying amount of temporary idle plant and equipment was BGN 9,182,000 (31st December 2008: BGN 933,000). They include plant and equipment amounting to BGN 9,179,000 (31st December 2008: BGN 929,000) and other assets amounting to BGN 3,000 (31st December 2008: BGN 4,000). In addition to that, the acquisition costs include “frozen” projects with carrying amount BGN 10,731,000 (2008: BGN 1,294,000)

The management’s intention as to the above-mentioned assets is to have part of them refurbished and thereafter to be used by the Group, and others to be sold at a price higher than their carrying amount. Since the idle assets are thus expected to recover their carrying amounts, it is not necessary to recognize an impairment loss in the financial statement higher than the one already recognized in 2007 amounting to BGN 291,000.

5. Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment

In view of the deteriorated current market situation and the above-mentioned idle assets, the Group performed a fixed assets impairment test as of 31 December 2009. Since the management has the intention to recover the value of the assets by using them in the activities of the Group, the above impairment test was completed at the level of cash flow generating item, representing the entity as a whole, i.e. as an aggregate of all its assets and liabilities. Its recoverable amount does not exceed the carrying amount as of 31 December 2009, hence the Group has not recognized impairment in relation to fixed tangible assets.

Useful life periods

Useful life periods of fixed tangible assets are determined as follows:

	2009	**2008**
Buildings	20- 40 years	20 - 40 years
Plant and equipment	5 - 20 years	5 - 20 years
Transport vehicles	6 – 8 years	6 – 8 years
Computers	4 years	4 years
Fixtures and fittings	6 – 7 years	6 – 7 years

Acquisition costs

The acquisition costs include the following:

	2009	**2008**
	BGN '000	*BGN '000*
Production facilities	8,770	7,234
Production equipment	2,136	2,531
Production machinery	601	1,250
Granted advances and others	979	949
Warehouses and production buildings	863	1,116
	13,349	**13,080**
	=======	=======

As of 31st December 2009 the carrying amount of the fixed tangible assets acquired under financial leases was BGN 373,000 (2008: BGN 519,000)
As of 31st December 2009 mortgages were imposed on land and buildings with carrying amount BGN 21,271,000 and plant and equipment with carrying amount BGN 34,541,000 were pledged as collateral for loans received.

5. Property, plant and equipment (cont'd)

Revaluation of land

As of 31st December 2009 it was found as a result of the review made by an independent licensed valuation company Engineering Service OOD, Sofia that there were no substantial changes in the industrial property market in 2008 in the area of location of land owned by the Group. As a result of the above-mentioned review, the Group considers that no adjustment of the evaluation as of 31st December 2007 of the land owned by Drujba Glassworks AD is necessary.

The fair values of the assets were determined by the market comparison method on the basis of monitored prices in the active market. The main assumption of the valuation is the continuing use of the land, i.e. that it will be used in the future for the same purpose.

If the land was measured by the acquisition cost model, its carrying amounts would be as follows:

	2009	**2008**
	BGN '000	*BGN '000*
Acquisition cost	3,783	3,759
Net Carrying Amount	**3,783**	**3,759**
	=======	=======

6. Intangible Assets

	Software products	Intangible assets acquisition costs	Goodwill	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Carrying Amount				
On 1st January 2008	**2,368**	**143**	**-**	**2,511**
Acquisitions	-	54	-	54
Transfers	101	(101)	-	-
Write-offs	(6)	-	-	(6)
On 31st December 2008	**2,463**	**96**	**-**	**2,559**
Acquisitions	-	38	1,426	1,464
Transfers	70	(70)	-	-
On 31st December 2009	**2,533**	**64**	**1,426**	**4,023**
Amortization accrued				
On 1st January 2008	**(1,412)**	**-**	-	**(1,412)**
Amortization accrued for the year	(418)	**-**	-	(418)
Derecognized amortization	6	**-**	-	6
On 31st December 2008	**(1,824)**	**-**	**-**	**(1,824)**
Amortization accrued for the year	(241)	-	-	(241)
On 31st December 2009	**(2,065)**	**-**	**-**	**(2,065)**
Carrying Amount				
On 31st December 2009	**468**	**64**	**1,426**	**1,958**
	=======	========	========	=========
On 31st December 2008	**639**	**96**	**-**	**735**
	=======	========	========	=========
On 1st January 2008	**956**	**143**	**-**	**1,099**
	=======	========	========	=========

6. Intangible Assets (cont'd)

The Group performed an intangible assets impairment review as at 31st December 2009. No indications were found that the carrying amount of the assets exceeded their recoverable amount and therefore no impairment loss was recognized in the financial statements.

Useful life period
The useful life period of the intangible assets is determined as follows:

	2009	**2008**
Software products	5 years	5 years

7. Business Combinations

On 15th December 2009, under an agreement between *Crestdram Holdings Limited*, British Virginia Islands, and *Drujba Glassworks AD*, Bulgaria, the latter acquired 100% of the equity (1,000 ordinary registered shares with face value EUR 1 each) of *Beluxen Enterprises Ltd*., Cyprus. The purchasing price of the investment was EUR 900,000 (BGN 1,760,000).

The acquired Group owns 100% of the equity of *Hellenic Recycling Papayoanou – EPE*, Greece, which on its part owns 74.27% of the capital of *Srpska Fabrika za Reciklazhu*, - a company for glass recycling and recycling material processing AD, Serbia.

Srpska Fabrika is a joint stock holding company, registered in Serbia in 2006. The main object of activities of the enterprise is glass recycling and processing of recycling materials.

Drujba Glassworks AD acquired the above enterprise aiming at ensuring its own supplier of glass crushings, which are a basic raw materials for glass making.

The effective date of the business combination was set to be 31st December 2009, as the management believes the change in the net assets of acquired businesses in the period from 15th December to 31st December 2009 would not have any significant impact on these consolidated financial statements as a whole. Therefore, the consolidated income statements do not include the results of the operation of the acquired subsidiaries. If the business combination was effected at the beginning of the reporting period (1 January 2009), incomes would have increased by BGN 405,000, and the profit for the year would have increased by BGN 16,000.

By the end of the reporting period, the initial recognition of the acquisition of subsidiaries could be determined only provisionally, as Drujba Glassworks AD has not finalized determining the fair value of the acquired identifiable assets. In compliance with IFRS 3, paragraph 62, the Group reports the business combinations using internally determined initial values of the identifiable assets of the acquired companies, adopted as their provisional values. The excess of the cost of acquisition of the business combinations over the provisional values is recognized as "Goodwill". By the date of approval of these consolidated financial statements for issuance, the Group has not yet completed the initial reporting of the business combinations which, if it were made, could have resulted in recognition of adjustments in the provisional values used.

Detailed information regarding the provisional values of the assets acquired, the acquisition cost, and the excess of the cost of acquisition is provided below:

7. Business Combinations (cont'd)

	Provisional values
	BGN '000
Assets	
Plant, Machinery and Equipment (note 5)	357
Cash and cash equivalents	27
Trade receivables	203
Inventories	2
Investments	13
	602
Liabilities	
Trade and other payables	156
	156
Net assets	446
	====================
Non-controlling interest	(112)
Total net assets acquired	**334**
Goodwill arising upon acquisition	1,426
Remuneration at acquisition	1,760

The acquisition cost of the business combination includes the purchase price of the shares/stocks of the acquired companies.

The cash flow of the acquisition is as follows:

Cash acquired with the subsidiaries	27
Total price of acquisition paid	(1,760)
Net cash flow	1,733
	==========

8. Available-for-sale Investments

Group	**State of Incorporation**	**2009**	**2008**
		BGN '000	*BGN '000*
UBB Balanced Fund – Sofia	Bulgaria	13	12
AIC Bank	Serbia	13	-
Ecobulpack AD	Bulgaria	1	1
Total		27	13
		============	========

The Group does not own significant and controlling interest in its available-for-sale investments. The shares held in Ecobulpack AD are not quoted in the Bulgarian Stock Exchange. Their fair value cannot be reliably determined and they are valuated at acquisition cost. The shares of the UBB Balanced Fund – Sofia are publicly offered in the Bulgarian Stock Exchange and therefore the same are presented at fair value.

The Management of the Group has not made any decision on sale of shares in the next 12 months from the Balance Sheet date. Therefore, they are presented as fixed assets.

9. Inventories

	2009	**2008**
	BGN '000	*BGN '000*
Goods	337	1,044
Finished products and work-in-progress	25,089	22,631
Basic materials	18,845	19,725
Spare parts	9,370	9,756
Total inventories	**53,641**	**53,156**
Less: accumulated impairment	(1,601)	(1,123)
Total inventories at the cost or net realizable value, whichever is lower	**52,040**	**52,033**
	=========	=========

As of 31st Decembers 2009 there were collateral pledges on finished products in the amount of BGN 19,081,000 (31st Decembers 2008:- BGN 18,083,000) as security for bank loans used (Note 14).
The Group reported accumulated impairment in the amount of BGN 1,601,000 as of 31st December 2009 (31st Decembers 2008:- BGN 1,123,000) for idle and stale inventories. The Group's management considers that the carrying amount of the impaired inventories is the best measurement of their net realizable value as at the Balance Sheet date.

The movement in the accumulated impairment of idle and stale inventories is as follows:

	Impairment of idle and stale inventories
	BGN '000
On 1st January 2008	**(253)**
Recognized (Note 3.5)	(1,181)
Recovered	9
Derecognized	302
On 31st December 2008	**(1,123)**
	=================
On 1st January 2009	**(1,123)**
Recognized (Note 3.5)	(1,232)
Derecognized	754
On 31st December 2009	**(1,601)**
	=================

The recovered and derecognized impairment of inventories is presented as decrease of the other expenses in the income statement. It is a result of the realization/ retirement of the respective inventories during the year.

10. Trade Receivables

	2009	2008
	BGN '000	*BGN '000*
Trade receivables	38,371	39,379
Less: accumulated impairment of doubtful and uncollectible receivables	(32)	(165)
	38,339	**39,214**
	==========	==========

Trade receivables are not interest-bearing and usually have a term of payment between 30 and 90 days.

As of 31st Decembers 2009 trade receivables with face value BGN 1,396,000 (2008&-363,000) were impaired as a result of analysis by the Group's management with regard to their collectibility.

The movement in the accumulated impairment of doubtful and uncollectible receivables is as follows:

	Impairment of doubtful and uncollectible receivables
	BGN '000
On 1st January 2008	**(386)**
Recognized	(105)
Recovered	326
On 31st December 2008	**(165)**
	=================
On 1st January 2009	**(165)**
Recognized	-
Recovered	67
Transfer to court receivables	66
As at 31st December 2009	**(32)**
	=================

As at 31st December 2009 the aging analysis of trade receivables at carrying amount is presented in the table below:

			Overdue			
	Total	**Not overdue**	**30-60 days**	**60–90 days**	**90-120 days**	**>120 days**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
2009	38,339	31,112	2,369	1,865	2,349	644
2008	39,214	31,732	3,069	1,799	698	1,916

As of 31st December 2009 accounts receivable in the amount of BGN 34,562,000 (2008:-BGN 32,599,000) were pledged as collateral to secure bank loans used (Note 14).

11. Other Receivables

	2009	**2008**
	BGN '000	*BGN '000*
Court-awarded receivables	2,807	2,264
Less: accumulated impairment of doubtful court receivables	(1,398)	(546)
Court-awarded receivables, net	1,409	1,718
Advances paid to suppliers	17	414
Less: accumulated impairment of uncollectible and doubtful receivables	(17)	(389)
Advances paid to suppliers, net	-	25
Sundry debtors	31	32
VAT for refunding	625	1,699
Prepaid expenses	1,064	510
Customs deposit	47	72
Others	20	26
	3,196	**4,802**
	=========	=========

The movement in the accumulated impairment of doubtful and uncollectible court-awarded receivables is as follows:

	Impairment of doubtful and uncollectible court receivables and advances
	BGN '000
On 1st January 2008	**(753)**
Recognized	(353)
Recovered	171
On 31st December 2008	**(935)**
	==================
On 1st January 2009	**(935)**
Recognized	(827)
Recovered	24
Derecognized	389
Transferred (impairment of trade receivables presented as court receivables as at 31st December 2009	(66)
As at 31st December 2009	**(1,415)**
	==================

The other receivables are not interest-bearing

12. Cash and Short-term Deposits

	2009	**2008**
	BGN '000	*BGN '000*
Cash in bank accounts	507	943
Cash in hand	19	72
	626	**1,015**
	=========	=========

Interest is accrued on cash in bank accounts on the basis of floating interest rates based on daily interest rates on bank deposits. The Group has no short-term deposits as of 31st December 2009 (2008: zero. As at 31st December 2009 the fair value of cash and short-term deposits was BGN 626,000 (2008: BGN 1,015,000).

As at the end of the year, the cash and short-term deposits were broken down by currency, as follows:

	2009	**2008**
	BGN '000	*BGN '000*
Cash in Euro	145	286
Cash in USD	1	-
Cash in BGN	453	729
Cash in RSD	27	-
	626	**1,015**
	=========	=========

13. Issued capital and reserves

13.1 Issued capital

	2009	**2008**
	BGN '000	*BGN '000*
53,516,000 ordinary shares with face value BGN 1 each (2008: 6,690,000 nos.)	53,516	53,516
	53,516	**53,516**
	=========	=========

As of 31st December 2009 and 31st December 2008, all ordinary shares were fully paid in.

Ordinary shares issued and paid in	**Number of ordinary shares**	**Registered and issued capital**
On 1 January 2008	6,689,562	6,690
On 14 May 2008 the capital was increased with own funds by the distribution of the premium reserve	46,826,934	46,826
On 1 January 2009	53,516,496	53,516
	=========	=========
On 31 December 2009	**53,516,496**	**53,516**
	=========	=========
Distribution by shareholder		
Barek Overseas	28,150,280	28,150
Glassinvest Limited	25,106,232	25,106
Other physical persons	194,907	195
Other legal persons	65,077	65
	53,516,496	**53,516**
	=========	=========

13 Issued Capital and Reserves (cont'd)

13.2 Reserves

	2009	2008
	BGN '000	*BGN '000*
Legal reserves	1,329	1,329
Premium reserves	12,298	12,298
Revaluation reserves	17,086	17,124
Other reserves	2	1

Legal reserves are allocated by joint stock companies, such as Drujba Glassworks AD as a distribution of profit under Art. 246 of the Commercial Act. They are allocated until they reach one tenth or a bigger share of the capital. Sources of allocation of legal reserves are at least one tenth of the net profit, share premiums, and funds provided for in the Articles of Association of the Group or by a resolution of the General Meeting of Shareholders. Legal reserves may be used only to cover losses from current and prior reporting periods.

Premium reserves are allocated from:

- issuance of shares - as the difference between the issue and the par value of newly issued shares (the agio), pursuant to a resolution of the General Meeting of Shareholders of 17 December 1999, amounting to BGN 2,747,000;
- the difference between the amount registered as issued share capital and the amount registered as acquired (exchanged) share capital, in the amount of BGN 56,355,000 in 2003, less the capitalized reserves amounting to BGN 47,827,000 in 2008;
- the difference between the face value and the selling price of shares bought back, amounting to BGN 95,000, from which the premium reserve of BGN 72,000 from share buybacks was deducted.

Revaluation reserves are generated from the revaluation of the Group's land and are reported net of deferred taxes.

Other reserves are generated from the revaluation of available-for-sale investments and are reported net of deferred taxes.

14. Interest-bearing Loans and Borrowings

Short-term loans

Short-term loans	Nominal interest rate %	Maturity*	2009	2008
			BGN '000	*BGN '000*
EUR 7,500,000	BIR + margin	30.09.2010	5,206	13,691
EUR 6,000,000	EURIBOR + margin	04.04.2010	11,704	9,661
BGN 6,500,000	SOFIBOR + margin	30.04.2010	6,481	6,506
BGN 14,000,000	SOFIBOR + margin	30.09.2010	13,044	7,927
EUR 3,000,000	EURIBOR + margin	31.03.2010	5,833	3,913
EUR 4,000,000	EURIBOR/SOFIBOR + margin	28.02.2011	7,843	5,863
EUR 4,000,000	EURIBOR + margin	18.11.2010	7,000	7,129
RSD 361,000			**8**	**-**
			57,119	**54,690**
			===========	==========

* The maturities of short-term loans are given in accordance the most up-to-date annexes as at the date of approval and issuance of the annual financial statements

All short-term loans are with floating interest rates. The average interest rate on the loans is 4.55% for 2009 (2008: 6%).

As of 31st December 2009, the withdrawn bank loans are secured by a collateral of receivables and ready products in the amount of BGN 53,643,000 (2008: BGN 50,682,000), fixed-assets with carrying amount of BGN 2,295,000 (2008: 3,560,000) and a bank guarantee of BGN 5,867,000.

Loans not withdrawn

As of 31st December 2009, the Group has at its disposal a credit line with an amount not withdrawn totalling BGN 10,476,000 (2008: BGN 3,016,000) with regard to which all the agreed terms and conditions are met.

Long-term loans

Long-term loans	Nominal interest rate %	Maturity*	2009	2008
			BGN '000	*BGN '000*
(1) EUR 20,000,000	EURIBOR + margin	15.09.2010	-	7,756
(2) EUR 8,600,000	EURIBOR + margin	15.09.2015	13,854	16,594
(3) EUR 2,000,000	EURIBOR + margin	15.03.2011	949	2,903
			14,803	**27,253**

Short-term portion of long-term loans	Nominal interest rate %	Maturity*	2009	2008
			BGN '000	*BGN '000*
(1) EUR 20,000,000	EURIBOR + margin	15.09.2010	7,875	8,145
(2) EUR 8,600,000	EURIBOR + margin	15.09.2015	2,944	346
(3) EUR 2,000,000	EURIBOR + margin	15.03.2011	1,977	1,053
			12,796	**9,544**
			=========	=========

14. Interest-bearing Loans and Borrowings (Cont'd)

The long-term loans are with floating interest rates. The average effective interest rate on the long-term loans is 4.15% (2008: 6.80%).

The loans outstanding as of 31st December 2009 are investment ones and they are secured by collateral and mortgage of land, buildings, machines, plant and equipment with carrying amount as of 31st December 2009 of BGN 53,517,000 (2008: 62,816,000).

(1) Agreed loan amount: **EUR 20,000,000 (BGN 39,117,000)**. Purpose of loan – investment one.

The loan has to be redeemed at ten instalments of EUR 2,000,000 (BGN 3,912,000) each, falling due twice a year on 15 March and 15 September in the period from 15 March 2006 to 15 September 2010.

The loan becomes immediately payable upon violation of any of the conditions stipulated in the loan agreement. The more important conditions are: liquidity ratios, indebtedness ratios and limits, set annual investment levels, implementation of state-of-the-art quality systems. The Group was in compliance with all these conditions as at the balance sheet date.

(2) Agreed loan amount **EUR 8,600,000 (BGN 16,820,000)** Purpose of loan – investment one.

The loan has to be redeemed at twelve instalments of EUR 717,000 each (BGN 1,402,000), due twice a year on 15 March and 15 September in the period from 15 March 2010 to 15 September 2015.

(3) Agreed loan amount – **EUR 2,000,000 (BGN 3,912,000)**; purpose of the loan – investment one;

The loan has to be redeemed at four equal instalments of EUR 500,000 each (BGN 978,000) due twice a year on 15 March and 15 September in the period from 15 September 2009 to 15 March 2011.

15. Liabilities in Relation to Personnel's Incomes upon Retirement

According to the Bulgarian labour legislation and the collective employment contract, the Group is obliged to pay to employees upon retirement a compensation of 2 to 7 gross monthly salaries depending on the length of service in the enterprise. The retirement plan of the personnel's incomes upon retirement is not financed.

The elements of the expenses for personnel's incomes upon retirement recognised in the statement of comprehensive income, and the liabilities recognised in the balance sheet as of 31st December 2009 and 2008 are summarised below:

Costs of personnel's incomes upon retirement

	2009	**2008**
	BGN '000	*BGN '000*
Interest expense	(48)	(38)
Net actuarial loss recognized in the year	(6)	(4)
Current service costs	(87)	(79)
Costs of personnel's incomes upon retirement recognised in the statement of comprehensive income (Note 3.5)	(141)	(121)
	==========	=========

15. Liabilities in relation to personnel's incomes upon retirement (Cont'd)

Liabilities in relation to personnel's incomes upon retirement

	2009	**2008**
	BGN '000	*BGN '000*
Present value of the liability of personnel's incomes upon retirement	632	803
Unrecognised actuarial loss	(194)	(278)
Liabilities of personnel's incomes upon retirement recognised in the balance sheet	**438**	**525**
	==========	=========

The changes in the present value of the liability of personnel's incomes upon retirement are as follows:

	Amount
	BGN '000
Liabilities of personnel's incomes upon retirement as of 1 January 2008	**664**
Interest costs	38
Current service costs	79
Past service paid to personnel	(75)
Actuarial losses	97
Liabilities of personnel's incomes upon retirement as of 31 December 2008	**803**
Interest costs	48
Current service costs	87
Past service paid to personnel	(301)
Actuarial losses	(5)
Liabilities of personnel's incomes upon retirement as of 31 December 2009	**632**
	=========

The liability for personnel's incomes upon retirement was determined by an actuarial assessment based on the projected unit credit method.

The present value of the liability for personnel's incomes upon retirement was determined based on the following major actuarial assumptions:

- demographic ones in relation to the future specifics of the present and former personnel eligible for receiving income. These assumptions included expected mobility rate of employees, disability and earlier retirement, mortality.
- Future increase in remuneration by period.
- Mobility of personnel by age group.
- Discount rate for 2009 - 7% (2008: 6.2%)

The items below for the current and the previous four periods are as follows:

	2009	**2008**	**2007**	**2006**	**2005**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Liabilities of personnel's incomes upon retirement	438	525	479	407	463
Actuarial profit and loss	6	4	8	-	6

16. Liabilities under Finance Leases

The Group is a lessee under finance leases of transport vehicles. The minimum lease payments are as follows:

	2009		2008	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Within one year	110	110	188	188
From one to five years	64	55	178	163
Total minimum lease payments	174	-	366	-
Unrealised financial expense	(9)	-	(15)	-
Present value of minimum lease payments	**165**	**165**	**351**	**351**
	==========	==========	==========	==========

The finance lease assets held by the Group are automobiles, lorries, and a machine for washing plastic panels. The terms of the leases are:

- automobiles until 2009;
- lorries until 21 June 2010;
- plastic panels washing machine until 4 July 2011.

17. Other Liabilities

	2009	**2008**
	BGN '000	*BGN '000*
Liabilities of personnel's salaries and income taxes of employees	1,367	1,797
Advances to customers	920	1,448
Liabilities to social insurance companies	349	482
One-off taxes	212	211
Others	1,428	552
	4,276	**4,490**
	==========	========

18. Related Party Disclosures

Umbrella Parent Group

Drujba Glassworks AD is owned by Yioula Glassworks S.A., Greece. The umbrella parent Group is Yioula Glassworks S.A., Greece.

Entities with controlling and significant interest in the Group

A total of 99.5% of the capital of Drujba Glassworks AD is held by subsidiaries of Yioula Glassworks S.A. Barek Overseas, Cyprus, owns 52.6% of the capital of the Group, and Glassinvest, Cyprus, owns 46,9%.

Other Related Parties

Stirom - Romania, Novo Staklo - Shoumen, Yioula Glassworks - Cyprus, Bucha – Ukraine, Biomedsklo – Ukraine, and Drujba Glassworks AD are related parties, as they all are under the common control of Yioula Glassworks, Greece.

		2009		2008	
Related Party	**Nature of transaction**	**Sales**	**Purchases**	**Sales**	**Purchases**
		BGN ‘000	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*
Umbrella parent company	Machines and equipment	-	96	-	688
Umbrella parent company	Materials	-	1,232	-	1,525
Umbrella parent company	Goods	-	326	438	1,592
Umbrella parent company	Services	-	1,127	-	1,433
Umbrella parent company	Products	16,093	-	23,713	-
Umbrella parent company	Machines and equipment	24	-	107	-
Umbrella parent company	Transport services	2,052	-	3,270	-
Umbrella parent	Materials	1,676	-	2,657	-
Entities under the control of the umbrella parent company	Goods	-	475	-	1,036
Entities under the control of the umbrella parent company	Services	643	1	202	8
Entities under the control of the umbrella parent company	Machines and equipment	68	668	-	-
Entities under the control of the umbrella parent company	Materials	207	18	259	48
Entities under the control of the umbrella parent company	Products	4,922	-	1,282	-

18. Related Party Disclosures (cont'd)

Short-term receivables

Related Party	Nature of short-term receivables	2009	2008
		BGN '000	*BGN '000*
Umbrella parent company	Products	50,495	35,822
Umbrella parent company	Goods	495	495
Umbrella parent company	Services	6,972	5,108
Umbrella parent company	Materials	5,718	4,217
Umbrella parent company	Machines and equipment	155	130
Entities under the control of the umbrella parent company	Products	1,432	82
Entities under the control of the umbrella parent company	Goods	-	1
Entities under the control of the umbrella parent company	Materials	425	644
Entities under the control of the umbrella parent company	Machines and equipment	1,120	1,235
Entities under the control of the umbrella parent company	Services	748	735
		67,560	**48,469**
		===============	================

Current Liabilities

Related Party	Nature of short-term liabilities	2009	2008
		BGN '000	*BGN '000*
Umbrella parent company	Services	1,889	1,417
Umbrella parent company	Machines and equipment	61	42
Umbrella parent company	Materials	1,114	202
Umbrella parent Group	Goods	326	198
Entity with significant interest in the company	Dividend	14,925	-
Entities under the control of the umbrella parent company	Materials	3	1
Entities under the control of the umbrella parent company	Goods	427	1,856
Entities under the control of the umbrella parent company	Machines and equipment	3	-
		18,748	**3,716**
		===============	================

18. Related Party Disclosures (cont'd)

Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are effected in accordance with the contractual terms and conditions. The outstanding end-of-year balances are unsecured and interest-free, and their settlement is done in cash or by setting off. No guarantees were received for the receivables from related parties. The Group has not impaired the receivables from related parties as of 31 December 2009 (2008: zero), as they are expected to be fully collected.

Guarantees undertaken

Drujba Glassworks AD together with the other subsidiaries of the Yioula Group have undertaken a guarantee under a long-term bonded loan extended to Yioula Glassworks S.A., Greece. According to the conditions of the guarantee, Drujba Glassworks AD is one of the companies of the Yioula Group which guarantee that Yioula Glassworks S.A., Greece will meet its liabilities under a bonded loan of EUR 140,000,000 original amount (BGN 273,816,000) with all subsequent bond issues up to a total of EUR 200,000,000 (BGN 391,166,000) at annual interest rate of 9% with a maturity of 10 years (maturity date 31 December 2015).

Remuneration of key management personnel

The 2009 remuneration of the BD members, executive directors and procurators of Drujba Glassworks AD amount to BGN 450,000 (2008: 511,000). These amounts are the short-term incomes of the management personnel.

19. Dividend Distributed

Pursuant to a resolution of the General Meeting of Shareholders, dividends of BGN 16,590,000 were distributed in 2009 (2008: BGN 16,334,000). The dividend owing per share is BGN 0.31 (2008: BGN 0.3 per share).

20. Irrevocable Commitments and Contingent Liabilities

Capital Commitments

As of 31st December 2009, the Group has assumed commitments in the amount of BGN 9,962,000 in relation to the completion of the construction of production capacities on the Plovidv and Sofia sites.

Guarantees Undertaken

Drujba Glassworks AD together with the other subsidiaries of the Yioula Group have undertaken a guarantee under a long-term bonded loan extended to Yioula Glassworks S.A., Greece (Note 20).

Commitments under an operating lease – the Group as a lessee

The Group concluded agreements for operating leases of motor vehicles with an average term of 3 years without a lease renewal option, and agreements for leasing storage areas. There are no restrictions imposed on the lessee under the leases.

As of 31st December, the future minimum lease payments under irrevocable operating leases are as follows:

20. Irrevocable Commitments and Contingent Liabilities (cont'd)

Commitments under an operating lease - – the Group as a lessee

	2009	2008
	BGN '000	*BGN '000*
Up to one year	740	1,002
From one to five years	-	-
Over five years	-	-
	740	**1,002**
	==============	===============

Others

Drujba Glassworks AD and its subsidiary were subject to the following tax inspections:

- until 31st December 2006 a full tax inspection was made of Drujba Glassworks AD;
- until August 2007, inclusive, VAT inspections were made of Drujba Glassworks AD;
- until 31st December 2006, inclusive, inspections were made of Drujba Glassworks AD by the Regional Social Insurance Office;
- Until May 2006, inclusive, VAT inspections were made of Ambalazh – Sofia Grad EOOD.

The management of the Group judges there are no significant risks resulting from the dynamic fiscal and regulatory environment in Bulgaria, which could necessitate any adjustments to the financial statements for the year ending 31st December 2009.

21. Financial Risk Management Objectives and Policies

The main financial liabilities of the Group comprise interest-bearing loans and borrowings, and trade payables. The main purpose of these financial instruments is to provide financing for the Group's business. The Group holds financial assets, such as trade receivables, and cash and short-term deposits resulting directly from its operations.

In 2009, as well as in 2008, the Group does not hold and trade in derivative financial instruments.

The main risks resulting from the financial instruments of the Group are interest rate risk, liquidity risk, currency risk and credit risk. The policy pursued by the Group in the management of these risks is summarised below.

Interest rate risk

The Group is exposed to interest rate risk from changes in the market interest rates, mainly with regard to its short-term and long-term financial liabilities with a variable (floating) interest rate. The Group's policy is to manage its interest costs by using floating rate financial instruments.

Interest rate risk comes from the fluctuations in the prices of financial instruments depending on the changes in interest rate levels.

The Group does not own any interest-bearing assets except its cash in banks, hence its revenues and operating cash flows are independent from any changes in the market interest rate levels.

21. Financial Risk Management Objectives and Policies (Cont'd)

Interest rate risk (cont'd)

At the same time, the Group is exposed to interest rate risk as it uses long-term and short-term loans to finance its business. Interest rates on these loans are usually with a fixed margin and floating interest rate based on EURIBOR and SOFIBOR, respectively for euro-denominated and lev-denominated loans, which exposes its cash flow to interest rate risk. To manage this risk, the management of the Group continuously improves its relations with its servicing banks which, combined with good financial results and correctness in repaying all its liabilities to the banks, allows for contracting loans at better interest rate levels.

The table below provides an analysis of the vulnerability to possible changes in the interest rates and their impact on the pre-tax profit (through the impact on loans and borrowings with floating interest rates), provided that all other variables are assumed to be constant. There is no impact on other components of equity of the Group.

	Interest rate increase/decrease	Impact on pre-tax profit
2009		
Under loans and borrowings in euro	- 0.5%	380
Under loans and borrowings in euro	+0.5%	(380)
Under loans and borrowings in euro	+1%	(760)
Under loans and borrowings in BGN	- 0.5%	**77**
Under loans and borrowings in BGN	+0.5%	(77)
Under loans and borrowings in BGN	+1%	(153)
2008		
Under loans and borrowings in euro	- 0.5%	381
Under loans and borrowings in euro	+0.5%	(381)
Under loans and borrowings in euro	+1%	(762)
Under loans and borrowings in BGN	- 0.5%	**72**
Under loans and borrowings in BGN	+0.5%	(72)
Under loans and borrowings in BGN	+1%	(144)

Liquidity risk

Liquidity risk represents the adverse situation in which the Group is not in a position to meet unconditionally all its obligations at their maturity.
The business requires availability of sufficient inventories of goods to ensure the smooth continuity of the production process. The sales of ready products are seasonal in nature. The situation in the market of this product requires the provision of a deferred payment option to major customers. The Group uses short-term borrowings to stabilize its cash flows in the 'weak' seasons. Long-term borrowings are used to finance investment projects implemented in the period 2004-2009.

21. Financial Risk Management Objectives and Policies (Cont'd)

Liquidity risk (cont'd)

The maturity and timely payment are monitored on current basis by the Cash Flows Division, which maintains daily information of available cash and pending payments. The maturity of receivables and the timely payment by customers are monitored by the Trade Division jointly with the Cash Flows Division. Management of liquidity risk is pursued along the following lines:

a) strict control of implementation of the credit policy regarding receivables, as part of which the assessment of a customer at the time of contracting of commercial terms and conditions is based on the correct performance of financial commitments. The process of monitoring compliance of commercial conditions by customers is automated within the integrated information system.

b) improving relations with suppliers, and payment terms.

The maturity structure of financial liabilities of the Group, based on the contracted undiscounted payments, as of 31st December, is given below:

As of 31st December 2009

	On demand	**<3 months**	**3-6 moths**	**6-12 months**	**1-5 years**	**>5 years**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Interest-bearing loans and borrowings	-	12,353	18,199	39,377	14,995	-	84,924
Liabilities under finance leases	-	27	27	56	55	-	165
Trade payables	-	38,734	-	-	-	-	38,734
Liabilities to related parties	-	18,748	-	-	-	-	18,748
	-	**69,862**	**18,226**	**39,433**	**15,050**	**-**	**142,571**
	=======	======	======	======	======	======	======

As of 31st December 2008

	On demand	**<3 months**	**3-6 moths**	**6-12 months**	**1-5 years**	**>5 years**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Interest-bearing loans and borrowings	-	9,535	16,568	38,131	24,774	2,803	91,811
Liabilities under finance leases	-	47	47	94	163	-	351
Trade payables	-	38,397	736	1,089	-	-	40,222
Liabilities to related parties	-	3,716	-	-	-	-	3,716
	-	**51,695**	**17,351**	**39,314**	**24,937**	**2,803**	**136,100**
	=======	======	======	======	======	======	======

21. Financial Risk Management Objectives and Policies (cont'd)

Currency risk

The Group operates with active exchange with foreign suppliers and customers. Main part of the Group's operations is usually denominated in Bulgarian levs and euro. The Group keeps a minimal currency exposure in currencies other than the national one and the euro. Hence, it is exposed to a not very high currency risk mainly against the British pound and the US dollar, as far as significant part of its supplies are agreed in those currencies, and therefore their delivery price, respectively the price of the ready product is directly influenced by the exchange rate of the British pound and the US dollar to the Bulgarian lev.

Some of these deliveries are long-term ones, and usually 4 to 12 weeks pass from the date of the contract to the actual delivery. Also, part of the exports of ready products are in British pounds, which impacts the currency risk of the Group.

To control currency risk, the Group contracts in euro most of its transactions with its international counterparties. In the cases of transactions in currencies other than euro, the transactions are agreed under conditions of tied payments and deliveries.

The table below provides an analysis of vulnerability to possible changes in the exchange rate Bulgarian Lev/British Pound and their impact on the pre-tax profit (through the impact on carrying amounts of monetary assets and liabilities), provided that all other variables are assumed to be constant. There is no impact on other components of equity of the Group.

	Increase/Decrease in the BGN/GBP exchange rate	**Impact on pre-tax profit**
	BGN/GBP	
2009	+0.156	496
	- 0.156	(496)
2008	+0.075	258
	-0.075	(258)

Credit risk

The Group trades only with renowned and solvent counterparties. Its policy is that all customers willing to trade with deferred payments are subject to solvency examination procedures. Besides, the outstanding amounts of trade receivables are monitored on a current basis, therefore the Group's exposure under doubtful and uncollectible receivables is insignificant. The credit risk entailed in the other financial assets of the Group, such as cash and other financial assets, is the credit exposure of the Group resulting from the possibility some of its counterparties not to be able to meet their obligations.

The maximum credit exposure of the Group in relation to recognised financial assets amounts to their respective value in the balance sheet as of 31st December 2009.

21. Financial Risk Management Objectives and Policies (Cont'd)

Capital Management

The main objective of capital management of the Group is to guarantee the stable credit rating and capital indicators, with a view to the continuing operation of the Group and maximisation of its value for the shareholders.

The Group manages its capital structure and changes it, if necessary, depending on the changes in the economic conditions. With a view to maintaining or changing its capital structure, the Group may adjust payment of dividends to shareholders, buy back some of its own shares, reduce or increase its issued capital by a resolution of the shareholders. In 2009, as well as in 2008, there were no changes in the objectives, policies or processes regarding the management of the Group's capital.

The Group monitors its capital through the financial results for the reporting period, as follows:

	2009	2008
	BGN '000	*BGN '000*
Net profit	**11,811**	**28,506**

The Group has to comply with externally imposed capital requirements under a concluded bank loan agreement. They are expressed in specific financial ratios as explained in Note 14, comprising long-term liabilities to equity, and total liabilities to equity ratios. Drujba Glassworks AD is in compliance with these requirements as of the balance sheet date.

	2009	2008
	BGN '000	*BGN '000*
Short-term liabilities	132,471	113,713
Long-term liabilities	25,828	38,876
Total liabilities	**158,299**	**152,589**
Issued capital	53,516	53,516
Premium reserves	12,298	12,298
Legal reserves	1,329	1,329
Other reserves	2	1
Revaluation and other reserves	17,086	17,124
Retained earnings	101,290	106,031
Equity belonging to the owners of the equity of the parent company	**185,521**	**190,299**
Non-controlling interest	112	-
Equity	**185,633**	**190,299**
Long-term liabilities to equity	**0.14**	**0.20**
Total liabilities to equity	**0.85**	**0.80**

22. Fair Value of Financial Instruments

The fair value is the amount against which a financial instrument may be exchanged or settled between informed and willing parties in a fair transaction between them, and which serves as the best indicator of its market value in an active market.

The Group determines the fair value of financial instruments based on the available market information, or if no such is available, by suitable measurement models. The fair value of financial instruments actively traded in organised financial markets is determined on the basis of quoted "buying" prices at the closing of the last business day of the reporting period. The fair value of financial instruments, for which there is no active reference market, is determined by measurement models. These models include using recent market transactions between informed, honest and willing parties; using the current fair value of another instrument with similar characteristics; analysis of discounted cash flows or other measurement techniques.

The fair value is the amount against which a financial instrument may be exchanged or settled between informed and willing parties in an arms-length transaction between them.

The table below provides a comparison between the carrying amounts and fair values of all financial instruments of the Group (on balance sheet item level), as reported in the financial statements.

	Carrying amount		***Fair value***	
	2009	**2008**	**2009**	**2008**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Financial assets				
Available-for-sale investments	27	13	27	13
Trade receivables	38,339	39,214	38,339	39,214
Receivables from related parties	67,560	48,469	67,560	48,469
Cash and short-term deposits	626	1,015	626	1,015
Financial liabilities				
Interest-bearing loans and borrowings	84,718	91,487	84,718	91,487
Trade payables	38,734	40,222	38,734	40,222
Liabilities to related parties	18,748	3,716	18,748	3,716

23. Events after the Balance Sheet Date

In the period 1 January 2010 to 31 March 2010, the Company contracted the following short-term loans:

- Extending the maturity of a short-term loan of BGN 6,500,000 until 30 April 2010;
- Extending the maturity of a short-term loan of EUR 3,000,000 (BGN 5,867,000) until 31 March 2010;
- Extending the maturity of a short-term loan of EUR 4,000,000 (BGN 7,823,000) until 28 February 2011;
- Extending the maturity of a short-term loan of EUR 6,000,000 (BGN 11,735,000) until 4 April 2010.

In March 2010, Drujba Glassworks AD has repaid maturing principal amounting to EUR 3,216,000 (BGN 6,290,000) under a long-term loan from the International Financial Corporation (IFC).

ANNEXES

Annex 1
Translation in English of the official Auditors' Report

Annex 2
Translation in English of extracts of the official financial statements

I, PETAR DONCHEV STOYANOV, hereby certify that my translation from the Bulgarian into the English language of the document, to which this is attached – translation of "Drujba Glassworks AD Annual Report of Activities and Consolidated Financial Statements"- is fully true and correct. The translation is of 76 pages.

Translator:
Personal ID No 4907126900