

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF "MATHIOS" AD

Qualified Opinion

We have audited the financial statements of "MATHIOS" AD (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect from of the matter described in the "*Basis for Qualified Opinion*" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and (of) its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Qualified Opinion

The company applies IFRS, while until the end of the current reporting period, with respect to the subsequent measurement of property, plant and equipment, it applies the recommended approach of IAS 16, namely the cost model, as it is disclosed in note 2.7 to the annual financial statements. The management has made a decision to amend the model of subsequent measurement of property as it has chosen to apply the revaluation model. In this regard, it has performed a fair value valuation of property as of 31.12.2020 by a certified appraiser. As a result of the revaluation in the statement of financial position, the value of property is increased by BGN 740 thousand and forming revaluation reserves from property in the amount of BGN 1019 thousand as of 31.12.2020. We have not obtained sufficient and appropriate audit evidence to support and justify the change in the model of measurement.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Ethical Standards) of the Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management report prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As is it described in the "Basis for Qualified Opinion" section above, we have not been able to obtain sufficient and appropriate audit evidence about the change in the applied by the company measurement model for property as of 31 December 2020. Therefore, we were unable to reach a conclusion whether the other information comprises significant misstatements of financial information and accompanying disclosures in relation to this issue.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs, in accordance with "Guidelines on new and extended audit reports and communication by the auditor" of the professional organisation of registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements, on which we have expressed qualified opinion in the same section above.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

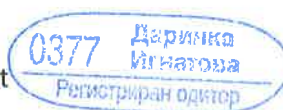
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Darinka Ignatova

Registered auditor, responsible for the audit



Sofia, 45 Bulgaria blvd., fl. 2, office 3

11 August 2021

Annual Management Report for 2020

I. DEVELOPMENT AND RESULTS OF MATHIOS OPERATIONS IN 2020

MATHIOS JSC is a joint stock company, with a head office and registered address at 9 Nikola Malashevski str., Dupnitsa, Republic of Bulgaria.

At end of **2020**, the company has a production plant in Dupnitsa and a showroom in Sofia.

In the current year, as a result of the efforts of the Management, the financial indicators and the quality of production have been stabilized, personnel turnover has been under control. Contractual relations with a large client have been finalized, and it will substantially increase the market share of the company products in the Western European markets and will provide greater financial autonomy to the Company.

Challenges for the management in 2020 are: the worsened macroeconomic parameters in the country. Labor shortages and skilled staff (resulting in a increase in labour costs, the substantial increase in energy prices (resulting in increase in their share of total cost), the dynamically changing legal framework for the business, thus requiring substantial investments in technical monitoring tools.

Revenues

In **2020**, the company reports revenues from sales of production, goods and services, which are at lower volume due to the global pandemic of coronavirus and the COVID-19 disease (see below).

The revenues from operations show decrease of 16.5% against **2019** and a decrease by 18.5%, compared to **2018**. Revenues from sale of production during the year are 17% lower than **2019** and 14.7% lower than **2018**. The sales of goods decreased by 13.7% against **2019** and by 48.5% lower than **2018**. Other revenues are mainly for transport and transport management of exported production. They depend mainly on the contracted terms of delivery of production and goods. They show a decrease by 11.8% against **2019** and a decrease by 2.0% against **2018**.

Revenue, BGN'000	2019	Growth % ag. 2019	Growth % ag. 2018	Sales share %	2019	Sales share %	2018	Sales share %
Revenue from sales of production	3019	-17.0	-14.7	87.8	3637	88.3	3540	84.0
Revenue from sales of goods	270	-13.7	-48.5	7.9	313	7.6	524	12.4
Other revenue	149	-11.8	-2.0	4.3	169	4.1	152	3.6
Total	3438	-16.5	-18.5	100.0	4119	100.0	4216	100.0

In **2020**, the products of Mathios AD are realised on the markets of EU member countries, Serbia, Macedonia and others, as well as on the local market.

Production sold by market segments, BGN'000	2019	Growth % ag. 2017	Growth % ag. 2016	Sales share %	2018	Sales share %	2017	Sales share %
Bulgaria	173	-33.2	-1.7	4.8	259	7.3	176	4.7
Greece	3056	-5.2	-12.5	84.0	3224	91.1	3493	94.2
Others	408	615.8	973.7	11.2	57	1.6	38	1.0
Total	3637	2.7	-1.9	100.0	3540	100.0	3707	100.0

The share of sales in Bulgaria is lower by 33% against **2018** and by 2% against **2017**. The share of sales in Greece falls to 84% of all. Their volume has decreased by 5% compared to the previous year and by 12.5% compared to **2018**. The share of sales in other markets is 11% of the total sales volume and shows a significant increase compared to previous years.

Part of the revenues is from sales of goods, purchased from Mathios Refractories S.A. Those are mostly refractories (mixes and bricks), acid-proof and other building materials (cement, mortar, vermiculite and others) and others.

Product and Price Policy

The range of products and the volume of production depend largely on the orders of the main client – Mathios Refractories S.A. In **2020**, products with low demand are taken out and 30 new products are developed, based on large new European client order. The total production range of the company includes 380 types and colours of stones. During the last few years the below quantity of different types and colours were included in the production mix.

The current year sees increase in the demand of the two traditionally popular categories – Mathios Stone and Masterbrick. Mathios Stone products take main part of sales volume and remain with the largest assortment, followed by the Mathios Stone Slim models, which shows tendency towards decrease in demand.

<i>Product range, number of items</i>	2019	2018	2017
Mathios Stones	117	112	119
Mathios Stone Slim New	77	80	89
Masterbricks	31	32	31
Pavers	5	5	5
Mathios Woods	5	6	4
WW	59	12	
Others	7	3	11
Total	301	250	259

The products of the company target the middle price segment of the market, since the Mathios trademark relies on high quality, original design and high endurance. Still, the company applies very flexible pricing policy as it offers differentiated prices to its regular clients depending on the volume of their orders, payment terms, their supply network and others.

The company continues to maintain its whole product assortment, while developing new products in the lower price segment. It executes specific colour orders in order to meet client demand.

For its largest client, the company provides prices, considered with respect to the volume of orders and the variety and size of the requested product lines.

Clients

The largest part of revenues in 2020 is from sales of own production – 87.8% (88.3% in 2019). The sales of goods form about 7.9% (7.6% in 2018) of the total volume of revenues from sales.

In 2020, the company again relies on permanent clients, the most significant of which is Mathios Refractories. It continues the efforts for developing new markets, not only in Europe, but also in other continents – Asia, America and others.

Suppliers

For its production needs, the company receives supplies of basic and supplementary materials, as well as services and others. It uses transport services exclusively from Bulgarian companies for delivery of production to different clients in the European Union and elsewhere. Larger part of the raw materials for production in 2020 are provided by local suppliers, which are chosen after comparison analysis for quality, prices and delivery terms according to several offers. The basic supplier of colouring agents, activators and moulds for production, remains Mathios Refractories S.A., because those materials do not have alternative locally.

Main risks and problems of the business environment

• Main indicators of the commercial environment

The main indicators of the commercial environment, which influence the operations of the group for the period 2018 – 2020, are presented in the table below:

Indicator	2018	2019	2020
GDP in mln. BGN *	109,743	119,772	118,605*
Real growth of the GDP	3.1%	3.7%	-4.2%*
Inflation at the end of the year	2.8	3.1%*	1.7%*
Central interest rate at the end of the year	0,00%	0,00%	0,00%
Unemployment at the end of the year	5.2%	4.2%	5.1%*

* The data is towards December 31, and is preliminary

** The data is towards the third quarter and is preliminary

Source: BNB, NSI

Evaluation of the risk level for the commercial environment: low

• **Political risk**

With its third mandate for GERB led coalition in the government of the country, there are no significant shifts expected in the legal and commercial framework. Still, there are a number of challenges remaining for the government with respect to necessary reforms, which would improve the economic and business environment.

Bulgaria's policy of low tax burdens over the past few years has been maintained in Bulgaria, thus guaranteeing a certain degree of stability and possibility for tax expense planning/budgeting. Social insurance burdens keep their lowest levels in the EU, a serious factor for investment intentions.

Evaluation of the political risk level: low

• **Currency risk**

Currency risk arises from the operation of companies with different types of currency and the volatility of currency rates. Mathios SA executes its transactions exclusively in BGN and EUR. The currency risk of transactions in EUR is currently limited due to its fixed exchange rate guaranteed by the Currency Monetary Board.

As all the assets of the company are in BGN and are linked to the fixed exchange rate to the Euro, - there is no significant currency risk for the Company.

Currency risk level: low

• **Regulatory risk**

Regulatory risk may arise due to the functions of the State in its capacity as a regulator – for Bulgaria, the priority of state regulation are the working conditions in enterprises and the preservation of natural resources. In the EU, eco-industries are a priority and a subject of reinforced control. This requires manufacturing plants in Bulgaria to contribute/devote significant resources to bringing their business in compliance with the European requirements.

Over the recent years, both in Bulgaria and in other European countries, a number of restrictive normative acts have been adopted considerably limiting the business and imposing a number of social functions funds of the national budgets have been cut.

In particular, in Bulgaria, government authorities undertake a number of business monitoring and control measures, obliging the business to invest in technical inspection means and restructuring the operation reporting systems. This has create dissues for international companies in particular, as it requires changes in their job structures designed to be compatible with overseas branches and affiliated companies.

Regulatory risk level: low

• **Price risk**

Prices of raw materials in 2020 remain largely unchanged than the 2019 levels. Service, electricity, fuel, and other prices continue to rise substantially, resulting in higher product costs and weaker demand.

The Mathios Group retains sales prices at the levels of previous periods and applies a differentiated pricing policy to its customers. However, due to the increase in labor costs and the cost of some materials, the cost of products also increases. Thus, the profit margin decreases and the Company is unable to cover the cost of operation maintenance.

Price risk level: moderate to high

• **Credit risk**

The credit risk arises mainly from the sales with deferred payments. The risk that the company would not be able to collect its receivables is kept at minimum level as conditions for deferred payment are agreed with only three clients, while for all others is applied immediate payment.

Credit risk level: low

• **Risk of cash flows bearing interest**

There is no such risk with regard to incoming cash flows, since they are formed by the revenues and cash. The first does not bear interest and the cash and cash equivalents are in checking accounts and receive insignificant interests, which are relatively stable for the period.

For the outgoing cash flows, however, there is risk, since they are formed in two groups – towards commercial contract parties (mostly without interest) and towards government and credit institutions. At 31 December the company uses bank loans for operating funds, where the interest is tied to the base annual rate.

Risk level of cash flows bearing interest: moderate

• **COVID-19**

In 2020, the economy, the business environment and the public life in the country have been significantly affected by the coronavirus pandemic and the COVID-19 disease.

The sector, which the company operates in, is indirectly affected by the imposed restriction measures and the general drop in economic activity in the country and other countries, which the company has trade relations with.

The turnover of the company for 2020 is lower. Revenues are down 16% on annual basis, while there are not significant changes in the structure and assortment of production, goods and services, provided by the company.

In order to keep its personnel, the company has applied and has been approved under the "60/40" program, in compliance with Decree of Council of Ministers 151/03.07.2020.

The company applies in other government grant programs for financing, specifically "Support for medium enterprises for overcoming the economic consequences from the COVID-19 pandemic".

The company continues its business operations without having significant difficulties as well as to execute sales to its clients. There are no agreements cancelled with key suppliers and/or clients.

The company has sufficient funds to meet its liquidity needs.

• **Other problems and risks**

The contractual relations with the new West European customer set requirements for constantly high quality products, very good planning in order to meet time schedules, uncompromising production control at all stages of the production process until unloading of the products in the customer's warehouses. For this purpose, it is crucial to maintain the trained qualified staff and to increase their level of qualification through trainings and promotions.

In the Company warehouses, the finished product is still on hold to be sold, in order to free financial resources for the implementation of the current development plans.

More active marketing and promotional activity is needed on local and Balkan markets in order to create a lasting presence in the distribution network as well as increase sales volumes.

II. ANALYSIS OF THE FINANCIAL POSITION

1. Financial position and capital structure

At 31 December, the company has non-current assets with balance value of BGN 2 745 thousand, (of which acquired in 2020 - BGN 24 thousand and BGN 60 thousand right-of-use assets). Newly acquired assets include facilities, machinery and equipment.

In 2020, there is no significant change in inventories as the balance remains close to previous year levels.

Trade receivables at 31 December from customers are BGN 22 thousand BGN and from related parties – BGN 308 thousand. They have relatively low share of all assets, which shows high collectability of receivables.

ASSETS	BGN'000		Relative share %		Growth	
	2020	2019	2020	2019	absolute	relative
A. FIXED ASSETS	2,751	1,905	51.0	49.9	846	44.4
1 Non-current tangible and nont. assets	2,751	1,887	51.0	49.5	864	45.8
2 Deferred Taxes		18	0.0	0.5	(18)	-100.0
B. CURRENT ASSETS	2,644	1,909	49.0	50.1	735	38.5
1 Inventory	1,820	1,735	33.7	45.5	85	4.9
2 Trade and other receivables	535	87	9.9	2.3	448	514.9
3 Cash and cash equivalents	270	87	5.0	2.3	183	210.3
4 Prepaid expenses	19		0.4	0.0	19	#DIV/0!
TOTAL ASSETS	5,395	3,814	100.0	100.0	1,581	41.5

The following changes in the capital structure are observed in comparison to the previous reported period: the shareholders' equity has increased by 92% against 2019, due to effect from revaluation of property – land and buildings. Current liabilities also increase during the period, mostly due to trade payable to the mother-company. At 31.12.2020 the company forms non-current liabilities in the amount of BGN 133 thousand (2.5% from the liabilities and equity).

CAPITAL STRUCTURE	BGN'000		Relative share %		Growth	
	2020	2019	2020	2019	absolute	relative
A. SHAREHOLDERS' EQUITY	1,769	923	32.8	24.2	846	91.7
I Fixed capital	400	400	7.4	10.5	-	0.0
II Reserves	957	40	17.7	1.0	917	2,292.5
III Financial result	412	483	7.6	12.7	(71)	-14.7
1 Financial result from previous periods	484	794	9.0	20.8	(310)	-39.0
2 Current financial result	(72)	(310)	-1.3	-8.1	238	76.8
B. DEFERRED TAX LIABILITIES	84		1.6	0.0	84	0.0
C. CURRENT LIABILITIES	3,409	2,707	63.2	71.0	702	25.9
1 Liabilities to financial institutions		69	0.0	1.8	(69)	-100.0
2 Trade and other liabilities	3,272	2,459	60.6	64.5	813	33.1
3 Liabilities to personnel	81	103	1.5	2.7	(22)	-21.4
4 Lease liabilities	21	24	0.4	0.6	(3)	-12.5
5 Contract liabilities		17	0.0	0.4	(17)	-100.0
6 Government funding	35	35	0.6	0.9	-	0.0
D. NON-CURRENT LIABILITIES	133	184	2.5	4.8	(51)	-27.7
1 Government funding	95	128	1.8	3.4	(33)	-25.8
2 Lease liabilities	38	56	0.7	1.5	(18)	-32.1
TOTAL LIABILITIES & EQUITY	5,395	3,814	96.0	95.2	1,581	41.5

2. Analysis of the financial state

a. *Liquidity* – the indicator is used to determine a company's ability to pay off its short-term debt obligations. Therefore, the liquidity level is examined by the ratio of current assets to current liabilities.

Indexes, BGN'000	2020	2019	Growth abs.	Growth %
1 Inventory	1,820	1,735	85	4.9
2 Trade receivables without prep. expenses	535	87	448	514.9
3 Cash and cash equivalents	270	87	183	210.3
4 Current liabilities	3,409	2,707	702	25.9
Liquidity factors				
Current ratio = (1+2+3) / 4	0.77	0.71	0.06	9.2
Quick ratio = (2+3) / 4	0.24	0.06	0.17	267.4
Cash position ratio = 3 / 4	0.079	0.032	0.047	146.4

As shown in the table, all liquidity factors in **2020** shows slight improvement against **2019**. The quick ratio is lower than 1 (indicating a company's ability to cover its current liabilities by highly liquid assets) and suggests the company would be able to cover about 24% of its current liabilities with liquid assets (**2019** – 6%). The current ratio for **2020** is lower than 1, implying the company cannot cover current liabilities with current assets, while the level is close to **2019**, mostly due to increased liabilities to the mother-company.

The cash position ratio indicates the level of current liabilities that could be covered by cash and cash equivalents available. It shows improvement compared to **2019**.

b. *Financial autonomy* – it defines the level of independence of the company from its creditors, or the level of liabilities coverage by the shareholders' equity of the company.

Indexes, BGN'000	2020	2019	Growth abs.	Growth %
1 Shareholders' equity	1,769	923	846	91.7
2 Current liabilities	3,409	2,707	702	25.9
3 Non-current liabilities	217	184	33	17.9
4 Total liabilities	3,626	2,891	735	25.4
5 EBIT	(58)	(294)	236	80.3
6 Interest expenses	3	22	(19)	-86.4
Financial autonomy ratio				
Financial leverage ratio = 1 / 4	0.49	0.32	0.17	52.8
Debt ratio = 4 / 1	2.05	3.13	-1.08	-34.6
Interests coverage = EBIT/Interests	-19.33	-13.36	-5.97	-44.7

The first two ratios are reversely proportional and show the ratio of equity to attracted capital. The financial leverage ratio is lower than one, implying dependence on creditors. As the table shows, there is no significant change in ratios compared to 2019. The debt ratio shows the company continues to a large extent with borrowed capital.

The interest coverage ratio shows the ability of the company to cover the interest expenses by its operating income. Since it is negative, the company is not able to cover the interest expenses on debt by its operating income (in this case a loss).

c. *Return ratio* – the amount of net income returned as a percentage of the invested capital.

Return ratio = Net profit / Capital	2020	2019	Growth abs.	Growth %
Return on sales ratio	(0.02)	(0.08)	0.05	72.2
Current financial result	(72)	(310)	238	76.8
Amount of sales	3,438	4,119	(681)	-16.5
Return on non-current assets ratio	(0.03)	(0.16)	0.13	83.6
Current financial result	(72)	(310)	238	76.8
Non-current assets	2,751	1,939	812	41.9
Return on current assets ratio	(0.03)	(0.16)	0.14	83.3
Current financial result	(72)	(310)	238	76.8
Current assets	2,644	1,896	748	39.5
Return on current liabilities ratio	(0.02)	(0.12)	0.10	83.3
Current financial result	(72)	(310)	238	76.8
Current liabilities	3,626	2,613	1,013	38.8
Return on equity ratio	(0.04)	(0.25)	0.21	83.8
Current financial result	(72)	(310)	238	76.8
Shareholders' equity	1,769	1,234	535	43.4

The return on sales ratio indicates how much profit is generated by 1 BGN revenues. Its value for 2020 is (0.02) BGN (for 2018 – (0.08)), which shows it remains negative, albeit improved in comparison to previous year levels.

Asset return ratios show slight improvement compared to the previous year, but remain negative.

The return on equity ratio, significant to investors, shows that for 2020, the company has generated (0.04) BGN loss for every 1 BGN of shareholders' equity.

d. *Assets turnover* – for the need of the analysis the coefficient is calculated based on the times of turnover of the asset type for the reported period and the days necessary for a full turnover of the same.

Indices, BGN'000	2020	2019	Growth abs.	Growth %
1 Amount of sales	3,438	4,119	(681)	-16.5
2 Current assets	2,644	1,909	735	38.5
2a incl. inventory	1,820	1,735	85	4.9
2b incl. rec. from clients, incl. adjudicated	554	87	467	536.8
3 Current liabilities	3,504	2,707	797	29.4
3a incl. Liabilities towards suppliers	3,272	2,459	813	33.1
Turnover rate				
4 Net working capital = 2 - 3	-860	-798	(62)	-7.8
5 Turnover rate of NWC = 1 / average 4	-4.1	-18.5	14	77.6
6 Current assets turnover ratio = 1 / 2	1.3	2.2	(1)	-39.7
7 Inventory turnover ratio = 1 / 2a	1.9	2.4	(0)	-20.4
8 Receivables from clients turn. = 1 / 2b	6.2	47.3	(41)	-86.9
9 Liabilities to suppliers turnover = 1 / 3a	1.1	1.7	(1)	-37.3
Days of converting				
Current assets turnover ratio = 360 / p. 6	277	167	110	65.9
Inventory turnover ratio = 360 / p. 7	191	152	39	25.7
Receivables turnover = 360 / p. 8	58	8	50	662.9
Liabilities to suppliers turnover = 360 / p. 9	343	215	128	59.4

The first indicator, reviewed, is the net working capital – the difference between current assets and liabilities of the company. It is negative in **2020**, and shows a decrease by 7.8% compared to **2019**, due to higher current liabilities.

There is also a decrease in the liabilities to suppliers turnover ratio – by 37%, the receivables from clients turnover ratio – by 87%, and inventory turnover ratio – by 20%, while the current assets turnover ratio shows no significant change compared to **2019**.

e. Earnings per share

In addition to the accounting measurements for the efficiency of the company's business operations, the market valuation of the company is significant to the owners of the capital. Investing funds in a joint stock company and payment of a dividend is a mutually dependent process, which is a challenge for the corporate management. It is measured by the ratios of balance value per share and earning per share. These ratios have the following values for the company:

Earnings per share	2020	2019	Growth	
			<i>absolute</i>	<i>relative</i>
1 Net value per share, BGN	4.42	2.31	2.12	91.7
Shareholders' equity, BGN'000	1,769	923	846	91.7
Average number of shares	400,000	400,000	-	-
2 Earning per share, BGN	(0.18)	(0.78)	0.60	76.8
Net profit / lost, BGN'000	(72)	(310)	238	76.8
Reserves by law (max. 10% of reg. capital), BGN'000	-	-	-	-
Net profit/lost av. to shareholders', BGN'000	(72)	(310)	238	76.8

The balance value per share for the year **2020** is 4.42 BGN, showing an increase by 92% against **2019**. The earnings for the shareholders generated by one share for the year **2020** are negative (0.18) BGN, which higher than in **2019**.

f. Structure of expenses and indicators for effectiveness

Indexes, BGN'000	2020	2019	Growth abs.	Growth %
I. <i>Earnings from bussiness operations</i>	3,927	4,266	(339)	-7.9
II. <i>Cost for the bussiness operations, incl.</i>	(3,985)	(4,560)	575	12.6
1 <i>for materials</i>	(1,276)	(1,538)	262	17.0
2 <i>for external services and others</i>	(945)	(1,101)	156	14.2
3 <i>for the personnel</i>	(1,321)	(1,403)	82	5.8
4 <i>correctives</i>	(245)	(320)	75	23.4
EBITD	140	(96)	236	245.8
5 <i>Expenses for depreciations</i>	(198)	(198)	0	0.0
EBIT	(58)	(294)	236	80.3
III. <i>Financial revenues / expenses, net</i>	(13)	(22)	9	40.9
IV. EBT	(71)	(316)	245	77.5
V. <i>Income tax</i>	(1)	6	(7)	-116.7
VI. Net profit / loss	(72)	(310)	238	76.8
<i>Created value in the company=3+5+IV</i>	1,448	1,285	163	12.7
<i>Cost efficiency = I / (II + III)</i>	0.98	0.93	0.05	5.5
<i>Revenues efficiency = (II + III) / I</i>	1.02	1.07	-0.06	-5.2
<i>Average number of the personnel</i>	77	77	0	0.0

The newly created value in the company is in the amount of 1 448 thousand BGN and has increased by 12.7% relative to the previous year's results. It includes expenses for employees, depreciation, operating income and income taxes, and expresses the created value in the company, which is a benefit to the whole society. The coefficient for effectiveness of expenses is lower than 1, implying the company is not able to cover the costs of for its operations by the generated revenue.

The average number of employees in **2020** remains unchanged compared to previous year, and as of 31 December, it has the following structure of professional qualification (number of employees in each category).

Year \ Structure	Managers	Supervisors	Analytical specialists	Field specialists	Administration	Qualified production workers	Machines and equipment operators	Non-qualified personnel
2020	1	0	4	5	12	3	12	42
2019	1	0	3	6	11	3	11	42

III. EVENTS SUBSEQUENT TO THE PREPARATION OF THE FINANCIAL STATEMENT

The annual financial statement of the company was issued on **20 February 2021**. No significant events have occurred since the date of the annual financial statement until its preparation.

IV. POSSIBLE FUTURE DEVELOPMENT OF THE COMPANY AND ACTIVITIES IN THE FIELD OF RESEARCH AND INNOVATION

The Management's intentions are to develop the Company's activities in **2020**, and funding shall be provided by own funds and attracted capital if necessary.

The company has issued a long-term business plan designed to improve working conditions, implementing ISO requirements and optimizing the automation of the production process in order to increase labor productivity and comply with the requirements of the national and European legislation related to the protection of environment.

The management has no plans to carry out transactions outside the frame of the company's usual deals.

The Company has no intention to act in the field of scientific research and development.

V. INFORMATION FOR THE EQUITY OF THE COMPANY REQUIRED UNDER ARTICLE 187D AND 247 OF THE COMMERCE ACT

As of 31 December, 2020, the equity capital is fully deposited in the amount of 400 000 BGN and equal to 400 000 shares with nominal value of 1 BGN each.

Shareholders are as follows:

1. Companies JC –	99,9975 % of capital	(399 990 shares)
2. Private persons –	0,0025 % of capital	(10 shares)

The Company's Articles of Association do not provide for buyback of shares and in 2020 no such decision has been taken by the General Meeting.

• **Remuneration, received in total for 2020 and 2018 from the members of the Board are as follows:**

	<u>2020</u> BGN'000	<u>2019</u> BGN'000
Salaries	(123)	(187)
Social insurances	(7)	(9)
Total deals with key management personnel	(130)	(196)

• **Shares owned or transferred by the members of the Board of Directors**

- 10 named shares with nominal value of 1 BGN each (0.0025% of the equity of the company) are owned by Ioannis K. Mathios.
- During the current year members of the Board of Directors have not acquired / transferred Company shares.

• **Rights of the members of the Board of Directors to acquire shares of the company** – members of the Board of Directors acquire shares under the general terms, in compliance with the current legislation.

• **Members of the Board of Directors, acting as unlimited liable shareholders, holding more than 25% of the equity of the other company, as well as their participation in other entities or cooperations as procurators, directors of board members**

- Ioannis Mathios – holding 100% of the equity of IKM Company EOOD and manager of the same entity; participates in the management of Mathios Refractories S.A., Greece (mother-company);
- Nikolaos Tsamourdzis – holding 100% of the equity of Athina 2014 EOOD and manager of the same entity;
- Sofia Anthonaki - participates in the management of Mathios Refractories S.A., Greece (mother-company).

• **Agreements under article 240b from the Commerce Act, stipulated during the year** – in 2020 no agreements were signed pursuant to the conditions of Art. 240b of the Commercial Law.

• **Scheduled economic policy next year** – expected investments, personnel development, expected income from investments and development of the company, forthcoming transactions essential for the company's activity.

In 2020, the Company plans to reinforce good manufacturing practices that guarantee high quality products. Efforts will also be directed at maintaining the low level of staff turnover as it was in 2020, by investing in good working conditions and higher than average wages in this industry.


The company has plans to participate in programs related to innovation and digitalisation. If the plans are realised, the company would finance through them the purchase and modernisation of production lines, as well as the purchase of software systems.

It is also planned to continue the expansion of the refractory market, where the company is an exclusive representative for Bulgaria.

VI. BRANCH OFFICES AND DETACHED DEPARTMENTS

The company does not have registered branches under the Commerce Act.

Dupnitsa, 20 February 2021

Representative: 
(Nikolaos Tsamourtzis)

STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	Note	2020 BGN'000	2019 BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	2 685	1 798
Right-of-use assets	3.1	60	82
Intangible assets	3.2	6	7
Deferred tax assets	18		18
Total non-current assets		2 751	1 905
Current assets			
Trade and other receivables	5	246	77
Inventories	6	1 820	1 735
Cash and cash equivalents	7	270	87
Receivables from related parties	4	308	10
Total current assets		2 644	1 909
Total assets		5 395	3 814
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Government funding	11.5	95	128
Lease liabilities	11.2	38	56
Deferred tax liabilities	18	84	
Total current liabilities		217	184
Current liabilities			
Liabilities to related parties	11.1	3 183	2 152
Liabilities to financial companies	11.2		69
Lease liabilities	11.2	21	24
Trade and other liabilities	11.3	89	307
Liabilities to personnel	11.4	81	103
Contract liabilities			17
Government funding	11.5	35	35
Total current liabilities		3 409	2 707
Capital and reserves			
Issued capital	8	400	400
Reserves	9	957	40
Retained earnings	10	412	483
Total equity		1 769	923
Total liabilities and equity		5 395	3 814

The statement of financial position and the corresponding notes, presented on pages 5 to 33, are inseparable part of the Annual Financial Report, which is approved and signed by the Board of Directors on 20.02.2021.

20 February 2021

Prepared by:

(Tatiana Ivanova)

Representative:

(Nikolaos Tsamourtzis)

Registered auditor, responsible for the audit:

(Darinka Ignatova)



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 BGN'000	2019 BGN'000
Revenue	12.1	3 438	4 119
Other gains/(losses), net	12.2	425	147
Changes in inventories of finished goods and work in progress		64	(10)
Raw materials and consumables used	13	(1 276)	(1 538)
Administrative and sales expenses	14	(945)	(1 101)
Employee benefits expense	15	(1 321)	(1 403)
Depreciation, amortisation and impairment of assets	3	(198)	(198)
Cost of goods sold		(245)	(310)
Profit from operations		(58)	(294)
Finance income/cost, net	17	(13)	(22)
Profit before taxes		(71)	(316)
Income tax expense	18	(1)	6
Profit for the year		(72)	(310)
Items, which are not reclassified in profit or loss subsequently			
Profit from revaluation of property, plant and equipment		1 018	-
Tax on other comprehensive income positions		(101)	-
Total comprehensive income for the year		845	(310)

	2020 BGN	2019 BGN
Earnings per share	18	
	(0.18)	(0.78)

The statement of comprehensive income and the corresponding notes, presented on pages 5 to 33, are inseparable part of the Annual Financial Report.

20 February 2021

Prepared by:

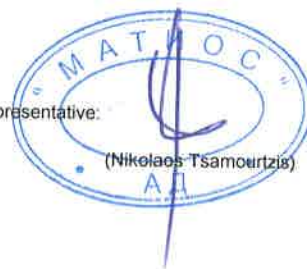
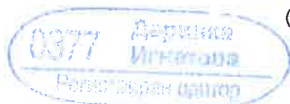
(Tatiana Ivanova)

Representative:

(Nikolaos Tsamourtzis)

Registered auditor, responsible for the audit:

(Darinka Ignatova)



STATEMENT OF CASH FLOWS

Using the direct method

for the year ended 31 December 2020

	<u>2020</u> BGN'000	<u>2019</u> BGN'000
Cash flows from operating activities		
Cash flow, related to customers	3 230	3 514
Cash flow, related to suppliers	(1 904)	(2 162)
Cash flow, related to payrolls	(1 328)	(1 398)
Cash flow, related to interests on operating loans, bank fees and others	(8)	(15)
Cash flow from positive and negative currency differences	(5)	(5)
Other operating cash flow	316	228
Net cash generated by operating activities	<u>301</u>	<u>162</u>
Cash flows from investing activities		
Cash flow, related to non-current assets	(29)	(93)
Net cash used in investing activities	<u>(29)</u>	<u>(93)</u>
Cash flows from financing activities		
Cash flows from loans	(69)	(94)
Cash flows from leases	(20)	(23)
Other cash flows from government funding		84
Net cash used in financing activities	<u>(89)</u>	<u>(33)</u>
Net increase/decrease in cash and cash equivalents	<u>183</u>	<u>36</u>
Cash and cash equivalents at the beginning of the year	<u>87</u>	<u>51</u>
Cash and cash equivalents at the end of the year	<u>270</u>	<u>87</u>

The statement of cash flows and the corresponding notes, presented on pages 5 to 33, are inseparable part of the Annual Financial Report.

20 February 2021

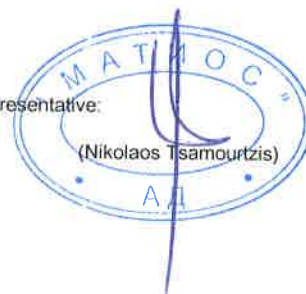
Financial report prepared by:

(Tatiana Ivanova)



Representative:

(Nikolaos Tsamourtzis)



Registered auditor, responsible for the audit:

(Darinka Ignatova)




MATHIOS AD*Annual financial report 2020***STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2020

	Equity capital BGN'000	Reserves BGN'000	Revaluation Reserves BGN'000	Retained earnings BGN'000	Total BGN'000
Balance at 1 January 2019	400	40	-	794	1 234
Total comprehensive income for the year				(310)	(310)
Balance at 31 December 2019	400	40	-	484	924
<i>Changes in Equity for 2020</i>					
Profit from revaluation of property, plant and equipment			1 018		1 018
Tax on other comprehensive income positions			(101)		(101)
Loss for the period				(72)	(72)
Balance at 31 December 2020	400	40	917	412	1 769

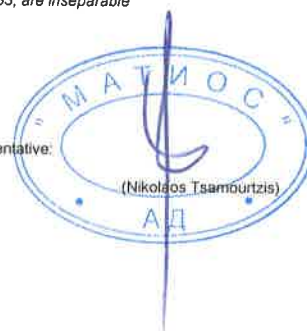
The statement of changes in equity and the corresponding notes, presented on pages 5 to 33, are inseparable part of the Annual Financial Report.

20 February 2021

Financial report prepared by:


 (Tatlianka Ivanova)

Representative:



Registered auditor, responsible for the audit:


 (Darinka Ignatova)


NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. General information

MATHIOS AD is a joint stock company, registered with corporate case No. 8462/2004 of the City Court of Sofia and corporate case No. 800/2005 of the District Court of Ruse. The company's head office and registered address is Dupnitsa, 9 Nikola Malashevski str., Republic of Bulgaria.

The company is governed by a three-member board of directors and is represented by an Executive Director.

The business operations of the company are production of stone veneer and sale of own production, goods and services.

The current financial statement is approved by the management on **20 February 2021**.

The management is responsible for the preparation of the annual financial statements, which give correct and honest notion of the financial position, results from operations, cash flows and changes in the shareholders' equity of the enterprise.

2. Summary of significant accounting policies

2.1. Basis for preparation of the financial statements

The financial statements of Mathios AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2020 and have been adopted by the Commission of the European Union. IFRS, endorsed by EU, is the generally accepted name of the general purpose framework – the basis of accounting equivalent to the framework introduced with the definition in § 1, p. 8 of the Additional Provisions of the Accountancy Act under the name of "International Accounting Standards" (IASs).

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

Since the adoption of these standards and/or interpretations, in force for annual periods starting on 1 January 2020, there are amendments in the accounting policy of the Company, as follows:

- **Amendments to the Conceptual Framework in IFRS Standards (the Framework)** and corresponding amendments to references to it in various IFRS (in force for annual periods beginning on 01.01.2020, adopted by the EC). These amendments include entirely new definitions for "asset" and "liability" as well as new guidelines and concepts for their measurement, write-off, presentation and disclosure. The amendments in the Conceptual Framework are accompanied by amendments in some references to it in the International Standards for Financial Reporting, including IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.
- **IFRS 3 Business Combinations (amended)** (in force for annual periods beginning on 01.01.2020, adopted by the EC) This amendment outlines the definition of "business", given in the standard, and is related to the difficulties encountered by entities in their judgement whether a business or an asset is acquired.
- **Amendments in IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (in force for annual periods beginning on 01.01.2020, adopted by the EC). These amendments refer to refining the definition of "materiality" and defining five ways to conceal essential information.
- **Amendments in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure** (in force for annual periods beginning on 01.01.2020, adopted by the EC). These amendments refer to overcoming the consequences for the financial reporting of the basic with alternative basic interest rates.

2.2 Functional currency

The financial statement is prepared in Bulgarian Leva (BGN), also called functional currency and representational currency. The figures in the statement and its supplements are presented in thousands of Leva, except when explicitly stated otherwise.

2.3 Comparison data

The company presents comparable information in this financial statement for one preceding year. The comparison data is reclassified and recalculated, where necessary, in order to achieve greater comparability relative to changes in the disclosure for the current year.

The management has not adopted the amendments in IAS 1, as far it is not necessary to change the name of the Statement of Comprehensive Income with the new one – Statement of Profit or Loss and Other Comprehensive Income.

2.4 Use of accounting estimates

The preparation of the financial statement in compliance with IFRS requires the management to make judgements, estimates and reasonable assumptions, which influence the reported values of the assets and liabilities, the revenues and expenses, and the disclosures of conditional receivables and payables towards the date of the statement. Those approximate estimations and assumptions are based on the information, which is available towards the date of the financial statements, thus future factual results could be different.

2.4.1 Fair value measurement

Some of the assets and liabilities of the enterprise are valued and presented and/or disclosed only at fair value for the purpose of financial reporting. These include:

- On repeating basis - bank loans received or loans from third parties, trade and other receivables and payables, financial lease receivables and payables, financial assets held for sale, and others.
- On non-repeating basis – non-current assets, held for sale.

The fair value is the price that would be received at the disposal of a given asset or paid for the transfer of a given liability in an ordinary transaction between independent market participants on the date of the valuation.

The enterprise applies different valuation techniques, which are appropriate with respect to the specific circumstances, and for which there is enough input data, while aiming to use a maximum level of publicly available information, respectively to minimise the use of unobservable information. It uses all three methods available – the market approach, the income approach, and the cost approach, while the first two ones are applied most.

The enterprise needs to apply fair value for measurement on repeating basis for financial assets held for sale, respectively on non-repeating basis – non-current assets, held for sale.

The fair value of all assets and liabilities, which are measured and disclosed in the financial statements, are classified under the following hierarchy of fair values:

- Level 1 - Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including when quoted prices are subject to significant corrections.
- Level 3 – Measurement techniques, using inputs that are largely not observable.

The enterprise applies mainly fair value under level 1 and level 2.

2.5 The going concern principle

The financial statement of the company is prepared according to the going concern principle, which assumes the company will continue its business operations as usual in the foreseeable future.

2.6 Foreign currency transactions

Foreign currency transactions are reported at currency rates on the day of the transaction. Cash assets and liabilities in foreign currency are reported at the fixing rate of the Bulgarian National Bank towards the date of the accounting balance. Negative or positive currency differences are reported in the statement of comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment (PPE) are initially measured at value that includes the price of acquisition as well as all expenses needed for bringing the asset into working condition.

The model for measurement after recognition of PPE has been the model of acquisition cost up to 31.12.2020. From 31.12.2020, the company has changed the model for measurement after recognition, as follows:

Measurement after recognition for property is based on the revaluation model by reporting the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation is performed in a period of maximum three years or when there are circumstances, implying significant change in the fair value. Increase in the value of property based on fair value revaluation are reported in equity in revaluation reserves. Decrease, up to amount of previous increases for the same asset, are reported as decrease of the same reserves. Further decrease in the asset value are reported in the statement of comprehensive income.

Measurement after recognition for plant and equipment is based on the model of acquisition cost, i.e. price of acquisition less accumulated depreciation and impairment losses. The impairment losses are reported as an expense and are recognized as such in the statement of comprehensive income for the period.

Following costs related to particular property, plant or equipment are added to the balance value of the asset when it is possible the company to have economic benefits exceeding the initial evaluated efficiency of the existing asset. All other following costs for maintenance, repairs and substitution of minor components of properties, plants and equipment are reported currently as maintenance expenses and are recognized as such for the period in which they have been made.

The non-depreciated part of the substituted components is written off the balance value of the assets and is recognized as current expense for the period of reconstruction. All other following costs are recognized as expenses for the period, in which they are made.

When the balance value of particular property, plant or equipment is higher than its refundable value, it should be devalued to its refundable value.

The company has approved a value level of 700 Leva (BGN) for recognition of Properties, plants and equipment.

Impairment of assets

The balance values of property, plant and equipment are subject to review for impairment when there are events or changes in the circumstances indicating that the balance values might differ permanently from their refundable values. If such indicators are evident, where the approximately defined refundable value is lower than the balance value, the latest is written down to the refundable value of the asset.

The refundable value of property, plant and equipment is the higher from the following two: fair value without sale costs or value in use. In order to determine the value in use of assets, future cash flows are discounted to their present value by applying the discount rate before taxes, which reflects the current market conditions and estimations of the time value of money and risks, specifically for the corresponding asset.

Impairment losses are reported in the statement of comprehensive income, except when a revaluation surplus is formed for that particular asset. Then the impairment is treated as a decrease in this surplus, except if it exceeds the surplus amount, so the exceeding value is included as an expense in the statement of comprehensive income.

2.8 Depreciation

The company uses the linear method for depreciation of property, plant and equipment (**note 3**). Land is not depreciated. The useful life under groups of assets is considered with respect to the physical wear out, the specifics of the equipment, and future intensions for usage. When different parts of certain asset have different useful life, they are differentiated into independent components for the purpose of depreciation.

The useful life of the main groups of assets as of 31 December 2020, determined by the management after review, is as follows:

	<u>2020,</u> years	<u>2019,</u> years
Property	25	25
Equipment	25	25
Plant	3,3	3,3
Automobiles	4	4
Transport vehicles (excl. automobiles)	10	10
Installations and other equipment	6,7	6,7
Computer hardware	2	2

The useful life of an asset should be reviewed at the end of each statement period, if expectations differ from previous estimates, any change is accounted prospectively.

2.9 Intangible assets

Initially assets are measured at acquisition cost. Intangible assets are recognized when it is possible for the entity to receive economic benefits in the future as a result from possessing the asset and when the cost of the asset could be valued fairly.

After the initial recognition, the intangible assets are valued at acquisition cost less accumulated amortisation and impairment losses. Intangible assets are amortised for the period of their useful life using the linear method as follows:

	<u>2018</u>	<u>2017</u>
	years	years
Software	2	2
Patents, rights of usage and other rights	25	25
Others, contractual terms of usage	3	3

2.10 Investments

The company does not have investments under the meaning of IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investment in Associates and Joint Ventures.

2.11 Inventories

The main components of inventories are production ready for sale, goods and materials (**note 6**). They are measured at the lower value from acquisition cost and net realizable value.

The expenses, made in order to bring a product to its current condition and location, are included in the acquisition cost as follows:

- Raw materials and materials ready for use – all supply costs, including price, duties and fees, transportation costs, non-refundable taxes, and other costs, which contribute to bringing the materials in ready for use condition.
- Production ready for sale and work in progress – the direct cost of materials and labour, and the corresponding part of the production indirect costs, except the administration costs, currency differences, and the cost of borrowed financial resources. The distribution of the permanent general production expenses in the cost of production is made on the basis of recalculated volume of production compared to a single unit produced (difficulty coefficient).

The method of average-weighted price (cost), calculated on monthly basis, is used for the inventories usage (sale).

The net realizable value is the approximate sale price of a given asset in the course of normal commercial activities, less the approximately determined costs for bringing this asset in commercial condition and the approximately determined costs for realisation.

There is a pledge on inventories of the company with balance value of BGN 750 thousand.

2.12 Trade and other receivables

Trade receivables (**note 5**) are reported in the financial statement at fair value on the basis of original invoice (cost), less the value of impairments, in compliance with IFRS 9.

An approximate measurement of losses from suspicious or uncollectable receivables is made when there is high uncertainty for the collectability of the whole or partial amount. The impairment of receivables is accounted by the corresponding corrective account for every type of receivables under article "Depreciation and amortisation expense" on the front side of the statement of comprehensive income.

The uncollectable receivables are recognised as expenses for the period, in which they have been acknowledged (**note 5**).

There is a collateral pledge on all current, future and contingent receivables of the company, up to amount of bank loan (contract 228/2007 and contract 007/2019), applicable to all bank accounts opened with the lending bank.

2.13 Cash and cash equivalents

Cash funds in Leva (BGN) are measured at their nominal value, and those in foreign currency – at the fixing rate of the Bulgarian National Bank on 31 December 2020. The cash funds of the company are formed by cash funds in the company treasury and in bank accounts, respectively in Leva (BGN) and foreign currency. The cash funds in banks are on current and deposit accounts (**note 7**). The company does not have any blocked cash funds.

- Cash receivables from clients and cash payables to suppliers are presented gross with VAT included (20%);
- Cash flows related to fixed assets are presented net, without VAT;
- The interest rate for investment loans received are included as payment for financial operations, while interest rate, related to operating loans, is included under operating activities.

2.14 Loans and other borrowed financial resources

2.14.1 Interest bearing loans

Interest bearing loans and other borrowed financial resources

All loans as well as other borrowed financial resources are initially recognised and measured at cost (nominal value), which is accepted as fair value of what is received from the transaction, net from the direct expenses related to those loans and borrowed resources. After initially recognised, the interest bearing loans and other borrowed resources are then measured by amortisation value, determined by applying the method of effective interest. The amortisation

value is calculated by taking into consideration all types of fees, commissions and other expenses, including discount or premium, associated with those loans. The profits and losses are recognised in the comprehensive income statement as financial revenues or expenses (interest) for the period of amortisation or when the liabilities are written off or reduced. Current liabilities are not discounted.

Interest bearing loans and other financial resources are classified as current unless the company has the explicit right to pay off its liability in terms longer than 12 months from the statement date.

The long-term and current liabilities in Leva (BGN) are measured by the cost of their origination, and those denominated in foreign currency – by the fixing rate of the Bulgarian National Bank at 31 December 2020.

2.14.2 Leases

According to the new standard IFRS 16, a contract includes lease element, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to establish whether control is transferred under the contractual terms for the use of a given asset, the Company examines whether it has the following rights:

- The right to obtain substantially all economic benefits from the use of the given asset;
- The right to direct how and for what purpose the underlying asset is used.

In the identification of lease contracts and the identification of the underlying assets with right-of-use, the management has applied the criteria "right to control the use" of the asset over the whole period of the contract. The management, therefore, has made judgment and has concluded that in the right-of-use scope, defined in the contracts, the Company has the right to make the decision about directing how and for what purpose the assets are used, while determining the work hours and the people with access to the assets.

The new standard establishes the principles and rules for recognition, measurement, presentation and disclosure of leases for both lessors and lessees.

Separating components of a contract

In establishing whether a contract is or contains leases, the management makes judgement, such as: whether there is a lease, including whether there is identified underlying asset; whether the contract includes non-lease components and chosen approach for separation of the price between identifiable assets and other components (non-lease components and other components) of the contract; determining the term of the lease and determining differential interest rate, implicit in the lease contracts.

Lease term

The term of the lease contract is the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Initial recognition and measurement of the right-of-use asset for the lessee

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

The Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, it is depreciated for the term of the useful life.

The right-of-use assets are presented on a separate row in the Balance, while their depreciation on a separate row in the statement of comprehensive income.

Initial recognition and measurement of the lease liability for the lessee

The lease liabilities include the net value of the following lease payments:

- Fixed payments, less any lease incentive receivable;
- Variable lease payments that depend on an index or a rate;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Amounts expected to be payable by the lessee under residual value guarantees;
- Payments of penalties for terminating the lease.

The lease payments are discounted using the interest rate, implicit in the contract, if it can be readily determined, or an differential interest rate for the Company, which it would have paid for borrowing financial resources for comparable time period, comparable collateral and comparable economic environment.

Lease payments (instalments) contain, in certain proportions, financial costs (interest) and the deductible part of the lease liability (principal). Financial expenses are accrued in the statement of comprehensive income (in profit or loss) of the Company during the lease period on a recurring basis so as to achieve a constant interest rate on the remaining outstanding portion of the principal on the lease liability, presented as 'financial expenses' ".

Subsequent measurement

The right-of-use assets are presented in the statement of financial position under the cost model, less any accumulated depreciation, impairment losses and the adjustments for any remeasurement of the lease liability.

The Company measures, as lessee, subsequent lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made;

- Remeasuring the carrying amount to reflect any reassessment or lease modification of the lease contract. Guarantees for residual value are reassessed and adjusted, if necessary, at the end of each reporting period.

Lease modifications

The lessee accounts for the modification in the lease as a separate lease, if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets;
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

In this case, the modification is reported as a separate lease, for which a right-of-use assets and lease liability are recognised in the statement of financial position at the effective date of the modification.

For a lease modification that is not accounted for as a separate lease at the effective date of the modification, the Company:

- Allocates the consideration in the modified contract;
- Determines the lease term of the modified contract;
- Remeasures the lease liability by discounted the revised lease payments using a revised discount rate, which is determined as the interest rate implicit in the lease for the remainder of the lease term, or the incremental borrowing rate at the effective date of the modification.

Short-term leases and lease for which the underlying asset is of low value and variable lease payments, related with execution

Payments related to short-term leases and leases for which the underlying asset is of low value, as well as the variable payments not included in the measurement of the lease liability are recognised directly as current expenses in the statement of comprehensive income, based on the linear method over the lease term.

Accounting policy, applied until 31 December 2019

The definition in IAS 17 Leases whether particular contract is or contains a lease, is based on the nature of the contract, in its inception, and requires judgement whether the execution of the contract depends on particular asset or assets and whether the contract transfers the right to use the assets.

In compliance with IAS 17, the management classifies lease contracts for plant, equipment and vehicles as financial lease. In some cases, the lease transaction is complex and the management judges the priority criteria and the nature of the transaction, in order to determine whether the contract is a financial lease, under which all material risks and benefits from the ownership of the asset are transferred to the lessee.

Lease, under which the lessor continues to own significant part of all risks and benefits from the ownership of the asset, is classified as operating lease. Therefore, the asset is not included in the statement of financial position of the lessee.

Payments, related to the operating lease, are recognized as expenses in the statement of comprehensive income on linear basis over the lease period.

2.15 Provisions

Provisions are recognised if legal or constructive liability is present at the best educated guess about the possible economic benefits, which will flow when liabilities are paid off towards the date of the financial statement.

2.16 Employee benefits

Short-term income

Short term income of personnel in the form of remunerations, bonuses and social rewards (available in the 12 months after the period, in which personnel has expended work for or has fulfilled the necessary conditions) is recognised as expense in the comprehensive income statement for the period, in which the work is expended or the conditions for the receipt of this short-term income are met, and as a current liability (after deduction of all paid amounts and all applicable deductions) in the amount of the undiscounted sum. The payments due for social and health insurance are recognised as current expenses and liabilities in undiscounted amount as well for the period of accounting, the corresponding revenues are related to.

Refundable holidays

Towards the date of every financial statement the company makes evaluation of the expected expenses for accumulated refundable days off, which are expected to be paid as a result of not using the right for taking days off. The approximate estimation of the expenses for compensations and expenses for the payments for compulsory social and health insurance, which the employer owes on this amount based on the gross remuneration for the last month, in which the employees have worked at least 10 days, are included in the evaluation.

Other long-term income

The enterprise is obliged to pay income for the leave of these employees, who retire at Mathios AD, in compliance with the Social Insurance Code, article 222, paragraph 3. According to these legal and corporate requirements, at the termination of work agreement of employee that have acquired the right to pension, the company pays him/her compensation. The compensation is in the amount of four gross salaries, in case the work experience at the company is up to 6 years, and six gross salaries in case the work experience at the company is over ten years. Towards the date of each statement of the financial position, the management measures the approximate amount of the potential costs, payable at the current level of remunerations.

2.17 Income taxes

In compliance with the Bulgarian legislation, the company owes corporate tax in the amount of 10% on the taxable income. The corporate tax for the previous year has been 10% as well.

The income tax is calculated based on the result for the year, while taking into consideration deferred taxes. Deferred taxes on income reflect the net tax effect from time differences between the balance value of assets and liabilities for the purpose of the financial statements and the values for tax purposes. In order to determine the amount of assets and liabilities from deferred taxes, specific tax levels, which are expected to be valid for the period of their realisation, are applied.

Assets and liabilities on deferred taxes reflect the tax consequences from the way the company expects to fix or restore the balance value of assets and liabilities towards the date of preparation of the statement. Assets and liabilities are recognised no matter when the temporary difference will show back.

Deferred taxes, related to objects, reported as other components of the comprehensive income or capital position in the statement of financial position, are also reported directly towards the corresponding component of the comprehensive income or balance capital position.

2.18 Related parties

For the purpose of preparing the current financial statement all key management personnel and members of the governing bodies, as well as close relatives of their families, including the entities controlled by the above mentioned parties, are treated as related parties (**note 4, 11.1 and 20**).

2.19 Financial instruments

Accounting policy, applicable after 1 January 2020

Financial instrument is every contract, establishing simultaneously a financial asset in one entity and a financial liability or equity in another entity.

2.19.1 Financial Assets

Initial recognition, classification and measurement

At their initial recognition, financial assets are classified under the three categories, according to which they are later measured at amortised cost, at fair value through other comprehensive income and at fair value through profit and loss.

The classification of financial assets at their initial recognition depends on the characteristics of the contracted cash flows of the corresponding financial asset or the business model of the company for its management.

The business model for managing financial assets reflects the way the company manages its financial assets for generating cash flows. The business model defines whether the cash flows result from the collecting contracted cash flows, sale of financial assets or both.

Valuation

The company initially recognises financial assets at fair value, while in case of financial assets, which are not recognised at fair value through profit and loss, the direct costs of the trade are added. The exception are trade receivables, which do not include significant component of financing – they are measured based on the price of trade, defined in accordance with IFRS 15 and the issued invoice.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified under four categories:

- Debt instruments, measured at amortised cost;
- Debt instruments, measured at fair value through other comprehensive income (with re-classification in profit and loss);
- Equity instruments, measured at fair value through other comprehensive income (without re-classification in profit and loss);
- Financial assets (debts instruments, equity instruments and derivatives), measured at fair value through profit and loss.

For the current period, the company classifies assets under one of these categories – financial assets at amortised cost.

Financial assets at amortised cost (debt instruments):

This is the most significant category for the company.

The company measures financial assets at amortised cost when both of the following conditions are met:

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

The management has estimated the financial assets, comprising cash in banks accounts, trade receivables and other receivables, are held by the company with to goal to collect contracted cash flows, while these cash flows represent solely principal and interest in accordance with the business model.

The financial assets at amortised cost are subsequently measured based on the effective interest rate (EIR). They are subject to impairment. The profit and loss are recognised in statement of comprehensive income (in the profit or loss for the year), when the asset is written off, modified or impaired.

Write-off

Financial assets are written off from the statement of financial position when:

- The rights to receiving cash flows from the asset are expired, or
- The rights to receiving cash flows from the assets are transferred or the company has taken the liability to pay in full the cash flows received, without significant delay, to third party by agreement for transfer. In this case, the company also recognises the corresponding liability. The transferred asset and the corresponding liability are measured based on the rights and obligations, which the company has held.

The continued part, in the form of guaranteed on the transferred asset, is measured at the lower of: the initial balance value of the asset or the maximum amount of the payment, which could be required for the entity to pay.

Impairment of financial assets

The company recognises corrective (provision for impairment) for expected credit loss for all debt instruments, which are not reported at fair value through profit and loss. The expected credit loss are calculated as difference between the contractual cash flows, due according to the terms of the contract, and all cash flows, which the company expects to receive, discounted by the initial effective interest rate.

At each reported date, it defines whether the debt instrument is such with low credit risk, using all reasonable and established information, which is available without making undue expenses and efforts. The company reviews the idiosyncratic credit risk of the debt instrument. In addition, it makes a judgement whether there is a significant increase in credit risk, when the payment under the contract is overdue by over 30 days.

The company regards a financial instrument to have significantly increased its credit risk when the contractual payments are past due for more than 60 days. However, in certain cases, it may treat a financial asset as such when internal or external information provides an indication that it is unlikely that the company will receive the full amount of the outstanding amounts under the contract before taking into account any credit enhancements held by it. Financial assets are derecognised when there is no reasonable expectation for the collection of cash flows under the contract.

For the calculation of expected credit losses of trade receivables and assets under contract with clients, the company has adopted and applies the simplified approach based on a matrix for estimating the expected credit loss and does not follows subsequent changes in the credit risk. Under this approach, it recognises corrective (provision for impairment) based on the expected credit losses over the whole period of the receivables at each reporting date. The company has established and applies a provision matrix, which is based on the historical data with respect to credit losses, corrected by forecast ratios, specific for the counterparties and the economic environment and for which there is established correlation with the rate of credit losses.

Financial assets are derecognised when the company has no reasonable expectation of recovering the cash flows under the contract.

Accounting policy, applicable from 1 January 2019

The company classifies its financial assets under the following categories: "loans (credits) and receivables" and "assets held for sale". The classification depends on the nature and the purpose of the financial assets towards the date of their acquisition. The management determines the classification of the financial assets of the company towards the date of their initial recognition in the statement of financial position.

The company normally recognises financial assets in the statement of financial position on "the date of transaction" – the date, on which it has engaged to buy the respective financial assets. All financial assets are measured by their fair value plus the direct costs of the transaction.

Financial assets are written off the financial position statement when the right for receiving cash funds from those assets has expired or the company has transferred the essential part of the risks and benefits arising from the ownership of the asset to another entity or person.

Loans (credits) and receivables

Loans (credits) and receivables are non-derivative financial assets with fixed or definable payments, which are not quoted on an active market. They are measured in the financial position statement at their amortisation value using the method of effective interest, less the impairments made. These assets are included in the group of current assets when their maturity is up to 12 months or the usual operating cycle of the company, while the rest are included as long-term assets.

This group of financial assets includes: loans provided, trade receivables, other receivables from counterparties and third parties, cash funds and cash equivalents from the financial position statement. The interest income on "credits and receivables" is recognised on the basis of effective interest, unless they are short-term receivables less than 3 months, where the recognition of such interest is unjustified as it is not significant under the framework of usual credit terms. It is presented in the statement of comprehensive income under "net financial revenues/expenses".

At date of each financial statement, the company estimates whether there are events or conditions providing evidence of objective proof that requires impairment of the credits and receivables.

2.19.2 Financial liabilities and equity instruments

The company classifies debt instruments and equity instruments as financial liabilities or as shareholders' equity depending on the nature and the conditions in the contract with the respective counterparty with respect to these instruments.

Financial liabilities

Initial recognition, classification and measurement

All financial liabilities are initially recognised at fair value, while in the case of loans and financing and trade and other receivables, net of the direct costs related to the transaction.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below.

Financial liabilities, measured at amortised cost

This category is significant for the company. After initial recognition, the company measures interest bearing loans and financing at amortised cost by the method of the effective interest rate. Profit and loss are recognised in the statement of comprehensive income (in profit and loss for the year), when the corresponding financial liability is derecognised, as well as when by the amortisation based on the effective interest rate.

The amortised value is estimated by taking into consideration all discounts or premiums of the acquisition, as well as fees and costs, which are inseparable part of the effective interest rate. The amortisation is included as "financial expense" in the statement of comprehensive income (in the profit and loss for the year).

Write-off

Financial liabilities are derecognised when the liability is settled or terminated, or expired. When existing financial liability is replaced by another by the same credit provider at materially different terms, or the terms of the existing liabilities are materially changed, this exchange or modification is treated as derecognition of the initial liability and recognition of a new one. The difference in the balance value of the financial liability, settled or transferred to another party in cash or non-cash assets is recognised in the profit and loss for the year.

Accounting policy, applicable from 1 January 2019

Financial liabilities include debt (credits), liabilities towards suppliers and other counterparties. Initially they are recognised in the statement of financial position at fair value, net of the direct costs of the transaction, and next – at the amortisation value using the effective interest method.

2.20 Conditional assets and liabilities

Conditional assets and liabilities are not recognised in the financial statements. They are disclosed, unless the possibility of outgoing and incoming cash flows as well as the related economic benefits are not too far ahead in time.

2.21 Revenues

Accounting policy, applicable from 1 January 2020

Revenue recognition under client contracts

The general revenues of the company are from the sale of own production. The revenue is recognised when the control over the agreed in the client contract goods and/or services is transferred to the client. The control is transferred to the client when the obligations under the contract are met by transferring the agreed goods and/or services.

Measurement of customer contracts

A contract with customer is present only when it has commercial substance and motive, parties have approved it (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, and it is probable the entity will collect the consideration to which it will be entitled.

A contract, which does not meet one of the aforementioned criteria, is subject to a reassessment each reporting period. Considerations, received under such contract, are recognised as liability (liability under contract) in the statement of financial position, while all other criteria for recognition of customer contract are not met, respectively the company fulfils its obligations and receives all or almost all the consideration (which is not subject to refund) and/or the contract is terminated and the consideration received is non-refundable.

In the initial recognition of the customer contracts, the company makes additional analysis and assessment whether two or more contracts shall be considered in their combination and be reported as one, respectively whether the agreed goods and/or services in each separate and/or combined contract shall be reported as one and/or more obligations for fulfilment. Every promise for transfer of goods and/or services, which are separable (by themselves in the context of the contract) are reported as one obligation for fulfilment.

The company recognises revenue for each separate obligation for fulfilment at individual customer level, while the terms and conditions are analysed for each contract.

When measuring the collectability, all relevant facts and conditions under the transaction are taken into consideration, including past experience, general business practices, published guidelines and announcements made by the company, guarantees and ability for settlement.

Measurement of revenue from customer contracts

The revenue is measured based on the defined for each contract price.

The price of the transaction is the amount of the consideration, which the company expects to have the right to receive, except for the amounts, collected on behalf of third parties. In the process of setting the transaction price, the company takes into consideration the terms of the contract and its common commercial practices.

Obligations for fulfilment under customer contracts

The revenue, generated by the company, is mainly from sale of own production. The company has reached conclusion that it acts as principal in its dealings with customers for the sale of goods/production, since the company controls the goods and/or services before transferring them to the customers.

Revenue from the sale of goods

The company sells own production and others. In the sale, the control of the goods is transferred to the customer at a specific point of time at specified location and the customer can dispose with it by managing its use and receive all related benefits.

Revenue from the sale of services

The services, provided by the company, include episodic services and others. The control on the services is transferred in the period of time during their execution.

Price of transaction and payment terms

The price of the transaction generally includes contracted/fixed sale price, in accordance with general or customer-specific price list.

Variable consideration

Variable consideration is included in the price only to the extent where it is highly probable that there will not be significant correction in the cumulative revenue recognised.

2.22 Expenses

Expenses in the company are recognised at the moment of their occurrence on the basis of accounting and correspondence, but to the extent that the latter does not lead to recognition of reported objects as assets and liabilities (Notes 13-17).

Expenses for future periods are postponed for recognition as current expenses for the period, which the corresponding contracts are executed in.

Financial revenues and expenses are included in the comprehensive income statement when they occur. They are presented net and include: interest revenues and expenses related to provided or received loans, as well as fees and other indirect costs of credits, bank guarantees, and currency rate differences on loans in foreign currency. They are presented net, together with the financial expenses on the front side of the statement of comprehensive income.

2.23 Financial risk management

The company is exposed to different types of risks in its operating activities, namely:

Credit risk - the risk the opposite side does not pay its liabilities is supervised by the company using internal rules of control of revenues and expenses, explicit clauses for payment terms and penalties in the contracts with counterparties, as well as collaterals, when appropriate.

After analyses at the end of every reporting period, the company applies policy of 100% impairment for doubtful receivables, in case at least one year has passed since their due date.

Liquidity risk - arises from time differences in the contracted and actual maturities of the cash assets and liabilities. The management maintains enough cash resources in order to support constant liquidity.

Currency risk - arises from transactions in foreign currency made by the company in the course of its business operations (note 21).

Interest risk - arises from the possible increase in interest rates of banks and therefore the interest on borrowed capital by the company, thus leading to increase in the interest expenses.

Statement of financial position

3. Non-current assets

3.1 Property, plant and equipment

2019, BGN'000	Lands	Buildings	Machines	Equipment	Vehicles	Other LTA	Assets under construction	TOTAL
Gross carrying amount, 1 Jan 2019	149	863	1,122	1,261	248	324	212	4,179
Accumulated depreciation, 1 Jan 2019	-	(297)	(1,097)	(384)	(212)	(260)	-	(2,250)
Balance at 1 January 2019	149	566	25	877	36	64	212	1,929
Additions		83	83	23	1	51		241
Write-offs							(212)	(212)
Disposals								-
Current year depreciation		(37)	(37)	(51)	(13)	(22)		(160)
Eliminated depreciation on disposals of assets								-
Balance at 31 December 2019	149	612	71	849	24	93	-	1,798
Gross carrying amount, 31 Dec 2019	149	946	1,205	1,284	249	375	-	4,208
Accumulated depreciation, 31 Dec 2019	-	(334)	(1,134)	(435)	(225)	(282)	-	(2,410)
Balance at 31 December 2019	149	612	71	849	24	93	-	1,798

2020, BGN'000	Lands	Buildings	Machines	Equipment	Vehicles	Other LTA	Assets under construction	TOTAL
Gross carrying amount, 1 Jan 2020	149	946	1,205	1,284	249	375	-	4,208
Accumulated depreciation, 1 Jan 2020	-	(334)	(1,134)	(435)	(225)	(282)	-	(2,410)
Balance at 1 January 2020	149	612	71	849	24	93	-	1,798
Additions	-	-	20	-	-	4	-	24
Write-offs	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Current year depreciation	-	(38)	(33)	(52)	(10)	(23)	-	(154)
Eliminated depreciation on disposals of assets	-	279	-	-	-	-	-	279
Revaluation	589	151	-	-	-	-	-	740
Balance at 31 December 2020	738	1,004	58	797	14	74	-	2,685
Gross carrying amount, 31 Dec 2020	738	1,097	1,225	1,284	249	379	-	4,972
Accumulated depreciation, 31 Dec 2020	-	(93)	(1,167)	(487)	(235)	(305)	-	(2,287)
Balance at 31 December 2020	738	1,004	58	797	14	74	-	2,685

At of 31 December 2020, the company has performed a valuation of its property, in correspondence with the amended valuation model (see note 2.7), using a certified appraiser. In this respect, the value of property is increased, as shown in the table above.

A commission of technical experts from the company has performed an overview of the tangible assets in order to find whether there are conditions present for impairments in compliance with the requirements and the rules of IAS 36 Impairment of Assets. Based on this overview, the management has established there are no such indications for impairment as of 31 December 2020.

In 2020, the company uses vehicles under lease. At the end of the period, the carrying amount for right-of-use assets for each class of assets is as follows:

	2020, BGN'000	2019, BGN'000
Right-of-use assets		
Transport vehicles	40	52
Plant-specific vehicles	20	30
TOTAL	60	82

3.2 Intangible assets

2019, BGN'000	Rights	Other intang. Assets	Assets under construction	Total
Gross carrying amount, 1 Jan 2019	22	15	-	37
Accumulated amortisation, 1 Jan 2019	(13)	(14)	-	(27)
Balance at 1 January 2019	9	1	-	10
Additions	-	-	-	-
Disposals	-	-	-	-
Current year amortisation	(2)	(1)	-	(3)
Balance at 31 December 2019	7	-	-	7
Gross carrying amount, 31 Dec 2019	22	15	-	37
Accumulated amortisation, 31 Dec 2019	(15)	(15)	-	(30)
Balance at 31 December 2019	7	-	-	7

2020, BGN'000	Rights	Other intang. Assets	Assets under construction	Total
Gross carrying amount, 1 Jan 2020	22	15	-	37
Accumulated amortisation 1 Jan 2020	(15)	(15)	-	(30)
Balance at 1 January 2020	7	-	-	7
Additions				-
Disposals				-
Current year amortisation	(1)			(1)
Balance at 31 December 2020	7	-	-	7
Gross carrying amount, 31 Dec 2020	22	15	-	37
Accumulated depreciation, 31 Dec 2020	(16)	(15)	-	(31)
Balance at 31 December 2020	6	-	-	6

The management has established there are no conditions for impairment of the company's intangible assets.

4. Receivables from related parties

At the reporting period, the Company has receivables from parent-company Mathios Refractories S.A., as follows:

	2020	2019
	BGN'000	BGN'000
Mathios Refractories S.A.	308	
IKM COMPANY LTD		10
Total receivables from related parties	308	10

They are in BGN, interest-free, and are solely from trading deals on sales of products, goods and services.

The company has set a standard credit period of 30 days for receivables from related parties.

5. Trade and other receivables, net

Trade receivables are from trade counterparties (clients and suppliers, receivables under provided guarantees for rented assets, and deferred expenses) and tax refunds.

	2020	2019
	BGN'000	BGN'000
Receivables from trade counterparties	42	34
Pending and awarded claims	18	18
Grant financing	150	
Tax refunds	20	25
Guarantees	12	
Insurance	1	
Other creditors	3	
TOTAL	246	77

5.1 At 31 December, the enterprise has the following receivables from trade counterparties:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Receivables from clients</i>	24	16
<i>Impairment</i>	(2)	(2)
<i>Deposits to contractors</i>	-	12
<i>Prepaid expenses</i>	20	8
TOTAL	42	34

The company applies flexible policy for its trade receivables. Policy for immediate payment is adopted for large part of the clients, while for regular clients the credit period is between 30 and 60 days, subject to individual agreement.

The company has future receivables provided as collateral to bank, where it receives credit financing from.

With the adoption of IFRS 9 from 1 January 2018, the company applies the simplified approach for impairment of receivables from customers. The management has developed and applies the model of provision matrix for expected credit loss from customers. There is no significant effect for the company from the application of IFRS 9. In particular, the effect of the new provision matrix model of receivables from customers is presented in note 21.

As of 31 December trade receivables, are in the amount of BGN **14 thousand** with the following structure:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>les than 30 days</i>	22	2
<i>from 30 to 60 days</i>		12
<i>from 61 to 90 days</i>		
<i>from 91 to 120 days</i>		
<i>More than 120 days</i>		
TOTAL	22	14

At 31 December, **there are no** overdue receivables, which are not impaired. There is no write-off for overdue receivables for the period.

The deposits provided in the amount of BGN **12 thousand** are for rented assets and payment guarantees for regular supplies.

Expenses for future periods refer to bank fees – BGN 1 thousand, insurances – BGN 6 thousand, and subscriptions – BGN 2 thousand.

5.2 Tax refunds are from value added tax, as follows:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>VAT to collect</i>	20	25
TOTAL	20	25

The legal receivables comprise fees and compensations for immaterial damages on labour case with preliminary execution allowed. At the date of the financial statements, the corresponding court papers for determining the amount of the assigned to the company receivables are expected.

6. Inventory

The management maintains a level of raw materials and spare parts in a warehouse that ensures the normal production cycle.

At the date of the financial statement, a commission of experts from the company makes an overview of the raw materials available, as follows:

- Overview of the balance value of raw materials and comparison to the net realisable value, in order to establish whether it is necessary to impair these raw materials in the financial statements. As a result of the overview, it is established an impairment in amount of **20 thousand BGN** is necessary for the ready production (reported under "Depreciation and amortisation expense" in the SCI). For the other inventories is established there is no need for impairment to the net realisable value.
- Overview of the raw materials with respect to obsolescence and working capability. The company maintains inventory of materials and specific spare parts for front and side port equipment. The inspection shows there are no conditions for write-offs or impairment of obsolete inventories.

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Main and supplement materials	926	895
Production	844	784
Goods	50	56
TOTAL	1820	1735

The major part of inventories comprises materials (main and packaging) for the production and matrices for moulding the products.

7. Cash and cash equivalents

The cash and cash equivalents available at 31 December 2020 are in bank current accounts in BGN and EUR and they are not interest bearing.

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
In BGN	2	5
In foreign currency	268	82
TOTAL	270	87

8. Equity

Mathios AD is registered in the Trade Register as a joint stock company. At 31 December 2020, the issued equity is fully deposited in the amount of BGN 400 000 and equal to 400 000 shares with nominal value of BGN 1 each.

Shareholders are as follows:

1. Mathios Refractories S.A., Greece –	99,9975 % of capital	(399 990 shares)
2. Individuals –	0,0025 % of capital	(10 shares)

9. Reserves

There is no change in the legal reserves of the company for the year, ending on 31.12.2020.

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Legal reserves	40	40
TOTAL	40	40

As a result of the change in the valuation model for property in 2020, the company forms revaluation reserves, as follows:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Profit from revaluation of non-current assets	1,018	
Tax on position of other comprehensive income	(101)	
TOTAL	917	

10. Retained earnings

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Retained earnings for 2009</i>	153	153
<i>Retained earnings for 2010</i>	2,456	2,456
<i>Uncovered losses for 2011</i>	(318)	(318)
<i>Uncovered losses for 2016</i>	(586)	(586)
<i>Uncovered losses for 2017</i>	(555)	(555)
<i>Uncovered losses for 2018</i>	(356)	(356)
<i>Uncovered losses for 2019</i>	(310)	(310)
<i>Uncovered losses for 2020</i>	(72)	
TOTAL	412	484

11. Current liabilities

11.1 Liabilities to related parties

There are related party liabilities only to Mathios Refractories S.A. They are in BGN, interest free, and are solely from commercial deals on purchases of production materials, moulds, goods, services and rents of production equipment.

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Mathios Refractories	3,183	2,152
TOTAL	3,183	2,152

11.2 Liabilities to financial companies

At the end the reporting period, the company does have liabilities as well as active agreements for credits and loans.

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Credit for working capital in Euro</i>	-	69
TOTAL	-	69

At the end of the reporting period, the company shows liabilities for leases, as follows:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Non-current	38	56
Current	21	24
TOTAL	59	80

	01/01/2019	Changes in cash flows from financial operations	Changes of non-monetary nature	31/12/2019
Reconciliation of changes in liabilities from financial operations				
BGN'000				
Liabilities to financial companies	163	(94)	-	69
Leases		80	-	80
Total liabilities from financial operations	163	(14)	-	149
	01/01/2020	Changes in cash flows from financial operations	Changes of non-monetary nature	31/12/2020
Reconciliation of changes in liabilities from financial operations				
BGN'000				
Liabilities to financial companies	69	(69)	-	-
Leases	80	(21)	-	59
Total liabilities from financial operations	149	(90)	-	59

11.3 Trade and other liabilities

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Liabilities to suppliers	72	287
Tax payables	17	16
Other current liabilities	-	4
TOTAL	89	307

As of 31 December the company has liabilities to the following suppliers of raw materials, transportation services, and non-current assets:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Supplier</i>		
DALKAFIKI IOAN MARIA	7	27
MERIDIAN	0	12
IDEAL SANDART	1	1
SIKA BULGARIA	13	17
PALADIUM	0	2
BELPACK	21	126
STROICEM	7	41
MARVI TRANS	6	14
CEZ TRADE BULGARIA	11	10
TOPLIVO GAS	4	7
OTHERS	2	30
TOTAL	72	287

Tax payables are for tax on income, paid to individuals in 2020.

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Personnel incomes tax	16	18
Other taxes	1	-
TOTAL	17	18

The company does not have other payables at 31.12.2020.

11.4 Liabilities to personnel

The following items are reported under the article "Liabilities to personnel":

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Wages and salaries	38	53
Refundable holidays	14	14
Social insurance payables	29	36
TOTAL	81	103

At the date of the statement of financial position, the management of the company has determined the potential costs, payable upon release of the staff due to retirement over the next five years: BGN 0 thousand (2019: BGN 0 thousand). The calculation of the amount of these liabilities assumes participation of qualified actuaries in order to determine their present value at the reporting date. At present, the company does not use actuarial services, thus the estimation of the company's management for establishing the value of potential expense could not be defined as reliable. In this respect, provisions for retirement payments are not recognised in the statement of comprehensive income.

11.5 Government Grants

The company has received government grants for the year ending on 31.12.2020 under different measures related to COVID-19 in the amount of BGN 130 thousand (31.12.2019: BGN 35 thousand), which include:

- Program "60/40", in compliance with decree of the Council of Ministers 151/03.07.2020;
- "Support for medium enterprises for overcoming the economic consequences of the COVID-19 pandemic".

Statement of comprehensive income

12. Revenue

12.1 Revenue from contracts with customers

In the statement of comprehensive income for 2020, the revenue from operations of the company is presented as follows:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Revenue from sale of production	3019	3637
Revenue from sale of goods	270	313
Revenue from rendering of services	149	169
TOTAL	3438	4119

In 2020, revenue is recognised under IFRS 15 Revenue from contracts with customers – note 2.3.

Moment in time for recognition of revenue

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Goods, transferred at specified moment of time	3289	3950
Services, transferred over time	149	169
TOTAL	3438	4119

Balance under contracts

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Trade receivables from customers	22	14
Trade receivables from related parties	308	10
TOTAL	330	24

12.2 Other gains/(losses), net

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Gain/(loss) on a disposal of property, plant and equipment, net</i>		3
<i>EU funds & Government grants</i>	372	74
<i>Revenue from sale of materials</i>	35	70
<i>Other revenue</i>	18	-
TOTAL	425	147

The company has made the following operating expenses for 2020:

13. Expense for raw materials and consumables

	<u>2020</u>	<u>2019</u>
	BNG'000	BNG'000
<i>Main materials</i>	(667)	(818)
<i>Supplementary materials and spare parts</i>	(609)	(696)
<i>Materials by ESF grant</i>		(24)
TOTAL	(1,276)	(1,538)

14. Sale and administrative expenses

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Advertising, promotions, consulting, fees</i>	(25)	(24)
<i>Electricity, gas, water</i>	(142)	(178)
<i>Telecommunications and couriers</i>	(7)	(5)
<i>Rents</i>	(458)	(604)
<i>Trips and car expenses</i>	(22)	(32)
<i>Office supplies</i>	(3)	(3)
<i>Transport and other sales expenses</i>	(126)	(132)
<i>Other administrative expenses</i>	(162)	(123)
TOTAL	(945)	(1,101)

15. Employee benefits expense

The expenses for wages and salaries of employees also include the salaries of the management personnel, which are subject to analysis in 19.3.

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Expenses for wages and salaries</i>	(1,111)	(1,187)
<i>Expenses for social insurance</i>	(197)	(199)
<i>Expenses for refundable holidays</i>	(13)	(17)
TOTAL	(1,321)	(1,403)

The number of employees towards 31 December under labour agreements is **79**, while it was **77** for **2019**.

16. Lease expenses, recognised in the Statement of Comprehensive Income

The following lease expenses are recognised in the current financial statement:

Depreciation for right-of-use assets

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Transport vehicles	12	9
Others	10	-
TOTAL	22	9

Depreciation for right-of-use assets is included under Expenses for depreciation and amortisation in the statement of comprehensive income.

Interest on leases

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Interest on leases	3	2
TOTAL	3	2

Lease expenses are included in finance expenses.

Expenses from short-term lease contracts (included in Sale and administrative expenses) are in the amount of BGN 44 thousand for 2020.

Expenses for leases of low value (included in Sale and administrative expenses), not included in short-term lease contracts, are in the amount of BGN 414 thousand for 2020.

There are no expenses, related to variable lease payments, in the current financial statements.

The total outgoing cash flows from lease contracts in 2020 are in the of BGN 20 thousand:

- Outgoing cash flows from finance operations – for payment of lease principals – BGN 20 thousand and for interest on leases (if reported as finance operations under IAS 7) – BGN 3 thousand;
- Outgoing cash flows from operating activities – BGN 458 thousand – for short-term lease contracts.

17. Finance revenue and expenses

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Expense for interests</i>	(3)	(8)
<i>Bank fees and commissions</i>	(5)	(9)
<i>Net income/loss from foreign currency deals</i>	(5)	(5)
<i>Net finance costs</i>	(13)	(22)

18. Tax expenses

The company completes 2020 with negative financial result before taxes – BGN (71) thousand. After transforming the financial result for tax purposes, the company has a nil result for taxation.

The main components of the expense on income tax are:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Tax expense	(1)	6
TOTAL	(1)	6

The relationship between tax and accounting profit for the period is as follows:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
<i>Accounting loss before tax</i>	(71)	(316)
<i>Corporate tax on accounting result</i>	7	32
<i>Corporate tax from permanent differences, net</i>	2	(31)
<i>Temporary tax difference</i>	(10)	5
<i>Total tax expense</i>	(1)	6

After estimating the net effect from the new temporary tax differences for 2020 and the opposite effect of the temporary tax differences from previous periods the company reports change in deferred tax by forming liabilities in the amount BGN 84 thousand.

BGN'000	Revaluation reserves	Depreciation	Compensation for pensions and holidays	Physical persons income	Low capitalisation	Bad receivables	Assets impairments	TOTAL
1 January 2018	-	2	2	1	1	-	6	12
<i>Accounted as revenue/expense in the statement of comprehensive income</i>								
In the profit for the year		3		5	1	1	(4)	6
In the other comprehensive income								-
31 December 2018	-	5	2	6	2	1	2	18
<i>Accounted as revenue/expense in the statement of comprehensive income</i>								
In the profit for the year		3	(1)	(3)				(1)
In the other comprehensive income	-101							(101)
31 December 2019	(101)	8	1	3	2	1	2	(84)

The company has not recognised deferred tax asset from tax loss and does not have tax planning forecast for the following 5 years.

19. Yield per share

19.1 Earnings per share

Earnings per share are calculated as the net income available to shareholders is divided by the average number of shares outstanding during the year.

The average number of shares outstanding, used for estimating the earnings per share, as well as the net income available to shareholders, are as follows:

	<u>2020</u>	<u>2019</u>
	<u>BGN</u>	<u>BGN</u>
<i>Net income (loss), available to shareholders</i>	(71,791)	(310,486)
<i>Average number of shares</i>	400,000	400,000
<i>Earnings per share (BGN for share)</i>	(0.18)	(0.78)

19.2 Net value per share

The net value per share is calculated by dividing the shareholders' equity by the weight average number of shares.

	<u>2020</u>	<u>2019</u>
	<u>BGN</u>	<u>BGN</u>
<i>Shareholders equity, thousands BGN</i>	1,769	923
<i>Average number of shares</i>	400,000	400,000
<i>Net value per share, BGN</i>	4.42	2.31

20. Related parties

20.1 Relation type

- Mathios Refractories S.A., Greece – mother-company.
- IKM Company LTD – entity, controlled by key management personnel.
- Mathios 2014 Ltd – entity, controlled by key management personnel.
- Mathios GmbH, Germany – entity, controlled by the majority shareholder of the equity.
- IDEAL REFRACTORIES SA, Greece - entity, controlled by the majority shareholder of the equity
- BAU MARKET SA, Greece - entity, controlled by the majority shareholder of the equity
- Key management personnel:
 - Ioannis Konstantinos Mathios – Executive Director, Board of Directors;
 - Nikolaos Eftimos Tsamourtzis - Board of Directors;
 - Sofia Pavlos Anthonaki – Board of Directors.

20.2 Transactions with related parties

Transactions with related parties are not subject to specific terms and conditions.

	<u>2020</u>	<u>2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Mother-company sale	2679	3291
Mother-company purchases	1031	1134
Controlled company sales	29	6

The liabilities and receivables to related parties at the date of the financial statement are towards Mathios Refractories S.A.

	<u>2020</u>	<u>2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
<i>Receivables from related parties</i>	308	10
<i>Liabilities to related parties</i>	3183	2152

20.3 Transactions with key management personnel

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
Salaries	(123)	(187)
Social insurance	(7)	(9)
Total transactions with key management personnel	(130)	(196)

21. Financial Instruments

IFRS 9 replaced the requirements of IAS 39 with respect recognition, classification, valuation and write-off of financial assets and financial liabilities.

IFRS 9 introduces 3 primary categories for classification of financial assets: valued at amortisation cost, at fair value through other comprehensive income and at fair value through profit and loss.

The adoption of IFRS 9 changes in substance the financial reporting of impairment losses for financial assets by replacing the approach of impairment losses under IAS 39 with the oriented towards future expectations model of expected credit loss (ECL). IFRS 9 requires to recognise provision of expected credit losses for all debt instruments, which are not measured at fair value, in the profit and loss, as well as the assets under contracts.

The application of IFRS 9 Financial Instruments from 1 January 2018 has lead to certain corrections in the amounts under different items for the corresponding reporting objects. The approved new accounting policies are disclosed in note 2.19.

The company has adopted a policy for maintaining and management cash and cash equivalents in financial institutions in Bulgaria that have good reputation and high credit rating. Based on the performed assessment towards the end of the reporting period, the company does not recognise provisions for expected credit loss on cash and cash equivalents.

There are no effects for financial reporting of financial liabilities of the company, since the new requirements refer only to the financial reporting of financial liabilities, defined at fair value through profit and loss, while it does not have such liabilities. The rules for derecognising liabilities are transferred from IAS 39 Financial instruments: recognition and measurement and are not amended.

22. Financial risk management

Structure of the financial assets and liabilities at 31 December by category:

Financial assets at 31 December 2020	Amortised cost BGN'000
Trade receivables and others	188
Trade receivables from related parties	308
Cash and cash equivalents	270
TOTAL	766
Financial liabilities at 31 December 2020	Amortised cost BGN'000
Bank loans	
Trade payables to related parties	3,183
Trade payables and others	72
Lease liabilities	59
TOTAL	3,314

Financial assets at 31 December 2019	Amortised cost BGN'000
Trade receivables and others	28
Trade receivables from related parties	10
Cash and cash equivalents	87
TOTAL	125

Financial liabilities at 31 December 2019	Amortised cost BGN'000
Bank loans	69
Trade payables to related parties	2,152
Trade payables and others	307
Lease liabilities	80
TOTAL	2,608

During its business operations, the company could be exposed to different types of financial risks, most important of which are: market risk (including currency risk, risk of fair value change, and price risk), credit risk, liquidity risk and risk from interest-related cash flows. The general risk management is focused on the forecasted results from certain areas of the financial markets for achieving minimum negative effects, which could reflect on the financial results. Financial risks are currently identified, measured and watched closely with the help of different control mechanisms, so that adequate prices are determined for the products/services of the company and for the attracted landed capital. This also helps to evaluate adequately the market conditions, the investments made by the company, as well as the forms of keeping certain liquidity levels, without allowing unnecessary concentration of a given risk.

Risk management is performed currently under the direct control of the executive director, and the financial experts of the company in accordance with the policy, defined by the Board of Directors, which has developed the main guidelines for the general risk management. Based on those guidelines are developed specific procedures for managing the different types of risk like currency risk, interest-related risk, price risk, credit risk, liquidity risk, as well as for the use of derivative and non-derivative (mainly) instruments.

The different types of risk, to which the company is exposed in its business operations, as well as the adopted approach for managing those risks, are described below:

Market risk

Currency risk

The company makes its trades on the internal and external markets, but is not exposed to considerable currency risk, because all of its operations and trades are in BGN or EUR, which are exchanged at a fixed rate, set by the Bulgarian National Bank by law.

The data from the table below shows the structure of the financial assets and liabilities under types of currency:

Financial assets at 31 December 2020	in EUR EUR'000	in BGN BGN'000	Total BGN'000
Trade receivables and others	18	170	188
Trade receivables from related parties	308		308
Cash and cash equivalents	252	18	270
TOTAL	578	188	766

Financial liabilities 31 December 2020	in EUR EUR'000	in BGN BGN'000	Total BGN'000
Bank loans			-
Trade liabilities to related parties	3183		3183
Trade liabilities and others	11	61	72
Lease liabilities	18	41	59
TOTAL	3212	102	3314

Financial assets at 31 December 2019	in EUR EUR'000	in BGN BGN'000	Total BGN'000
Trade receivables and others	12	16	28
Trade receivables from related parties		10	10
Cash and cash equivalents	83	4	87
TOTAL	95	30	125

Financial liabilities 31 December 2019	in EUR EUR'000	in BGN BGN'000	Total BGN'000
Bank loans	69		69
Trade liabilities to related parties	2152		2152
Trade liabilities and others	49	258	307
Lease liabilities		80	80
TOTAL	2270	338	2608

Price risk

The management succeeds in minimizing price risk in regard to raw materials by keeping alternative sources of supply for large part of them. Still, there is a risk of price increase for small part of the raw materials, because they have specific production that does not have adequate substitutes. Minimizing price risk of negative changes in prices of goods and services, subject to commercial operations, is achieved by periodic analysis and negotiation of contracted relations as well as actualising the prices towards the market changes.

The company does not keep shares or other securities, which are subject to trading, and it does not have practice to trade with financial instruments, respectively it is not exposed to risks of negative changes in financial markets.

Credit risk

The financial assets of the company are concentrated in two groups: cash (in cash and in bank accounts) and receivables from clients.

Credit risk mainly represents the risk that clients of the company are not able to fully pay and in the usually defined terms the amounts due on trade receivables.

The company does not have significant concentration of credit risk. Its policy is to negotiate credit periods over 30 days only to clients, who have long enough trade history with the company. For all other clients, payments on sales are made mostly through bank wire transfers or in cash at the moment of the sale.

The collectability and the concentration of the receivables are watched currently in accordance with the established company policy. Therefore, the accounting department presents a weekly report to the management about the sales made, payments received, and unsettled invoices with upcoming maturity dates.

Cash funds of the company and the payment operations are concentrated in one bank, which increases the risk for cash and cash equivalents.

The company has developed a model for expected credit losses, in accordance with the requirements of IFRS 9. Based on the model, it estimates a provision for its trade and other current receivables, disclosed in Provision matrix below, which includes:

- Grouping clients and counterparties of the Company under geographical factors and under similar business and other characteristics and credit risk.
- Provision matrix, based on historic data for percentage of default/overdue on obligations over time frame periods, corrected with additional assumptions and estimates, focused on possible changes in these levels, based on macro-economic or industry specific factors. The management judgment shows the financial component in these receivables is not significant,

At 01.01.2020

Maturity	Nominal value of receivables	Rate of credit loss	Expected credit loss
Current	25	11.26%	3
Overdue 1-30 days	-	0.00%	-

Overdue 31-60 days	-	5.09%	-
Overdue 61-90 days	-	0.00%	-
Overdue 91-120 days	-	0.00%	-
Overdue over 120 days	-	50.00%	-
	25		3

At 31.12.2020

Maturity	Nominal value of receivables	Rate of credit loss	Expected credit loss
Current	22	11.26%	2
Overdue 1-30 days	-	0.00%	-
Overdue 31-60 days	-	5.09%	-
Overdue 61-90 days	-	0.00%	-
Overdue 91-120 days	-	0.00%	-
Overdue over 120 days	-	50.00%	-
	22		2

The Company has adopted a policy for maintaining and management cash and cash equivalents in financial institutions in Bulgaria with good reputation and high credit rating. Based on the currently performed preliminary evaluation, the Company does not expect provisioning a significant amount for the loss correction of cash and cash equivalents.

Liquidity risk

The liquidity risk refers to the inability of the company to meet all of its liabilities according to their maturity. It carries conservative policy regarding liquidity, through which it constantly maintains optimal liquidity reserve of cash funds and good capability of financing its commercial operations. The company uses borrowed credit resources as well.

The accounting department informs the management on monthly basis about new liabilities and follows the maturity dates of payments, analyses factual and forecasted cash flows by period, maintains balance between the maturity frames of assets and liabilities.

Maturity analysis

Below are presented financial non-derivative assets and liabilities of the company at the date of the statement of financial position, grouped under remaining maturity, determined against the stipulated maturity and cash flows. The table is prepared based on not discounted cash flows and the earliest date, on which the receivable, respectively the payable has become due. The amounts include principles and interests.

Financial assets at 31 December 2020	Up to 1 mth	1 - 3 mths	3 - 12 mths	Above 12 mths	Without maturity	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Trade receivables and others	22				166	188
Trade receivables from related parties	308					308
Cash and cash equivalents					270	270
TOTAL	330	0	0	0	436	766

Financial liabilities 31 December 2020	Up to 1 mth	1 - 3 mths	3 - 12 mths	Above 12 mths	Without maturity	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Bank loans						-
Trade liabilities to related parties	3183					3183
Trade liabilities and others	72					72
Lease liability	21			38		59
TOTAL	3276	0	0	38	0	3314

Financial assets at 31 December 2019	Up to 1 mth	1 - 3 mths	3 - 12 mths	Above 12 mths	Without maturity	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Trade receivables and others	16				12	28
Trade receivables from related parties	10					10
Cash and cash equivalents					87	87
TOTAL	26	0	0	0	99	125

Financial liabilities 31 December 2019	Up to 1 mth	1 - 3 mths	3 - 12 mths	Above 12 mths	Without maturity	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Bank loans	8	16	45			69
Trade liabilities to related parties					2152	2152
Trade liabilities and others	2	288	17			307
Lease liability	2	4	18	56		80
TOTAL	12	308	80	56	2152	2608

Risk of interest bearing cash flows

The company does not have considerable concentration of interest bearing assets, except the free cash funds on current and deposit bank accounts, so that the revenues and the incoming operating cash flows are in large part independent of the market interest levels.

The outgoing cash flows for 2020 are exposed to interest risk of using a bank loan in Euro with variable interest rate, based on the interbank interest rates plus premium.

For the rest of financial liabilities, the company is not exposed to interest risk as they usually are interest-free commercial payables or at fixed interest rate.

31 December 20120	Interest-free	With variable interest	With fixed interest	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets	766			766
Financial liabilities	3255		59	3314
31 December 2019	Interest-free	With variable interest	With fixed interest	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets	38	87		125
Financial liabilities	2528		80	2608

The funds on current accounts accumulate interest rates according to the tariffs of the respective banks, which are kept relatively constant for longer period of time.

The management of the company follows and analyses its exposition against the changes in interest levels. Different scenarios are simulated, including refinancing, renewing of existing positions and alternative financing. Estimations are made only for significant interest bearing positions.

The interest sensitivity towards 31 December 2020, against changes in interest rate is as follows: In case the interest rate in BGN increases with 1% (100 basis points) and the influence of all other variables is ignored, the annual profit after taxation, respectively the equity, would be lower with 2 thousand Leva (BGN); in case of the opposite change,

decrease of 1% (100 basis points), the effect on the profit, respectively the equity, would be increase with the same amount.

The financial assets and liabilities of the company at 31 December 2019, are as shown in the table:

31 December 2018	Interest-free	With variable interest	With fixed interest	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets	110			110
Financial liabilities	2325	163		2488

The fair value concept presumes realization of the financial instruments through sales, based on the position, assumptions and judgments of independent market participants, to a basic or most advantageous for an asset or liability market. For its financial assets and liabilities, the company accept as a basic market the direct transactions between parties. Especially for the trade receivables and payables, loans and bank deposits, it expects to realize these financial assets and liabilities or through their total refund or respectively by repayment in time. Therefore, they are presented at their amortized cost.

Also, most of the financial assets and liabilities are either short-term (bank deposits, trade receivables and payables, short-term loans) or are presented in the statement of financial position at market value (investments in securities) and their fair value approximates their carrying value.

The Company's management believes that under the circumstances presented in the statement of financial position estimates of the financial assets and liabilities are as reliable, adequate and reliable for the purposes of financial reporting.

No transfers made between level 1, 2 and 3.

COVID-19

In 2020, the economy, the business environment and the public life in the country have been significantly affected by the coronavirus pandemic and the COVID-19 disease.

The sector, which the company operates in, is indirectly affected by the imposed restriction measures and the general drop in economic activity in the country and other countries, which the company has trade relations with.

The turnover of the company for 2020 is lower. Revenues are down 16% on annual basis, while there are not significant changes in the structure and assortment of production, goods and services, provided by the company.

In order to keep its personnel, the company has applied and has been approved under the "60/40" program, in compliance with Decree of Council of Ministers 151/03.07.2020.

The company applies in other government grant programs for financing, specifically "Support for medium enterprises for overcoming the economic consequences from the COVID-19 pandemic".

The company continues its business operations without having significant difficulties as well as to execute sales to its clients. There are no agreements cancelled with key suppliers and/or clients.

The company has sufficient funds to meet its liquidity needs.

23. Capital risk management

The company manages capital risk in order to support its functioning as operating company, which provides the respective return on the invested funds by the shareholders, commercial benefits to other interested parties and participants in its business, as well as to support optimal capital structure in order to reduce expenses for the capital.

The company follows closely the structure of capital based on the debt ratio. It is measurement of a company's financial leverage, calculated as the company's debt divided by its total capital. The net debt capital is defined as difference between all debt (current and noncurrent) as it is shown the financial positions statement and the cash and cash equivalents. The total capital equals the shareholders' equity plus the debt capital.

The table below presents the debt ratios based on the capital structure as of 31 December:

	<u>2019</u> BGN'000	<u>2019</u> BGN'000
Total debt, incl.		69
Bank loans		69
Cash and cash equivalents	(270)	(87)
Net debt	(270)	(18)
Total shareholders' equity	1,769	923
Total capital	5,125	3,727
Debt ratio	(0.05)	0.00

The company does not use external financing at 31.12.2020, thus exhibiting high financial independence.

24. Going concern

The majority shareholder of Mathios AD declares the operations of the Company are entirely in compliance with and subject to the execution of the adopted long-term Program for development of the Group Mathios Refractories S.A. and to adopted Business plan for **2020**. In this respect, despite the worsening financial ratios, like reported loss of BGN 72 thousand for **2020** and a loss of BGN 310 thousand for **2019**, it does not have plans for limiting operations of the Company or laying off employees.

The shareholders of the Group Mathios Refractories also declare their willingness to provide financial support to the company, in case it is needed.

25. Events after the statement of financial position date

There are no significant events occurring after the date, at which the financial statements are prepared, which require corrections or additional disclosures in the annual financial statements.

20 February 2021

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