NOTES TO FINANCIAL STATEMENTS
31 December 2021

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 **31 March 2022.**

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 2021 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 2021, there are amendments in the accounting policy of the Company, as follows:

- Changes in IFRS 9 Financial instruments, IAS 39: Financial instruments: recognition and measurement and IFRS 7 Financial instruments: disclosures (in force for periods beginning 01.01.2021 – not adopted by the EC). These amendments are related to phase 2 of the Interest Rate Benchmark Reform and overcoming the consequences for financial reporting of the benchmark with alternative interest rates.

At the date of approval of the current financial statements, for the following standards, amendments and adopted interpretations, which are issued, but are not yet in force for periods beginning 01.01.2021, the management has established they would have potential effect on the accounting policy, the classification and the values of the reported objects and operations in the financial statement of the company:

- Amendments to IAS 1 Presentation of financial statements (in force for periods beginning 01.01.2023 – not adopted by the EC). These amendments target the criteria for classification of liabilities as current and non-current.
- Amendments to IFRS 3 Business combinations (in force for periods beginning 01.01.2022 – not adopted by the EC). The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
- IFRS 10 Consolidated financial statements (amended) and IAS 28 Investments in Associates and Joint Ventures (amended) – with respect to sale or aport of assets between an investor and its associated or joint ventures.
- Amendments to IAS 16 Property, plant and equipment (in force for periods beginning 01.01.2022 – not adopted by the EC). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Annual Improvements to IFRS Standards 2018–2020 in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and amendment to Illustrative Example 13 accompanying IFRS 16 Leases. These amendments introduce partial changes in the standards.
- Amendments to IAS 37 Provisions, contingent liabilities and contingent assets (in force for periods beginning 01.01.2022 – not adopted by the EC). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'.
- IFRS 4 Insurance contracts. The amendment changes the fixed expiry date for the temporary exemption from applying IFRS 9 Financial Instruments to 01.01.2023.

- IFRS 17 Insurance contracts (in force for periods beginning 01.01.2022 – not adopted by the EC). This is an entirely new accounting standard for all types of insurance contracts, including some guarantees and financial instruments. It is not applicable to the company.

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 values 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 marekt 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 31.12.2021. From 31.12.2021, 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 **2021**, determined by the management after review, is as follows:

	2021, years	2020, 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:

	2021 years	2020 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 007/2020), 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 **2021**. 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 **2021.**

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 substentially 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.

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 2021

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 casf flows under the contract.

<u>*Accounting policy, applicable from 1 January 2020*</u>

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 2020

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 2021

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

2020, BGN'000	Lands	Buildings	Machines	Equipment	Vehicles	Other LTA	*Assets under constr.*	*TOTAL*	*Right-of-use assets*
Gross carrying amount, 1 Jan 2020	149	946	1,205	1,284	249	375		4,208	91
Accumulated depreciation, 1 Jan 2020	-	(334)	(1,134)	(435)	(225)	(282)	-	(2,410)	(9)
Balance at 1 January 2020	**149**	**612**	**71**	**849**	**24**	**93**		**1,798**	**82**
Additions			20			4		24	
Disposals								-	
Current year depreciation		(38)	(33)	(52)	(10)	(23)		(156)	(22)
Eliminated depreciation on disposals of assets		279						279	
Revaluation	589	151						740	
Balance at 31 December 2020	**149**	**612**	**71**	**849**	**24**	**93**	-	**1,798**	
Gross carrying amount, 31 Dec 2020	738	1,097	1,225	1,284	249	379		4,972	91
Accumulated depreciation, 31 Dec 2020		(93)	(1,167)	(487)	(235)	(305)		(2,287)	(31)
Balance at 31 December 2020	**738**	**1,004**	**58**	**797**	**14**	**74**	-	**2,685**	**60**

2021, BGN'000	Lands	Buildings	Machines	Equipment	Vehicles	Other LTA	*Assets under construction*	*TOTAL*	*Right-of-use assets*
Gross carrying amount, 1 Jan 2021	732	1,097	1,225	1,284	249	379		4,972	91
Accumulated depreciation, 1 Jan 2021		(93)	(1,167)	(487)	(235)	(305)		(2,287)	(31)
Balance at 1 January 2021	**738**	**1,004**	**58**	**797**	**14**	**74**	-	**2,685**	**60**
Additions			6	7	7	8	7	35	34
Disposals							(7)	(7)	
Current year depreciation		(47)	(34)	(52)	(6)	(22)		(161)	(25)

Balance at 31 December 2021	**738**	**957**	**30**	**752**	**15**	**60**	**-**	**2,552**	**69**
Gross carrying amount, 31 Dec 2021	738	1,097	1,231	1,291	256	387		5,000	125
Accumulated depreciation, 31 Dec 2021		(140)	(1,201)	(539)	(241)	(327)		(2,448)	(56)
Balance at 31 December 2021	**738**	**957**	**30**	**752**	**15**	**60**	**-**	**2,552**	**69**

At 31 December **2021**, the company has not performed a revaluation of its property, since the time cycle over which it performs such revaluation is not yet over, in accordance with the selected valuation model (see note 2.7).

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 **2021.**

In 2021, 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:

-	*2021, BGN'000*	*2020, BGN'000*
Right-of-use assets		
Transport vehicles	27	40
Plant-specific vehicles	42	20
TOTAL	69	60

3.2 Intangible assets

2020, BGN'000	Rights	*Other intang. Assets*	*Assets under construction*	*Total*
Gross carrying amount, 1 Jan 2020	22	15	-	37
Accumulated amortiisation, 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 amortisation, 31 Dec 2020	(16)	(15)	-	(31)
Balance at 31 December 2020	**6**	**-**	**-**	**6**

2021, BGN'000	Rights	*Other intang. Assets*	*Assets under construction*	*Total*
Gross carrying amount, 1 Jan 2021	22	15		37
Accumulated amortisation 1 Jan 2021	(16)	(15)		(31)
Balance at 1 January 2021	**6**	**-**	**-**	**6**
Additions				-
Disposals				-
Current year amortisation	(1)			(1)
Balance at 31 December 2021	**5**	**-**	**-**	**5**

Gross carrying amount, 31 Dec 2021	22	15		37
Accumulated depreciation, 31 Dec 2021	(17)	(15)		(32)
Balance at 31 December 2021	**5**	**-**	**-**	**5**

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:

	2021	2020
	BGN`000	BGN`000
Mathios Refractories S.A.		308
IKM COMPANY LTD		
Total receivables from related parties	0	308

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.

	2021	2020
	BGN'000	BGN'000
Receivables from trade counterparties	126	42
Pending and awarded claims	18	18
Grant financing	7	150
Tax refunds	15	20
Guarantees	6	12
Insurance		1
Other creditors	10	3
TOTAL	**182**	**246**

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

	2021	2020
	BGN'000	BGN'000
Receivables from clients	91	24
Impairment	(2)	(2)
Prepaid expenses	37	20
TOTAL	**126**	**42**

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. 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 from clients, are in the amount of BGN **89 thousand** with the following structure:

	2021	2020
	BGN'000	BGN'000
les than 30 days	89	22
from 30 to 60 days		
from 61 to 90 days		
from 91 to 120 days		
More than 120 days		
TOTAL	**89**	**22**

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 **6 thousand** are for rented assets and payment guarantees for regular supplies.

Expenses for future periods, in the amount of BGN 37 thousand, refer prepaid subscriptions (BGN 30 thousand), insurance (BGN 2 thousand) and others.

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

	2021	2020
	BGN'000	BGN'000
VAT to collect	15	20
TOTAL	**15**	**20**

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 in compliance with IAS 2 Inventories. The results of the overview establish there are no conditions for impairment of products or other inventories.
- 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.

	2021	2020
	BGN'000	BGN'000
Main and supplement materials	1059	926
Production	829	844
Goods	28	50
Advance payments	17	
TOTAL	**1933**	**1820**

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 **2021** are in bank current accounts in BGN and EUR and they are not interest bearing.

	2021	2020
	BGN'000	BGN'000
In BGN	49	2
In foreign currency	400	268
TOTAL	**449**	**270**

8. Equity

Mathios AD is registered in the Trade Register as a joint stock company. At **31 December 2021,** 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 31.12.2021.

	2021	2020
	BGN'000	BGN'000
Legal reserves	40	40
TOTAL	**40**	**40**

As a result of the change in the valuation model for property in 2021, the company forms revaluation reserves, as follows:

	2021	2020
	BGN'000	BGN'000
Profit from revaluation of non-current assets	1,018	1,018
Tax on position of other comprehensive income	(101)	(101)
TOTAL	**917**	**917**

10. Retained earnings

	2021	2020
	BGN'000	BGN'000
Retained earnings for 2009	153	153
Retained earnings for 2010	2,456	2,456
Uncovered loses for 2011	(318)	(318)
Uncovered loses for 2016	(586)	(586)
Uncovered loses for 2017	(555)	(555)
Uncovered loses for 2018	(356)	(356)
Uncovered loses for 2019	(310)	(310)
Uncovered loses for 2020	(72)	(72)
Uncovered loses for 2021	10	
TOTAL	**422**	**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.

	2021	2020
	BGN'000	BGN'000
Mathios Refractories	2,895	3,183
TOTAL	2,895	3,183

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.

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

	2021	2020
	BGN'000	BGN'000
Non-current	33	38
Current	34	21
TOTAL	67	59

Reconcilation of changes in liabilities from financial operations BGN`000	01.01.2020	Changes in cash flows from financial operations	Changes of non-monetary nature	31.12.2020
Liabilities to financial companies	69	(69)	-	-
Leases	80	(21)	-	**59**
Total liabilities from financial operations	**149**	**(90)**	-	**59**

Reconcilation of changes in liabilities from financial operations BGN`000	01.01.1900	Changes in cash flows from financial operations	Changes of non-monetary nature	31.12.2021
Liabilities to financial companies			-	-
Leases	59	8	-	**67**
Total liabilities from financial operations	**59**	**8**	-	**67**

11.3 Trade and other liabilities

	2021	2020
	BGN'000	BGN'000
Liabilities to suppliers	110	72
Tax payables	4	17
TOTAL	114	89

	2021	2020
	BGN'000	BGN'000
Liabilities under client contracts	3	-
TOTAL	3	-

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

Supplier	2021 BGN`000	2020 BGN`000
DALKAFIKI IOAN MARIA	10	7
Bonev EOOD	2	0
Kammarton Bulgaria EOOD	7	
Trans Tourist EOOD	1	
Aresgas EAD	5	
Sofida Logistic EOOD	1	
Miramaxcom EOOD	2	
Sika Bulgaria EOOD		13
Ideal Standard Vidima	1	1
Belpack OOD		21
Stroicem OOD	29	7
Marvi Trans EOOD	8	6
CEZ Trade Bulgaria EAD	38	11
Toplivo Gas EAD	2	4
Others	4	2
TOTAL	**110**	**72**

Tax payables are for tax on income, paid to individuals in **2021**.

	2021	2020
	BGN'000	BGN'000
Personnel incomes tax	**4**	16
Other taxes		1
TOTAL	**4**	**17**

The company does not have other payables at 31.12.2021.

11.4 Liabilities to personnel

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

	2021	2020
	BGN'000	BGN'000
Wages and salaries	66	38
Refundable holidays	16	14
Social insurance payables	35	29
TOTAL	**117**	**81**

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 37 thousand (**2020**: 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.

11.4.1 Provisions for retirement income

According to the requirements of the Labour Code, upon termination of employment, after the employee acquires the right to a pension for length of service and age, the Company is obliged to pay him compensation of up to six gross salaries.

Long-term liabilities to staff at retirement include the present value of the company's liability for employee benefits at the end of the reporting period upon reaching retirement age.

The change in the present value of liabilities to retirement personnel and the determination of actuarial gains or losses have an insignificant effect, therefore the company has not reported amounts in the statement of comprehensive income of long-term retirement benefits and provisions for retirement liabilities.

The following expenses for retirement benefits are recognised in these financial statements:

	2021 BGN'000	2020 BGN'000
Present value of the liability at 01.01		
Expense for current work experience	10	
Expense for past work experience	29	
Retirement benefits paid over the period	(6)	
Actuarial gain/(loss)	4	
TOTAL	37	0

The amounts reported in the statement of comprehensive income for long-term retirement benefits are:

	2021 BGN'000	2020 BGN'000
Expenses for retirement, recognised in profit/loss	33	
Expenses for retirement, recognised in other comprehensive income	4	
TOTAL	**37**	**0**

The following parameters have been taken into account in the calculation of the retirement liability as of 31 December 2021:

- turnover rate, determined on the basis of different age groups and number of people leaving to the average number of staff;
- increase in salaries;
- a discount rate applied.

In determining the present value of retirement liabilities, the following actuarial assumptions have been made, while using the services of a certified actuary.

	2021	2020
Discount rate	0.50%	
Future increase in salaries	2.00%	
Staff withdrawal rate	15.00%	

As of 31.12.2021, the liabilities for retirement are BGN 37 thousand (31.12.2020: none).

11.5 Government Grants

The company has received government grants for the year ending on 31.12.2021 under different measures related to COVID-19 in the amount of BGN 231 thousand (2020: BGN 372 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".

The balance for government grants at 31.12.2021 is BGN 98 thousand (31.12.2020: BGN 130 thousand), while BGN 32 thousand are current.

Statement of comprehensive income

12. Revenue

12.1 Revenue from contracts with customers

In the statement of comprehensive income for **2021**, the revenue from operations of the company is presented as follows:

	2021	2020
	BGN'000	BGN'000
Revenue from sale of production	3441	3019
Revenue from sale of goods	497	270
Revenue from rendering of services	147	149
TOTAL	**4085**	**3438**

In 2021, revenue is recognised under IFRS 15 Revenue from contracts with customers – note 2.3.

Moment in time for recognition of revenue

	2021	2020
	BGN'000	BGN'000
Goods, transferred at specifed moment of time	3938	3289
Services, transferred over time	147	149
TOTAL	**4085**	**3438**

Balance under contracts

	2021	2020
	BGN'000	BGN'000
Trade receivebles from customers	89	22
Trade receivables from related parties		308
TOTAL	89	330

12.2 Other gains/(losses), net

	2021	2020
	BGN'000	BGN'000
Gain/(loss) on a disposal of property, plant and equipment, net		
EU funds & Government grants	231	372
Revenue from sale of materials	23	35
Cost of materials sold	(22)	-
Other revenue	47	18
TOTAL	***279***	***425***

The company has made the following operating expenses for **2021**:

13. Expense for raw materials and consumables

	2021	2020
	BNG'000	BNG'000
Main materials	(696)	(667)
Supplementary materials and spare parts	(583)	(609)
TOTAL	**(1,279)**	**(1,276)**

14. Sale and administrative expenses

	2021	2020
	BGN'000	BGN'000
Advertising,promotions, consulting, fees	(42)	(25)
Electicity, gas, water	(221)	(142)
Telecommunications and couriers	(9)	(7)
Rents	(451)	(458)
Trips and car expenses	(10)	(22)
Office supplies	(3)	(3)
Transport and other sales expenses	(288)	(126)
Other administrative expenses	(37)	(162)
TOTAL	**(1,061)**	**(945)**

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.

	2021	2020
	BGN'000	BGN'000
Expenses for wages and salaries	(1,149)	(1,111)
Expenses for social insurance	(201)	(197)
Expenses for refundable holidays	(14)	(13)
TOTAL	**(1,364)**	**(1,321)**

The number of employees towards 31 December under labour agreements is **77**, while it was **79** for **2020**.

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

	2021	2020
	BGN`000	*BGN`000*
Transport vehicles	12	12
Others	11	10
TOTAL	**23**	**22**

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

Interest on leases

	2021	2020
	BGN`000	BGN`000
Interest on leases	2	3
TOTAL	**2**	**3**

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 2021.

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 407 thousand for 2021.

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

The total outgoing cash flows from lease contracts in 2021 are in the of BGN 20 thousand:

- Outgoing cash flows from finance operations – for payment of lease principals – BGN 24 thousand and for interest on leases (if reported as finance operations under IAS 7) – BGN 2 thousand;
- Outgoing cash flows from operating activities – BGN 451 thousand – for short-term lease contracts.

17. Finance revenue and expenses

	2021	2020
	BGN'000	BGN'000
Expense for interests		(3)
Bank fees and commissions	(3)	(5)
Net income/loss from foreign currency deals	(4)	(5)
Net finance costs	**(7)**	(13)

18. Tax expenses

The company completes **2021** with negative financial result before taxes – BGN 10 thousand. After transforming the financial result for tax purposes, the company has a positive result for taxation.

The main components of the expense on income tax are:

	2021	2020
	BGN'000	BGN'000
Tax expense	4	(1)
TOTAL	**4**	**(1)**

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

	2021	2020
	BGN'000	BGN'000
Accounting loss before tax	10	(71)
Corporate tax on accounting result	(1)	7
Corporate tax from permanent differences, net	5	2
Temporary tax difference		(10)
Total tax expense	4	(1)

After estimating the net effect from the new temporary tax differences for **2021** 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 81 thousand.

BGN'000	Revaluation reserves	Depreciation	Compensation for pensions and holidays	Physical persons income	Low capitalisation	Bad receivables	Assets impairments	TOTAL
1 January 2020	-	5	2	6	2	1	2	18
Accounted as revenue/expense in the statement of comprehensive income								
In the profit for the year		3	(1)	(3)				(1)
In the other comprehensive income	(101)							(101)
31 December 2020	(101)	8	1	3	2	1	2	(84)
Accounted as revenue/expense in the statement of comprehensive income								
In the profit for the year		1		1			(2)	-
In the other comprehensive income			3					3
31 December 2019	(101)	9	4	4	2	1	-	(81)

At 31.12.2021, the company has recognised a deferred tax liability in amount of BGN 81 thousand.

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:

	2021 BGN	2020 BGN
Net income (loss), available to shareholders	14	(72)
Average number of shares	400,000	400,000
Earnings per share (BGN for share)	**0.04**	**(0.18)**

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.

	2021	2020
Shareholders equity, thousands BGN	1,779	1,769
Average number of shares	400,000	400,000
Net value per share, BGN	**4.45**	**4.42**

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.

	Transactions type	*2021* BGN'000	*2020* BGN'000
Mother-company	sale	2637	2679
Mother-company	purchases	1046	1031
Controlled company	sales	84	29

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

	2021 BGN'000	**2020** BGN'000
Receivables from related parties		308
Liabilities to related parties	2895	3183

20.3 Transactions with key management personnel

	2021 BGN'000	*2020* BGN'000
Salaries	(135)	(123)
Social insurance	(7)	(9)
Total transactions with key management peronnel	**(142)**	**(132)**

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 2021	Amortised cost BGN'000
Trade receivables and others	113
Trade receivables from related parties	
Cash and cash equivalents	449
TOTAL	**562**

Financial liabilities at 31 December 2021	Amortised cost BGN'000
Trade payables to related parties	2,895
Trade payables and others	114
Lease liabilities	67
TOTAL	**3,076**

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
Trade payables to related parties	3,183
Trade payables and others	72
Lease liabilities	59
TOTAL	**3,314**

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 2021	in EUR EUR'000	in BGN BGN'000	*Total BGN'000*
Trade receivables and others	1	112	113
Trade receivables from related parties			0
Cash and cash equivalents	400	49	449
TOTAL	**401**	**161**	**562**

Financial liabilities 31 December 2021	in EUR EUR'000	in BGN BGN'000	*Total BGN'000*
Trade liabilities to related parties	2895		2895
Trade liabilities and others	5	109	114
Lease liabilities		67	67
TOTAL	**2900**	**176**	**3076**

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*
Trade liabilities to related parties	3183		3183
Trade liabilities and others	11	61	72
Lease liabilities	18	41	59
TOTAL	**3212**	**102**	**3314**

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:

a) Grouping clients and counterparties of the Company under geographical factors and under similar business and other characteristics and credit risk.
b) 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 01.01.2021

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

At 31.12.2021

Maturity	Nominal value of receivables	Rate of credit loss	Expected credit loss
Current	91	2.00	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%	-
	91		**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 2021	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	97		16			113
Trade receivables from related parties						0
Cash and cash equivalents					449	449
TOTAL	**97**	**0**	**16**	**0**	**449**	**562**

Financial liabilities 31 December 2021	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 liabilities to related parties	2895					2895
Trade liabilities and others	114					114
Lease liability		8	25	34		67
TOTAL	**3009**	**8**	**25**	**34**	**0**	**3076**

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
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**

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 **2021** 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 2021	Interest-free	With variable interest	With fixed interest	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets	562			562
Financial liabilities	3009		67	3076

31 December 2020	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

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 **2021**, 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 1 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 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 2021, 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 2021 is higher. Revenues are up by 19% 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:

	2021	2020
	BGN'000	BGN'000
Total debt, incl.		
Bank loans		
Cash and cash equivalents	(449)	(270)
Net debt	**(449)**	**(270)**
Total shareholders' equity	1,779	1,769
Total capital	1,779	1,769
Debt ratio	**(0.25)**	**(0.15)**

The company does not use external financing at 31.12.2021, 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 **2021**. In this respect, the company achieves better results for 2021 – higher volume of revenue (by about 19%) and positive financial result in the amount of BGN 10 thousand. This shows overall improvement of the financial position during last years, while the management 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.

The military conflict between Russia and Ukraine and the sanctions imposed are likely to have effect on business operations of the company in 2022.

Business operations are not directly related to Russia and Ukraine, but the impact of the conflict and the sanctions on the overall economic environment will affect the company indirectly and will impose significant uncertainties with respect to variation of prices of materials, goods, energy, currency rates, lack of supply, inflation and others.

There is no significant change revenue for the first months of 2022.

At this point, the management is not in position to make reliable assessment of the situation, since events develop on a daily basis, while long-term impact could also have effect on volume of sales, cash flows, profitability and others. Still, it has established a view that the impact would not be significant on business operations.

In the assessment regarding the going-concern principle, the management has taken into consideration the military conflict situation as an important event. Our conclusion as of today is this situation is not likely to put the going concern principle under question.

There are no other factors or events, introducing doubts for the application of the going concern principle as a basis for preparation of the financial statements. The aims of the management are for the company to continue all of its operations. Therefore, assets and liabilities are reported by applying the going concern principle. The management does not have plans or intents, which would significantly limit operations and/or transform the company in the foreseeable future for a period of minimum one year.

25. Events after the statement of financial position date

On 24 February 2022, a military conflict between Russia and Ukraine began. Many countries imposed various sanctions to Russia with a significant economic effect not only on local economies, but also on the global economy.

The military conflict and the related economic sanctions, as well as other measures, have the characteristics of non-adjusting event, occurring after the date of the financial statements, which may have impact on operations of the company in 2022.

Business operations are not directly related to Russia and Ukraine, but the impact of the conflict and the sanctions on the overall economic environment will affect the company indirectly and will impose significant uncertainties with respect to variation of prices of materials, goods, energy, currency rates, lack of supply, inflation and others. At this point, the management is not in position to make reliable assessment of the situation, since events develop on a daily basis, while long-term impact could also have effect on volume of sales, cash flows, profitability and others. Still, it has established a view that the impact would not be significant on business operations.

The military conflict between Ukraine and Russia and related sanctions, assessed as a non-adjusting event for the purposes of the annual financial statements for 2021, is an important consideration in assessing the Company's ability to continue to operate as a going concern, disclosed in item 2.3 of the notes to the financial statements and:

- Does not lead to recalculation of accounting estimates and fair values: no revision of assumptions and parameters is required in models of impairment and fair value measurement, tests for recoverability of receivables, loans, fixed assets, inventories, deferred tax assets and others.
- Does not lead to a change in the classification (e.g. current / non-current, held for sale / trading) of assets and liabilities: any accompanying changes in the intentions of the company's management and arrangements after 31.12.2021 do not lead to revision of asset classifications and liabilities as of 31.12.2021.

No adjusting events or significant non-adjusting events occurred in the period from 31.12.2021 to the date of approval of the financial statements, which would significantly affect the company's results for the current financial year, except for the separately disclosed situation related to military conflict and the related sanctions.

The annual financial statements have been approved by the Board of Directors on 31.03.2022.

31 March 2022

Chief Accountant: (Tatianka Ivanova)

Representative: (Nikolaos Tsamourtzis)

МАТИОС АД

Annual Management Report for 2021

I. *DEVELOPMENT AND RESULTS OF MATHIOS OPERATIONS IN* ***2021***

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 **2021**, 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 2021 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 **2021,** 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 18.8% against **2020** and a decrease by 0.8%, compared to **2019**. Revenues from sale of production during the year are 13.9% higher than **2020** and 5.4% lower than **2019**. The sales of goods increased by 84.1% against **2020** and by 58.8% compared to **2019**. 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 1.3% against **2020** and a decrease by 13.0% against **2019**.

Revenue, BGN'000	2021	*Growth % ag. 2020*	*Growth % ag.2019*	*Sales share %*	2020	*Sales share %*	2019	*Sales share %*
Revenue from sales of production	3441	14.0	-5.4	84.2	3019	87.8	3637	88.3
Revenue from sales of goods	497	84.1	58.8	12.2	270	7.9	313	7.6
Other revenue	147	-1.3	-13.0	3.6	149	4.3	169	4.1
Total	4085	18.8	-0.8	100.0	3438	100.0	4119	100.0

In **2021,** 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	2021	*Growth % ag.2020*	*Growth % ag.2019*	*Sales share %*	2020	*Sales share %*	2019	*Sales share %*
Bulgaria	700	304.6	170.3	17.7	173	4.8	259	7.3
Greece	2613	-14.5	-19.0	66.1	3056	84.0	3224	91.1
Others	640	56.9	1 022.8	16.2	408	11.2	57	1.6
Total	3953	8.7	11.7	100.0	3637	100.0	3540	100.0

The share of sales in Bulgaria are higher by 304.6% against **2020** and by 170% against **2019**. The share of sales in Greece falls to 66.1% of all. Their volume has decreased by 14.5% compared to the previous year and by 19% compared to **2019**. 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 **2021**, 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.

Product range, number of items	*2021*	*2020*	*2019*
Mathios Stones	118	117	112
Mathios Stone Slim New	75	77	80
Masterbricks	83	31	32
Pavers	2	5	5
Mathios Woods	2	5	6
WW	56	59	12
Others	8	7	3
Total	**344**	**301**	**250**

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 **2021** is from sales of own production – 84.2% (87.8% in **2020**). The sales of goods form about 12.2% (7.9% in **2020**) of the total volume of revenues from sales.

In **2021**, 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 **2021** 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 **2019 – 2021**, are presented in the table below:

Indicator	**2019**	**2020**	**2021**
*GDP in mln. BGN **	119,772	118,605	132,744*
Real growth of the GDP	3.7%	-4.2%	4.2%*
Inflation at the end of the year	3.1	1.7%*	3.3%*
Central interest rate at the end of the year	0,00%	0,00%	0,00%
Unemployment at the end of the year	4.2%	5.1%	4.5%*

** 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***

The newly formed governing coalition around political party Continuing Change claims it would provide reforms, expected to improve the business climate in the country. However, challenges for the government remain with respect to deepening problems, such as increase in energy prices and high inflation, necessary reforms in the justice system and others.

Bulgaria maintains policy of low tax burdens over the past few years, 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 2021 have changed significantly against 2020 levels. Service, electricity, fuel, and other prices continue to rise substantially, resulting in higher production 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 20210, 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 2021 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 2 627 thousand, (of which acquired in **2021** - BGN 62 thousand and BGN 34 thousand right-of-use assets). Newly acquired assets include facilities, machinery and equipment.

In **2021,** 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 89 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***	
		2021	2020	2021	2020	absolute	relative
A.	***FIXED ASSETS***	**2,627**	**2,751**	**50.6**	**51.0**	**(124)**	**-4.5**
1	***Non-current tangible and nont. assets***	2,627	2,751	50.6	51.0	(124)	-4.5
2	***Deffered Taxes***			0.0	0.0	0	#DIV/0!
Б.	**CURRENT ASSETS**	**2,564**	**2,644**	**49.4**	**49.0**	**(80)**	**-3.0**
1	***Inventory***	1,933	1,820	37.2	33.7	113	6.2
2	***Trade and other receivables***	145	535	2.8	9.9	(390)	-72.9
3	***Cash and cash equivalents***	449	270	8.6	5.0	179	66.3
4	***Prepaid expenses***	37	19	0.7	0.4	18	94.7
	TOTAL *ASSETS*	**5,191**	**5,395**	**100.0**	**100.0**	**(204)**	**-3.8**

The following changes in the capital structure are observed in comparison to the previous reported period: the shareholders' equity has increased by 0.6% against **2020** due to financial result for the year. Current liabilities decrease over the period, mostly due to trade payable to the mother-company. At 31.12.2021 the company forms non-current liabilities in the amount of BGN 136 thousand (2.6% from the liabilities and equity).

CAPITAL STRUCTURE		BGN'000		Relative share %		Growth	
		2021	2020	2021	2020	absolute	relative
A.	**SHAREHODERS` EQUITY**	**1,779**	**1,769**	**34.3**	**32.8**	**10**	**0.6**
I	Fixed capital	400	400	7.7	7.4	-	0.0
II	Reserves	957	957	18.4	17.7	-	0.0
III	Financial result	422	412	8.1	7.6	10	2.4
1	Financial result from previous periods	(72)	484	-1.4	9.0	(556)	-114.9
2	Current financial result	14	(72)	0.3	-1.3	86	-119.4
B.	**DEFERRED TAX LIABILITIES**	**81**	**84**	**1.6**	**1.6**	**(3)**	**-3.6**
C.	**CURRENT LIABILITIES**	**3,195**	**3,409**	**61.5**	**63.2**	**(214)**	**-6.3**
1	Liabilities to finansial institutions			0.0	0.0	-	0.0
2	Trade and other liabilities	3,009	3,272	58.0	60.6	(263)	-8.0
3	Liabilities to personnel	117	81	2.3	1.5	36	44.4
4	Lease liabilities	34	21	0.7	0.4	13	61.9
5	Contract liabilities	3		0.1	0.0	3	0.0
6	Government funding	32	35	0.6	0.6	(3)	-8.6
D.	**NON-CURRENT LIABILITIES**	**136**	**133**	**2.6**	**2.5**	**3**	**2.3**
1	Provisions for retirement income	37					**0.0**
2	Government funding	66	95	1.3	1.8	(29)	-30.5
3	Lease liabilities	33	38	0.6	0.7	(5)	-13.2
	TOTAL LIABILITIES & EQUITY	**5,191**	**5,395**	**95.8**	**96.0**	**(204)**	**-3.8**

2. *Analysis of the financial state*

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

Indexes, BGN'000	2021	2020	Growth abs.	Growth %
1 Inventory	1,933	1,820	113	6.2
2 Trade receivables without prep. expences	146	535	-389	-72.7
3 Cash and cash equivalents	449	270	179	66.3
4 Current liabilities	3,195	3,409	-214	-6.3
Liquidity factors				
Current ratio = (1+2+3) / 4	0.79	0.77	0.02	2.8
Quick ratio = (2+3) / 4	0.19	0.24	-0.05	-21.1
Cash position ratio = 3 / 4	0.141	0.079	0.061	77.4

As shown in the table, all liquidity factors in **2021** shows slight improvement against **2020**. 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 20% of its current liabilities with liquid assets (**2019** – 24%). The current ratio for **2021** is lower than 1, implying the company cannot cover current liabilities with current assets, while the level is close to **2020**, 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 **2020**.

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	2021	2020	Growth abs.	Growth %
1 Shareholders` equity	1,779	1,769	10	0.6
2 Current liabilities	3,195	3,409	(214)	-6.3
3 Non-current liabilities	217	217	-	0.0
4 Total liabilities	3,412	3,626	(214)	-5.9
5 EBIT	17	(58)	75	129.3
6 Interest expenses	(7)	3	(10)	-333.3
Financial autonomy ratio				
Financial leverage ratio = 1 / 4	0.52	0.49	0.03	6.9
Debt ratio = 4 / 1	1.92	2.05	-0.13	-6.4
Interests coverage = EBIT/Interests	-2.43	-19.33	16.90	87.4

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 2020. 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	2021	2020	Growth abs.	Growth %
Return on sales ratio	**0.00**	**(0.02)**	**0.02**	**116.4**
Current financial result	14	(72)	86	119.4
Amount of sales	4 085	3 438	647	18.8
Return on non-current assets ratio	**0.01**	**(0.03)**	**0.03**	**120.4**
Current financial result	14	(72)	86	119.4
Non-current assets	2 627	2 751	(124)	-4.5
Return on current assets ratio	**0.01**	**(0.03)**	**0.03**	**120.1**
Current financial result	14	(72)	86	119.4
Current assets	2 564	2 644	(80)	-3.0
Return on current liabilities ratio	**0.00**	**(0.02)**	**0.02**	**120.7**
Current financial result	14	(72)	86	119.4
Current liabilities	3 412	3 626	(214)	-5.9
Return on equity ratio	**0.01**	**(0.04)**	**0.05**	**119.3**
Current financial result	14	(72)	86	119.4
Shareholders` equity	1 779	1 769	10	0.6

The return on sales ratio indicates how much profit is generated by 1 BGN revenues. Its value for **2020** is around 0 BGN (for 2019 – (0.02)), which shows it remains close to zero, albeit improved in comparison to previous year levels.

Asset return ratios show slight improvement compared to the previous year, but remains nil.

The return on equity ratio, significant to investors, shows that for **2020,** the company has generated financial result close to zero 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	2021	2020	Growth abs.	Growth %
1 Amount of sales	4,085	3,438	647	18.8
2 Current assets	2,564	2,644	(80)	-3.0
2a Incl. Inventory	1,933	1,820	113	6.2
2b Incl. rec. from clients, incl. adgudicated	182	554	(372)	-67.1
3 Current liabilities	3,195	3,504	(309)	-8.8
3a Incl. Liabilities towards suppliers	3,006	3,272	(266)	-8.1
Turnover rate				
4 Net working capital = 2 - 3	-631	-860	229	26.6
5 Turnover rate of NWC = 1 / average 4	-5.5	-18.5	13	70.4
6 Current assets turnover ratio = 1 / 2	1.6	1.3	0	22.5
7 Inventory turnover ratio = 1 / 2a	2.1	1.9	0	11.9
8 Receivables from clients turn. = 1 / 2b	22.4	6.2	16	261.7
9 Liabilities to suppliers turnover = 1 / 3a	1.4	1.1	0	29.3
Days of converting				
Current assets turnover ratio = 360 / p. 6	226	277	(51)	-18.4
Inventory turnover ratio = 360 / p. 7	170	191	(20)	-10.6
Receivables turnover = 360 / p. 8	16	58	(42)	-72.4
Liabilities to suppliers turnover = 360 / p. 9	265	343	(78)	-22.7

The first indicator, reviewed, is the net working capital – the difference between current assets and liabilities of the company. It is negative in **2021**, and shows a decrease by 26.6% compared to **2020** due to higher current liabilities.

There is also a increase in the liabilities to suppliers turnover ratio – by 29.3%, the receivables from clients turnover ratio – by 261.7%, and inventory turnover ratio – by 11.9%, while the current assets turnover ratio shows no significant change compared to **2020.**

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 corporative 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	2021	2020	Growth absolute	Growth relative
1 Net value per share, BGN	**4.45**	**4.42**	0.02	0.6
Shareholders` equity, BGN'000	1 779	1 769	10	0.6
Average number of shares	400 000	400 000	-	-
2 Earning per share, BGN	**0.04**	**(0.18)**	0.22	119.4
Net profit / lost, BGN'000	14	(72)	86	119.4
Reserves by law (max.10% of reg. capital), BGN'000	-	-	-	-
Net profit/lost av. to shareholders`, BGN'000	14	(72)	86	119.4

The balance value per share for the year 2021 is 4.45 BGN, showing an increase of 0.6% against **2020**. The earnings for the shareholders generated by one share for the year **2021** are 0.04 BGN, which is higher than **2020.**

f. Structure of expenses and indicators for effectiveness

Indexes, BGN'000	*2021*	*2020*	*Growth abs.*	*Growth %*
I. *Earnings from bussiness operations*	4,385	3,927	458	11.7
II. *Cost for the bussiness operations, incl.*	(4,368)	(3,985)	(383)	-9.6
1 *for materials*	(1,279)	(1,276)	(3)	-0.2
2 *for external services and others*	(1,061)	(945)	(116)	-12.3
3 *for the personnel*	(1,364)	(1,321)	(43)	-3.3
4 *correctives*	(479)	(245)	(234)	-95.5
EBITD	**202**	**140**	**62**	**44.3**
5 *Expenses for depreciations*	(185)	(198)	13	6.6
EBIT	**17**	**(58)**	**75**	**129.3**
III. *Financial revenues / expenses, net*	(7)	(13)	6	46.2
IV. *EBT*	**10**	**(71)**	**81**	**114.1**
V. *Income tax*	4	(1)	5	500.0
VI. Net profit / loss	**14**	**(72)**	**86**	**119.4**
Created value in the company=3+5+IV	1,559	1,448	111	7.7
Cost eficiency = I / (II +III)	1.00	0.98	0.02	2.0
Revenues eficiency = (II + III) / I	1.00	1.02	-0.02	-2.0
Average number of the personnel	77	79	-2	-2.5

The newly created value in the company is in the amount of 1 559 thousand BGN and has increased by 7.7% 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 **2021** 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
2021	1	0	3	5	12	3	12	41
2020	1	0	4	5	12	3	12	42

III. EVENTS SUBSEQUENT TO THE PREPARATION OF THE FINANCIAL STATEMENT

The annual financial statement of the company was issued on **31 March 2022**.

On 24 February 2022, a military conflict between Russia and Ukraine began. Many countries imposed various sanctions to Russia with a significant economic effect not only on local economies, but also on the global economy.

The military conflict and the related economic sanctions, as well as other measures, have the characteristics of non-adjusting event, occurring after the date of the financial statements, which may have impact on operations of the company in 2022.

Business operations are not directly related to Russia and Ukraine, but the impact of the conflict and the sanctions on the overall economic environment will affect the company indirectly and will impose significant uncertainties with respect to variation of prices of materials, goods, energy, currency rates, lack of supply, inflation and others. At this point, the management is not in position to make reliable assessment of the situation, since events develop on a daily basis, while long-term impact could also have effect on volume of sales, cash flows, profitability and others. Still, it has established a view that the impact would not be significant on business operations.

The military conflict between Ukraine and Russia and related sanctions, assessed as a non-adjusting event for the purposes of the annual financial statements for 2021, is an important consideration in assessing the Company's ability to continue to operate as a going concern, disclosed in item 2.3 of the notes to the financial statements and:

- Does not lead to recalculation of accounting estimates and fair values: no revision of assumptions and parameters is required in models of impairment and fair value measurement, tests for recoverability of receivables, loans, fixed assets, inventories, deferred tax assets and others.
- Does not lead to a change in the classification (e.g. current / non-current, held for sale / trading) of assets and liabilities: any accompanying changes in the intentions of the company's management and arrangements after 31.12.2021 do not lead to revision of asset classifications and liabilities as of 31.12.2021.

No adjusting events or significant non-adjusting events occurred in the period from 31.12.2021 to the date of approval of the financial statements, which would significantly affect the company's results for the current financial year, except for the separately disclosed situation related to military conflict and the related sanctions.

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 **2022**, 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, **2021**, 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 **2021** no such decision has been taken by the General Meeting.

- ***Remuneration, received in total for 2021 and 2020 from the members of the Board are as follows:***

	2021 BGN'000	2020 BGN'000
Salaries	(135)	(123)
Social insurances	(7)	(7)
Total deals with key management peronnel	**(142)**	**(130)**

- ***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 Refactories 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 Refactories S.A., Greece (mother-company).

- ***Agreements under article 240b from the Commerce Act, stipulated during the year*** – in **2021** 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 2022, 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 **2021**, 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, 31 March 2022

Representative:

(Nikolaos Tsamourtzis)

STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Note	2021 BGN'000	2020 BGN'000
ASSETS			
Non-current assets			
Property,plant and equipement	3.1	2,553	2,685
Right-of-use assets	3.1	69	60
Intangible assets	3.2	5	6
Total non-current assets		**2,627**	**2,751**
Current assets			
Trade and other receivables	5	182	246
Inventories	6	1,933	1,820
Cash and cash equivalents	7	449	270
Receivables from related parties	4		308
Total current assets		**2,564**	**2,644**
Total assets		**5,191**	**5,395**
LIABILITIES AND EQUITY			
Liabilities			
Non-current liabilities			
Government funding	11.5	66	95
Lease liabilities	11.2	33	38
Deferred tax liabilities	18	81	84
Provisions for retirement income		37	
Total current liabilities		**217**	**217**
Current liabilities			
Liabilites to related parties	11.1	2,895	3,183
Lease liabilities	11.2	34	21
Trade and other liabilities	11.3	114	89
Liabilities to personnel	11.4	117	81
Liabilities under Customer Contracts		3	
Government funding	11.5	32	35
Total current liabilities		**3,195**	**3,409**
Capital and reserves			
Issued capital	8	400	400
Reserves	9	957	957
Retained earnings	10	422	412
Total equity		**1,779**	**1,769**
Total liabilities and equity		**5,191**	**5,395**

The statement of financial position and the corresponding notes, presented on pages 1 to 30, are inseparable part of the Annual Financial Report, which is approved and signed by the Board of Directors on 31.03.2022

31 March 2022

Chief Accountant: (Tatianka Ivanova)

Representative: (Nikolaos Tsamourtzis)

"МАТИОС" АД

Registered auditor, responsible for the audit: (Darinka Ignatova)

0377 Даринка Игнатова Регистриран одитор

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	2021 BGN'000	2020 BGN'000
Revenue	12.1	**4,085**	**3,438**
Other gains/(losses), net	12.2	279	425
Changes in inventories of finished goods and work in progress		(42)	64
Raw materials and consumables used	13	(1,279)	(1,276)
Administrative and sales expenses	14	(1,061)	(945)
Employee benefits expense	15	(1,364)	(1,321)
Depreciation, amortisation and impairment of assets	3	(185)	(198)
Cost of goods sold		(416)	(245)
Profit from operations		**17**	**(58)**
Finance income/cost, net	17	(7)	(13)
Profit before tax		**10**	**(71)**
Income tax expense	18	4	(1)
Profit for the year		**14**	**(72)**
Items, which are not reclassified in profit or loss subsequently			
Profit from revaluation of property, plant and equipment			1,018
Actuarial gains and losses		(4)	
Tax on other comprehensive income positions			(101)
Total comprehensive income for the year		**10**	**845**

	Note	2021 BGN	2020 BGN
Earnings per share	18	**0.04**	**(0.18)**

The statement of comprehensive income and the corresponding notes, presented on pages 1 to 30, are inseparable part of the Annual Financial Report.

31 March 2022

Chief Accountant:

(Tatianka Ivanova)

Representative:

(Nikolaos Tsamourtzis)

Registered auditor, responsible for the audit:

(Darinka Ignatova)

0377 Даринка Игнатова Регистриран одитор

STATEMENT OF CASH FLOWS

Using the direct method

for the year ended 31 December 2021

	2021 BGN'000	2020 BGN'000
Cash flows from operating activities		
Cash flow, related to customers	3,172	3,230
Cash flow, related to suppliers	(2,130)	(1,904)
Cash flow, related to payrolls	(1,306)	(1,328)
Cash flow, related to interests on operating loans, bank fees and others	(2)	(8)
Cash flow from positive and negative currency differences	(6)	(5)
Other incoming operating cash flows	528	316
Other outgoing operating cash flows	(35)	
Net cash generated by operating activities	**221**	**301**
Cash flows from investing activities		
Cash flow, related to non-current assets	(24)	(29)
Net cash used in investing activities	**(24)**	**(29)**
Cash flows from financing activities		
Cash flows from loans		(69)
Cash flows from leases	(18)	(20)
Net cash used in financing activities	**(18)**	**(89)**
Net increase/decrease in cash and cash equivalents	**179**	**183**
Cash and cash equivalents at the beginning of the year	**270**	**87**
Cash and cash equivalents at the end of the year	**449**	**270**

The statement of cash flows and the corresponding notes, presented on pages 1 to 30, are inseparable part of the Annual Financial Report.

31 March 2022

Chief Accountant:

(Tatianka Ivanova)

Representative:

(Nikolaos Tsampurtzis)

Registered auditor, responsible for the audit:

(Darinka Ignatova)

0377 Даринка Игнатова Регистриран одитор

„МАТИОС" АД

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Equity capital	Reserves	Revaluation Reserves	Retained earnings	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2020	**400**	**40**	**-**	**484**	**924**
Total comprehensive income for the year			917	(72)	845
Balance at 31 December 2020	**400**	**40**	**917**	**412**	**1,769**
Profit for the year				14	14
Other comprehensive income				(4)	(4)
Total comprehensive income for 2021	**-**	**-**	**-**	**10**	**10**
Balance at 31 December 2021	**400**	**40**	**917**	**422**	**1,779**

The statement of changes in equity and the corresponding notes, presented on pages 1 to 30, are inseparable part of the Annual Financial Report.

31 March 2022

Chief Accountant: (Tatianka Ivanova)

Representative: (Nikolaos Tsamourtzis)

МАТИОС АД

Registered auditor, responsible for the audit: (Darinka Ignatova)

0377 Даринка Игнатова Регистриран одитор