

Riga 29 of March, 2022

CrossChem SIA
Annual report for year 01.01.2021 - 31.12.2021
and an Independent Auditors' Report

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COMPANY INFORMATION

Name of the Company	CrossChem SIA
Legal status of the Company	Limited liability company
Registration No., place and date	LV4000388244, Riga, 11.01.2007.g.
Registered office	"Naftaluka", Olaines pagasts, Olaines novads, LV-2127
Major shareholders	SIA CrossChem International - 100%
Members of the Board	Ričards Andersons – Chairman of the Board Aleksandrs Muzičenko – Board member Dagnija Turlaja – Board member
Annual report drawn up by	Ieva Grase – Chief Accountant
Reporting year	from 01.01.2021 to 31.12.2021
Information on group's subsidiary	SIA CrossChem Estonia - 51%
Type of company's activity	Manufacture of other chemical products
NACE classification code	2059
Auditors	SIA Grant Thornton Baltic Audit Certified Auditor Brivibas str. 85-5 Silvija Gulbe Riga, LV - 1001 Certificate No. 142 License No. 183

MANAGEMENT REPORT

Type of activity

Limited liability company „CrossChem” (hereinafter in the text – the Company) produces and also sells imported chemical products and the additional products related to their use, storage and transporting. The company also provides series of services related to verification of the quality and delivery of these chemical products.

Performance and Financial Situation of the Company

In 2021 the net turnover of the Company was EUR 31 805 778. Compared to 2020 this increased by EUR 16 279 903 or 52%. This was achieved by attracting new clients for the existing products and increasing the sales of imported chemical products and production facilities as well as the increase in AdBlue prices due to the increase in raw material costs. The equity of the Company as of December 31, 2021 is EUR 3 868 886. The year ended with a profit. The Company is financially stable and able to meet its regular payments, as well as ensure implementation of the investment plan. This is reflected in the total current ratio (current assets/ short-term liabilities) of 1.48. The total amount of the fixed assets has increased, amounting to EUR 1 946 245 in 2021. The financial resources were invested in renewal, modernization, purchase of fixed assets and non-tangible investments. It is important to note the events of the 4th quarter of 2021, which affected the entire chemical industry. The increase in gas prices led to a partial suspension of the activities of a number of large European producers of fertilizers and AdBlue, which led to a shortage of finished products on the market. This placed a heavy burden on smaller producers with sufficient stocks of raw materials for production, including CrossChem SIA, which was able to partially meet additional market needs and increase its volumes in Q4 2021.

Future Development Plans

The Company will continue to develop and expand the range of products offered and manufactured in the coming years, as well as provide efficient, safe and high-quality services.

The main strategic objectives are:

1. To continue development of the new production warehouse project.
2. To expand the range of products offered to the clients.
3. To expand the geography and scope of product sales. An important task is to ensure stable growth and development of the Company by ensuring welfare of the personnel and abilities to work towards a common goal.
 - A. To improve the digital corporate management system.
 - B. To improve efficiency of the channels used for delivery of products to the clients.
 - C. To expand the range of products produced and offered. The investment policy will continue to focus on the long-term development and competitiveness of the Company. Significant risks that may affect the Company's results of operations include rising raw material prices, EUR / USD exchange rate fluctuations and SARS-CoV-2. The company also monitors the current situation of sanctions decisions and prepares for a timely response to the situation. In order to reduce the impact of these risks, the Company intends to strengthen the existing relationships with suppliers together with establishing new ones and will facilitate trade with buyers in the above currencies. Risk that the Company may face in the next operating period are increased competition in international markets, therefore great emphasis will be placed on individual customer visits and closer cooperation with customers. This year, the company has successfully raised debt capital by issuing its first bonds on Nasdaq Baltic Stock Exchange. This made it possible to increase the Company's turnover and in general to improve the financial results of the year.

Research and Development Measures

The financial assets of the Company are mostly comprised by the receivables denominated in euro, as well as demand deposits in credit institutions. Majority of financial obligations are comprised by debts to suppliers for products and services. Cash is mostly placed in well-known Latvian financial institutions. The main external funding source of the Company, besides issued bonds on Nasdaq Baltic Stock Exchange, is Latvian credit institution ALTUM, which granted a loan for current assets to mitigate the COVID-19 effect. The Company ascribes a low interest rate risk for the current credit obligations, and therefore this should avoid a significant effect on its operating results in the future. The Company has developed the following policy to address issues related to receivables: direct managers work with clients that have late payments for up to 30 calendar days, after exceeding 30 calendar days of debt, its recovery is transferred to the Company's lawyer, who, according to experience, ensures 99% debt recovery. Besides, the Company is cooperating with SIA Factris LV1 factoring. Since factoring customers are insured, then in negative scenario case the Company will recover 90% of the debt amount. There is no significant difference between the carrying amount of financial assets and liabilities and their fair value.

Taking into account the situation in the country and in the world with the spread of SARS-CoV-2 virus, the Company kept production volumes at a high level and was able to organize work to ensure timely provision of products to all customers. The main challenges that the Company was able to overcome due to the current negative situation in the world were the increase in prices for raw materials, fuel and components, as well as delays in traditional logistics routes. Despite all these difficulties, the Company showed robust financial results in 2021, which became possible due to the rapid adaptation to the new market conditions.

Based on the current situation of high prices for raw materials and products in the 1st quarter of 2022 and taking into account the assumption of a gradual normalization of prices in the 2nd-3rd quarter of 2022, we forecast the Company's turnover in 2022 at the level of 30 million EUR, while maintaining the target level of EBITDA margin within 6 %-7%. This forecast is 46% higher than the baseline scenario for 2022 prepared in mid-2021 (20.5 million EUR) and will be subsequently adjusted based on the results of the first quarter of 2022.

Ričards Andersons
(Chairman of the Board)



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29 of March, 2022

INCOME STATEMENT
 (classified per function of expenditure)

	Note number	2021 EUR	2020 EUR
Net turnover:	2	31 805 778	15 525 875
b) from other main activity types.		31 805 778	15 525 875
Production cost of goods sold, acquisition cost of goods sold or services provided	3	(28 309 526)	(13 574 236)
Gross profit or loss		3 496 252	1 951 639
Selling expenses	4	(1 090 010)	(803 204)
Administrative expenses	5	(421 446)	(286 124)
Other operating income	6	241 922	88 792
Other operating expenses	7	(250 116)	(80 625)
Other interest and similar income:		14 480	937
a) from subsidiary companies,		5 067	937
b) from other persons.		9 413	-
Interest payments and similar expenses:		(99 860)	(167 211)
b) to other persons.		(99 860)	(167 211)
Profit or loss before the corporate income tax		1 891 222	704 204
Corporate income tax for the reporting year		(93 486)	(11 391)
Profit or loss of the reporting year		1 797 736	692 813

Notes on pages 10 to 25 form are integral part of these financial statements.

Ričards Andersons
 (Chairman of the Board)



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29 of March, 2022

Annual report drawn up by:

Ieva Grase
 (Chief Accountant)



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BALANCE SHEET

ASSETS	Note number	31.12.2021 EUR	31.12.2020 EUR
Long-term investments			
Intangible assets			
Concessions, patents, licences, trademarks and similar rights		246 977	221 696
Total intangible assets	10	246 977	221 696
Fixed assets			
Real estate:		179 204	229 204
a) land, buildings and structures,		179 204	229 204
Long-term investment in leased fixed assets		123 268	140 897
Technology devices and equipment		640 444	635 357
Other fixed assets and inventory		256 169	236 092
Expense of tangible assets and construction in progress		747 160	303 407
Total fixed assets	11	1 946 245	1 544 957
Long-term financial investments			
Shareholding in the capital of subsidiary companies	12	177 256	178 756
Loans to subsidiary companies	13	703 882	326 574
Other loans and long-term receivables	14	-	376 050
Total long-term financial investments		881 138	881 380
Total long-term investments		3 074 360	2 648 033
Current assets			
Inventories			
Raw materials, direct materials and auxiliary materials		4 454 126	2 047 307
Finished products and goods for sale		213 281	84 510
Advance payments for inventories		813 701	75 920
Total inventories		5 481 108	2 207 737
Receivables			
Trade receivables	15	4 109 162	773 509
Amounts owed by related companies	13	128 765	90 304
Other receivables	16	7 599	3 786
Prepaid expenses		13 567	15 278
Total receivables		4 259 093	882 877
Cash and cash equivalents		1 225 826	376 178
Total current assets		10 966 027	3 466 792
TOTAL ASSETS		14 040 387	6 114 825

BALANCE SHEET

LIABILITIES	Note number	31.12.2021 EUR	31.12.2020 EUR
Equity capital			
Share capital (equity capital)	15	1 301 400	1 301 400
Long-term investment revaluation reserve	16	366 664	407 404
Reserves:		14	14
f) other reserves		14	14
Retained earnings or uncovered losses of previous years		403 072	85 259
Profit or loss of the reporting year		1 797 736	692 813
Total equity capital		3 868 886	2 486 890
Creditors			
Long-term liabilities			
Loans to bonds	17	1 919 546	-
Borrowings from credit institutions	18	111 104	1 000 000
Other borrowings	19	60 818	34 774
Total long-term liabilities		2 091 468	1 034 774
Short-term liabilities			
Borrowings from credit institutions	18	666 672	-
Other borrowings	19	19 476	395 441
Advance payments from customers		4 951 499	724 605
Trade payables		1 232 336	1 152 718
Amounts owed to subsidiary companies		283 270	15 000
Taxes and mandatory state social insurance contributions	20	162 691	110 421
Other liabilities	21	351 083	69 482
Deferred income		19 710	4 316
Dividends payable		199 000	-
Accrued liabilities	22	194 296	121 178
Total short-term liabilities		8 080 033	2 593 161
Total liabilities		10 171 501	3 627 935
TOTAL LIABILITIES		14 040 387	6 114 825

Notes on pages 10 to 25 form are integral part of these financial statements.

Ričards Andersons
 (Chairman of the Board)


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29 of March, 2022

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 (Chief Accountant)


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CASH FLOW STATEMENT

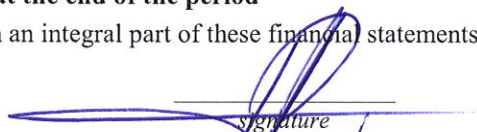
(indirect method)


	Note number	2021 EUR	2020 EUR
Cash Flow from operating activities			
Profit or loss before taxation		1 891 222	704 204
Adjustments:			
Adjustments of decrease in value of equity capital		208 292	167 144
Amortization of intangible assets		39 127	22 094
Unrealized profit from fluctuations of currency exchange rate		20 035	-
Interest and similar income		(14 480)	(937)
		(110 220)	(72 468)
Interest and similar expenses		99 860	167 211
Cash Flow before adjustments on changes in current assets and liabilities		2 133 836	987 248
Adjustments for:			
Increase (-)/ decrease (+) in trade and other receivables		(3 376 216)	756 326
Increase (-)/ decrease (+) in inventories		(2 981 072)	(640 867)
Increase (+)/ decrease (-) in trade and other payables		4 916 274	(446 130)
Gross operating cash flow		692 822	656 577
Interest paid		(99 860)	(167 211)
Corporate tax paid		(44 305)	16 135
Net cash flow from operating activities		548 657	505 501
Cash flow from investing activities			
Acquisition of an affiliate		-	(172 256)
Proceeds from investment properties		1 500	2 840
Long-term investments in leased fixed assets		(38 077)	-
Purchase of non-current assets		(1 019 985)	(335 417)
Proceeds from sale of fixed and intangible assets		31 000	17 007
Loans granted		(1 258)	(552 637)
Interest received		14 480	937
Net cash flow from investing activities		(1 012 340)	(1 039 526)
Cash flow from financing activities			
Loans from credit institutions received		1 957 370	1 109 021
Received grants, subsidies and donations		110 220	72 468
Loans from credit institutions repaid		(578 259)	-
Dividends paid		(176 000)	(357 296)
Net cash flow from financing activities		1 313 331	824 193
Net increase/decrease in cash and cash equivalents		849 648	290 168
Cash and cash equivalents at the beginning of the period		376 178	86 010
Cash and cash equivalents at the end of the period		1 225 826	376 178

Notes on pages 10 to 25 form an integral part of these financial statements.

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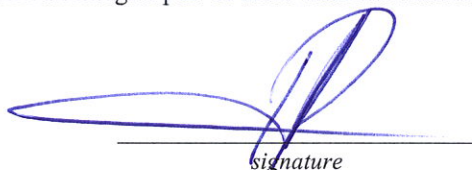
29 of March, 2022

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve of financial instruments	Reserves	Retained earnings	Total equity
	EUR	EUR	EUR	EUR	EUR
As at 31.12.2019	140 400	-	14	85 259	225 673
Increase / decrease in share capital	1 161 000	-	-	-	1 161 000
Gains or loss from revaluation of fixed assets	-	407 404	-	-	407 404
Profit for the financial year	-	-	-	692 813	692 813
As at 31.12.2020	1 301 400	407 404	14	778 072	2 486 890
Increase / decrease in share capital	-	-	-	(375 000)	(375 000)
Gains or loss from revaluation of fixed assets	-	(40 740)	-	-	(40 740)
Profit for the financial year	-	-	-	1 797 736	1 797 736
As at 31.12.2021	1 301 400	366 664	14	2 200 808	3 868 886

Notes on pages 10 to 25 form an integral part of these financial statements.

Ričards Andersons
 (Chairman of the Board)



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29 of March, 2022

Annual report drawn up by:

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 (Chief Accountant)



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NOTES TO THE FINANCIAL STATEMENTS

(1) Significant accounting principles

Principles of preparation of financial statements

The annual report has been prepared in accordance with the laws "On Accounting" and "Law on Annual Accounts and Consolidated Annual Accounts".

The profit or loss statement has been classified according to expenditure function method. The cash flow statement is prepared using indirect cash flow method.

On December 31, 2019, the company corresponds to the category of a medium-sized company. The annual report is prepared by applying the following basic principles:

- 1) it is assumed that the Company will continue its operation;
- 2) The same accountancy policy and evaluation methods was used as in the previous year, except for the balance sheet items, which can be abandoned in accordance with the new law „Law on Annual Accounts and Consolidated Annual Accounts”, since the Company is not using SFPS in preparation of the annual report;
- 3) Items in the financial statements are recognized and measured on a prudent basis subject to the following conditions:
 - a) the financial statement includes only the profit earned up to the balance sheet date;
 - b) all liabilities and expected risk amounts and losses incurred during the reporting year or previous years are taken into account, even if they became known between the balance sheet date and the date when the annual report is signed by the Company's management body;
 - c) all amounts of impairment and depreciation of assets have been calculated and taken into account, regardless of whether the reporting year is closed with profit or loss;
- 4) the items in the balance sheet and profit and loss statement are shown on an accrual basis, i.e. income and expenditure are represented on the basis of the time of their occurrence and not the time of receipt or disbursement of money. Income and expenditure related to the reporting year are represented regardless of the date of receipt of the payment or invoice;
- 5) costs are reconciled with revenues in the respective reporting periods;
- 6) the amounts indicated in the relevant balance sheet items (opening balances) correspond to the amounts indicated in the same balance sheet items at the end of the previous reporting year (closing balances);
- 7) asset and liability items are valued separately;
- 8) the amounts in the balance sheet and profit and loss statement items are indicated taking into account the content and nature of economic transactions, and not only the legal form.

Reporting period

The reporting period is 12 months from	01.01.2021	to	31.12.2021
The previous period is 12 months from	01.01.2020	to	31.12.2020

Transactions in foreign currencies

Financial reports are prepared in the single currency of the European Union, euro (EUR).

All transactions in foreign currencies are converted into euro according to the official currency exchange rate set by the European Central Bank on the respective day of transaction. All monetary assets and liabilities are converted into euro according to the exchange rate set by the European Central Bank on the last day of the financial year.

Profit or loss gained as a result of currency exchange rate fluctuations have been recognized in the income statement for the respective period.

Related parties

A related party is a person or an entity that is related to the reporting Company.

A person or a close member of that person's family is related to the reporting Company if that person has control, joint control or significant influence over the reporting Company or is a member of the key management personnel of the reporting Company or of a parent of the reporting Company.

An entity is related to the reporting Company if they are members of the same group. Also an entity is related to the reporting Company if the entity is controlled, jointly controlled or significantly influenced by a related person of the reporting Company or this related person of the reporting Company is a member of the key management personnel of that entity or of a parent of that entity.

Intangible assets and fixed assets

Fixed assets are displayed in their acquisition value less depreciation. The acquisition value of fixed assets consists of purchase price, import duties and non-refundable purchase taxes, other costs directly attributable to delivery of the assets to their location and getting in the working condition pursuant to the suggested use. Depreciation and amortisation is calculated over the useful life of the asset according to the linear method applying the following depreciation rates as the basis of calculation:

Buildings and structures	5%
Manufacturing devices	20%
Technological equipment	10%
Office equipment	20%
Computer hardware	35%
Motor vehicles	20-35%
Other fixed assets	20%

Intangible assets are displayed in their acquisition value less depreciation. Depreciation has been calculated within the period of useful life of an asset according to the linear method, applying the following depreciation rates:

Licenses	10-20%
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Gains or losses from sales of fixed assets are displayed in the income statement of the respective period. Repair or renovation expenses that increase the useful life of fixed assets or their value are capitalised and written off within the period of useful life of assets. Other repair or renovation expenses are recognised as the loss of the accounting period.

Expenses related to leasehold improvements are capitalised and displayed in the fixed assets. Depreciation is calculated over the lease period using the linear method. Loan issue expenses that are directly related to formation of fixed assets and construction in progress are capitalised, if such expenses are reasonably attributable and directly related. Loan issue expenses are capitalised before putting the fixed assets into operation. In 2020, the company has revalued one group of fixed assets - Technological equipment, creating a long-term investment revaluation reserve, assuming that the depreciation of the mentioned fixed assets is 10 years, and the revaluation of this group takes place after 5 years.

Long-term financial investments

- Related companies

A related company is a company, which is directly or indirectly controlled by another company (the parent company – more than 50% of the shareholders' voting rights in this company). The parent company controls the subsidiary company's financial and business policy. The company recognizes income from investments only in case if it receives distribution of profit from the related company after the purchase date. The received distribution, which exceeds this profit, shall be considered as investment recovery costs and is recognized as a decrease of purchase costs in the related company's investment.

- Associated companies

Associated company is a company over which the group has direct or indirect significant influence (at least 20%, but not more than 50% of the shareholders' voting rights in this company), but has no control over financial and operating policy. The company recognises the income from investment only to the extent the distribution of the profit accumulated after the acquisition date is received from the respective subsidiary company. Received distribution in excess of such profit is regarded as investment recovery cost and is recognised as a decrease of purchase cost of the investments in related companies.

Evaluation of inventories

Cost price of inventories is determined using FIFO method. Inventories are evaluated according to the cost price or the lowest market values on the balance date.

If inventory units are damaged, have become partly or totally obsolete, or the expenses of production completion or selling increase substantially - corresponding inventory units has to be valued at the net sales price. (Net sales price is the forecasted sales price in ordinary business, less the calculated products completion and selling expenses).

Receivables

Receivables are recognized according to the amount of initial invoices, less accruals for doubtful debts. Accruals are made if receipt of full amount of the debt is doubtful. Debts are written off if their recovery is considered as impossible.

Provisions for bad and doubtful debtors

Provisions for bad and doubtful debtors are estimated over the whole year based on expected budget created as for proportional income and expense flows. Accounts receivables can be written off from the provisions if their recovery is considered to be impossible. At the end of the year the Company evaluates all account receivables - bad debts are written off, but doubtful debts are assigned to Provisions for doubtful debts.

Cash

Cash is cash in hand and non-cash in payment accounts and deposit accounts.

Financial instruments

- Long-term loans and claims

A financial asset created by the company by lending money or providing service directly to the debtor; not created with the purpose to sell it immediately or in the near future. Initially loans are recognised in their initial value set by adding the expenses related to issue of the loan to the fair value of the loan amount. After initial recognition the loans are recognised in their amortised value, applying the effective interest rate method. The amortised value is calculated with the account of the loan issue expenses, as well as any loan-related discounts and bonuses. The profit or loss due to amortisation is displayed in the profit or loss statement as interest income and expenses. If active decrease in the value has occurred respective reserves are made.

Financial leasing liabilities

Lease is classified as a financial lease if in fact all risks and remunerations that are a characteristic of ownership are transferred to a tenant and if it corresponds to at least one of the following conditions:

- a) ownership to the leased asset will be transferred to the tenant upon expiration of the leasing term;
- b) the lease term includes the majority of the asset's time of useful use;
- c) the leased assets are so specific that only the tenant is entitled to use them without a significant modification.

The assets for financial lease are initially recognised as the Company's assets after their true value or after the current value of the minimum leasing payments if it is lower than the true value. Each of these values are determined on the date of acquiring the lease asset. Lease liabilities are included in the balance sheet as long-term and short-term liabilities of financial lease. Financial expenditure are reflected in the income statement on the relevant period so that a regular and periodic cost rate from the liability surplus would be provided for each reporting period.

Provisions

Provisions are recognised when there is obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation. Extent of the liabilities can be credibly assessed while a certain date of liabilities' occurrence or discharge is not precisely known.

As the warranty for complete filling stations is provided by the equipment manufacturer, the company does not make provisions for warranty repairs.

Accrued liabilities

Provisions for unused vacation compensation

The provision sum is established by multiplying the average wage for the last six months of the reporting period with the number of days of unused annual leaves on the end date of the reporting period, including also the mandatory state social insurance contributions made by the employer.

Provision for not received expense invoices

Accrued liabilities for unreceived invoices are clearly known trade liability sums for the goods or services received within the reporting year when a relevant payment document (an invoice) has failed to be received on the date of drawing up the balance sheet. The liability sums are calculated, based on the price, which is defined in the relevant agreement, and on the documents that approve actual receipt of the goods or services.

Accrued interest payments

In accordance with the terms and conditions of the bond issue on the Nasdaq Baltic Exchange, interest is paid quarterly from the moment of issue. Accrued but not yet paid interest is included in accrued liabilities.

Recognition of income

Revenue recognition from the sale of goods is recognised as soon as a significant portion of ownership and risks of goods are transferred to the customer, and the reward can be measured reliably. Revenue from rendering of services is recognised in proportion to the stage of completion of the order. Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is recognised in the corresponding period of time.

Corporate income tax

The corporate income tax for the reporting period consists of the calculated tax for such period. The corporate income tax is recognised in the profit or loss statement. The tax for the reporting period is calculated according to the provisions of the law "Enterprise Income Tax Law".

As of taxation year of 2018, corporate income tax is calculated for distributed profit (dividends) and conditionally distributed profit by applying the rate of 20%. Corporate income tax is recognised at the moment when the participants of the Company will make a decision on distribution of profit, or when the costs not promoting further development of the Company (conditionally distributed profit) will be recorded.

As of 2018, when the taxable basis for the corporate income tax changes, temporary differences in provision on depreciation of the fixed assets do not form; differences for debts of debtors are insignificant; but tax losses to be transferred to the next reporting periods are limited in time and options of use thereof (for 50% from the calculated dividends may be used for no longer than 5 years). On the basis of above, as of 2017 the Company does not form deferred tax.

Reclassification

Certain items in financial reports of 2020 have been reclassified to correspond to the form of reflecting this year's report.

Year 2020	Initial balance, EUR	Correction, EUR	Corrected balance,
<i>Trade receivables</i>	841 447	(67 938)	773 509
<i>Debts of affiliated companies</i>	22 366	67 938	90 304

Application of assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses. The management has assessed its income statement and concluded that the financial statements give a true and fair view of the financial position of the Company, based on all the information currently available.

(2) Net turnover:

Net turnover - proceeds from company's major activity - rendering of services without value added tax.

Type of activity	2021 EUR	2020 EUR
Manufacture of other chemical products nec (NACE 2059)	31 805 778	15 525 875
Total	31 805 778	15 525 875

(3) Production cost of goods sold, acquisition cost of goods sold or services provided

	2021 EUR	2020 EUR
Costs of purchased raw materials	24 993 927	11 142 300
Cost of goods purchased	2 082 163	1 481 868
Staff costs	665 579	427 080
Rental costs	222 100	190 469
Depreciation of fixed and intangible assets	131 555	130 817
Other costs	214 202	201 702
Total	28 309 526	13 574 236

(4) Selling expenses

	2021 EUR	2020 EUR
Personnel expenses	632 806	461 836
Transport costs	106 025	114 178
Office expenses	155 198	87 747
Business travel costs	46 718	10 436
Advertising expenses	39 897	17 983
ABUS maintenance costs	29 113	24 140
Depreciation of fixed assets	20 793	15 097
Other selling expenses	59 460	71 787
Total	1 090 010	803 204

(5) Administrative expenses

	2021 EUR	2020 EUR
Personnel expenses	243 841	207 725
Other administration expenses	78 580	55 758
Ancillary expenses related to securities turnover	64 129	-
Depreciation of fixed assets	34 896	22 641
Total	421 446	286 124

(6) Other operating income

	2021 EUR	2020 EUR
Revenue from received financing LIAA	110 220	72 468
Revenue from prior period adjustments	1 730	4 260
Other income	129 972	12 064
Total	241 922	88 792

(7) Other operating expenses

	2021	2020
	EUR	EUR
Other economic costs - for the improvement of the territory and premises	75 356	-
Expenditure on writing off the residual value of depreciated fixed assets	55 000	-
Other personnel expenses	37 370	25 084
Net depreciation expense on sale of property, plant and equipment	20 321	-
Expenditure on staff sustainability measures	8 239	3 295
Work clothes	5 632	-
Net losses from exchange rate fluctuations	5 142	8 057
Equipment rental and maintenance	2 088	-
Fines and penalties paid	1 092	10 863
Losses from adjustment to prior periods	29	19 337
Other expenses	39 847	13 989
Total	250 116	80 625

(8) Clarification on financial assistance received during the reporting year and previous years

Provider of financial assistance	Year of receipt	Sum, EUR	Receipt objective	Conditions
State Revenue Service	2021	100000	Application of a company affected by the COVID-19 crisis for support to ensure the flow of working capital	The grant is awarded to companies whose turnover during the support period has decreased by 20% compared to the average turnover in August, September and October 2020 together and there are no tax debts.
Latvian Investment and Development Agency	2021	10220	3.2.1.2/16/I/001, FIN-SKV-P-MP-2021/95 no 15.10.2021. SKV-L-2016/189	International Competitiveness Program. Development of websites, online stores, digital applications and virtual communication platforms for export markets, 50% of total eligible costs

(9) Information on profit or loss from disposal of long-term investment objects

Long-term investment object	Balance value at the moment of exclusion	Alienation income	Alienation expenses	Gross income or profit	Profit or loss from the object's alienation
	EUR	EUR	EUR	EUR	EUR
Office container Containex 20'	1 321	4 000	-	4 000	2 679
Land for sale in Frēziju street 7, Katlakalns, Kekava region	50 000	27 000	-	27 000	(23 000)
Total	51 321	31 000	-	31 000	(20 321)

(10) Intangible assets

		Concessions, patents, licenses, trade marks and similar rights	Advances for intangible assets	Total intangible assets
		EUR	EUR	EUR
Acquisition value	01.01.2021	273 220	-	273 220
Additions		46 878	17 530	64 408
Acquisition value	31.12.2021	320 098	17 530	337 628
Accumulated amortization	01.01.2021	51 524	-	51 524
Amortization charge		39 127	-	39 127
Accumulated amortization	31.12.2021	90 651	-	90 651
Net book value	01.01.2021	221 696	-	221 696
Net book value	31.12.2021	229 447	17 530	246 977

(11) Fixed assets

		Real estate	Investments in leasehold improvements	Long-term investments in fixed assets of the public partner	Machinery and equipment	Other fixed assets and inventory	Fixed assets under construction	Total fixed assets
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
Acquisition value	01.01.2021	229 204	215 995	539 592	245 001	458 452	303 407	1 991 651
Additions		-	38 077	11 090	110 632	97 803	736 052	993 654
Disposal		(50 000)	-	-	(40 006)	(34 175)	-	(124 181)
Moved to inventories		-	-	-	-	-	(292 299)	(292 299)
Acquisition value	31.12.2021	179 204	254 072	550 682	315 627	522 080	747 160	2 568 825
Accumulated depreciation	01.01.2021	-	75 098	60 792	88 445	222 359	-	446 694
Depreciation charge		-	55 706	48 035	38 840	65 711	-	208 292
Amortization of intangible assets that have been liquidated or reclassified		-	-	-	(10 247)	(22 159)	-	(32 406)
Accumulated depreciation	31.12.2021	-	130 804	108 827	117 038	265 911	-	622 580
Net book value	01.01.2021	229 204	140 897	478 800	156 556	236 093	303 407	1 544 957
Net book value	31.12.2021	-	123 268	441 855	198 589	256 169	747 160	1 946 245

As at 31 December 2021, the carrying amount in the property, plant and equipment category "Other property, plant and equipment" includes cars purchased in finance leases in the amount of EUR 111028.

As of 31 December 2021, the cadastral value of the real estate owned by the company is EUR 179204.

(12) Shareholding in the capital of subsidiary companies

	<u>31.12.2021</u>	<u>31.12.2020</u>
	EUR	EUR
Acquisition value at the beginning of the reporting year	178 756	9 340
Investments in the beginning of period	178 756	9 340
Acquisition (+)	-	172 256
Changes to value adjustments in relation to write-off or carrying over	(1 500)	(2 840)
Acquisition value at the end of the reporting period	178 756	181 596
Changes in the accrued participation value at the end of the reporting period	(1 500)	(2 840)
Investments in the beginning of period	177 256	178 756

Company name	Owned shares, %	Acquisition value	Investment book value	Subsidiary Profit or Loss 2021	Subsidiary company's equity
					value on 31.12.2021
OU CrossChem Estonia	51	177 256	177 256	2 565	(10 296)
	X	177 256	177 256	2 565	(10 296)

(13) Loans to subsidiary companies

	Changes within the reporting	<u>31.12.2021</u>	<u>31.12.2020</u>
		EUR	EUR
Long-term loans			
SIA CrossChem Latvia/ETEX	(3 949)	-	3 949
SIA CrossChem International	(300 000)	-	300 000
SIA CrossChem Agro	(22 625)	-	22 625
SIA CrossChem Intaernational	703 882	703 882	
Total long term loans	377 308	703 882	326 574

	Changes within the reporting period	<u>31.12.2021</u>	<u>31.12.2020</u>
		EUR	EUR
Short term liabilities			
CrossChem Estonia OU	39 430	60 950	21 520
CrossChem Japan Co.,Ltd		67 815	67 938
SIA CrossChem Intaernational	(846)	-	846
Total short term liabilities	38 584	128 765	90 304

Sia ETEX and SIA CrossChem Agro were related companies at the beginning of 2021, but after the sale of capital shares - remain as debtors and creditors of SIA CrossChem.

(14) Other loans and long-term receivables

	Changes within the reporting	<u>31.12.2021</u>	<u>31.12.2020</u>
		EUR	EUR
Other loans	(376 050)	-	376 050
Total	(376 050)	-	376 050

(15) Trade receivables

	<u>31.12.2021</u>	<u>31.12.2020</u>
	EUR	EUR
Trade receivables carrying amount	4 109 162	773 509
Total	4 109 162	773 509

(16) Other receivables

	31.12.2021	31.12.2020
	EUR	EUR
Tax overpayment	6 973	1 010
Other debtors	626	2 776
Total	7 599	3 786

(15) Share capital (equity capital)

As at 31 December 2021, the share consists of 1301400 shares with a nominal value of EUR 1.

(16) Long-term investment revaluation reserve

Item of fixed assets (object name)	Revaluation reserve surplus at the period's		Value of the fixed asset in the beginning of the period	Decrease of revaluating reserve	Value of fixed assets at the end of the period	
	beginning	end			without revaluating	with revaluating
	01.01.2021	31.12.2021			31.12.2021	31.12.2021
	EUR	EUR	EUR	EUR	EUR	EUR
<u>Technology devices and equipment:</u>						
A/m Scania 124	7 223	6 501	15 000	722	7 499	14 000
A/m Scania RO2584	8 341	7 507	15 000	834	11 388	18 895
AdBlue production facility	302 083	271 875	336 000	30 208	35 414	307 289
AdBlue plant 2 (expansion in Latvia)	80 771	72 694	98 000	8 077	15 506	88 200
AdBlue filling station 9000l_6	1 900	1 710	5 000	190	2 940	4 650
AdBlue filling station 9000l_4	2 286	2 057	5 000	229	2 443	4 500
High pressure washer HD1140	1 000	900	1 000	100	-	900
Washing machine NEPTUNE 5-49	500	450	500	50	-	450
Filling tank complex of 6 tanks	3 300	2 970	3 300	330	-	2 970
Total	407 404	366 664	478 800	40 740	75 190	441 854
Total	407 404	366 664	478 800.00	40 740	75 190	441 854

(17) Loans to bonds

	31.12.2021	31.12.2020
	EUR	EUR
Loans to be paid in 1 to 5 years	1 919 546	-
Total	1 919 546	-

In November 2021, SIA CrossChem issued 3000 bonds with a nominal value of 1000 EUR on the Nasdaq Riga Alternative Market First North. The annual bond coupon rate is 6.75% with a quarterly coupon payment. Maturity of the bonds 04.11.2024. The nominal value of bonds issued but not sold as of 31.12.2021 is EUR 1070000.

(18) Borrowings from credit institutions

Long-term borrowings (from 1 to 5 years)

	% rate	Date of payment	31.12.2021	31.12.2020
			EUR	EUR
ALTUM	2.9%	25.03.2023	111 104	1 000 000
Total long-term borrowings	X	X	111 104	1 000 000

	% rate	Date of payment	31.12.2021	31.12.2020
			EUR	EUR
Short-term borrowings				
ALTUM	2.9%	25.03.2023	666 672	-
Total short - term borrowings	X	X	666 672	-

(19) Other borrowings

	% rate	Date of payment	31.12.2021	31.12.2020
		Currency	EUR	EUR
Long-term borrowings (from 1 to 5 years)				
CrossChem Agro SIA	10.5	31.12.2025	26	34 774
AS SEB leasing	2.65/2.5	09.06.2066	60 792	-
Total long-term borrowings	X	X	60 818	34 774

Loan agreements with SIA SEB Leasing: U110090, interest rate 2.65%, U119731, interest rate 2.5%, all loans must be repaid by 31.12.2026. Loan agreement with CrossChem Agro from 01.07.2019 - 4.1% per annum until

	% rate	Date of payment	31.12.2021	31.12.2020
			EUR	EUR
Short-term borrowings				
Borrowings from natural persons	6		-	380 000
Swedbank leasing EUR	2.9/4.5	31.12.2021	19 476	15 441
Total	X	X	19 476	395 441

Swedbank leasing agreements: 158384- 6 months. EURIBOR, 2.9% rate valid until 30.06.2021; 168537-6 months. EURIBOR, 2.9% rate valid until 30.12.2021; 168538-6 months. EURIBOR, 2.9% rate valid until 30.12.2021; 162100- 6 months. EURIBOR, 4.5% rate valid until 30.12.2021. Loan agreements with SIA SEB Leasing: U107284, interest rate 2.65%, U110090, interest rate 2.65%, U119731, interest rate 2.5%, all loans must be repaid by 31.12.2026

(20) Taxes and mandatory state social insurance contributions

	31.12.2021	31.12.2020
	EUR	EUR
Social contributions	62 308	56 188
Personal income tax	29 062	37 339
Corporate income tax	58 326	9 105
Value added tax	9 687	4 953
Company Car Tax	3 272	2 817
Risk duties	22	19
Property tax	14	-
Total	162 691	110 421

(21) Other liabilities

	31.12.2021	31.12.2020
	EUR	EUR
Short-term other creditors		
Settlement with customers of amounts wrongly credited	241 745	-
Salary	89 343	60 915
Loan interest payments	19 392	4 760
Settlement of factoring transactions	-	3 789
Other creditors	603	18
Total short-term other creditors	351 083	69 482

(22) Accrued liabilities

	31.12.2021	31.12.2020
	EUR	EUR
Provisions for unused vacations	101 180	74 955
Settlements with creditors for accrued liabilities	61 406	46 223
Provisions for interest payments	31 710	-
Total	194 296	121 178

(23) Transactions with related parties

	Services rendered and goods sold	Services rendered and goods purchased	Amounts owed by related parties	Payables to related parties
	2021	2021	31.12.2021	31.12.2021
	EUR	EUR	EUR	EUR
Related party				
SIA CrossChem International	705 337	234 334	703 882	44 650
OU CrossChem Estonia	262 157	65 999	60 950	19 316
SIA CrossChem Agro	-	6 190	-	-
CrossChem Japan Co.,Ltd	81 130	-	67 815	223 620
	1 048 624	306 523	832 647	287 586

(24) Average number of employees

	2021	2020
Members of the Board	3	1
Other employees	52	47
Average number of employees	55	48

(25) Personnel expenses

	2021	2020
	EUR	EUR
Wages	1 247 950	884 222
Mandatory state social insurance contributions	294 036	212 419
Other personnel expenses	1 541 986	1 096 641

(26) Information on the payments for members of the council and the board

The remuneration of members of the Board for fulfilment of their duties at the Board, as well as for performance of their work obligations is as follows:

Type of costs	2021	2020
	EUR	EUR
Wages	54 037	4 714
Mandatory state social insurance contributions	18 421	1 654
Total	72 458	6 368

(27) Information on issued guarantees, warranties, and other possible liabilities and pledged assets

Commercial pledge agreement 100190524 from 20.05.2020. - with the right of the first claim to the entire property as a joint property at the time of the pledge, as well as to the subsequent components of the joint property, including fixed assets to be purchased with the Loan funds. The loan is secured by a mortgage on the company's real estate.

(28) Information on lease and rent agreements, that have important influence on company's activity

SIA Pirmas, reg.No.40103716379 n 01.08.2018 Real Estate Lease Agreement No.IzL2 / 2018 / 08-15; SIA KOROLA, reg.No.40003493307 -Land lease agreement 12/09/19 from 12.09.2019

(29) Important events after the end of the report year

2022 has started very successfully for CrossChem, sales are rising and the company has managed to conclude several important agreements for the supply of goods and cooperation with international companies, such as NESTE and OLEREX. Company also joined several strong employees in R&D who are working on new development projects, such as certified chemical laboratory and chemical reservoir park, which in turn must make a big contribution to the future development of the company. Also in response to the geopolitical situation, the company has established cooperating with several new suppliers of raw materials, which will create alternative channels to existing ones. In meantime CrossChem SIA was working hard to diversify supply channels to ensure a backup in case of any global changes. Due to this forward thinking, CrossChem is able to provide its customers with the highest quality goods and keep contracted prices without any losses for the company. At the same time company is a part of global economy what affects almost everyone at this time and to stabilize inner processes company has developed a number of steps to control and monitor critical points of its business, including diversification of suppliers, control of receivables and financial flows, personnel and other various areas, which will ensure the future development and move company closer to fulfilling its set future goals.

(30) Financial risk management

The financial assets of the Company are mostly comprised by the receivables denominated in euro, as well as demand deposits in credit institutions. Majority of financial obligations are comprised by debts to suppliers for products and services. Cash is mostly placed in well-known Latvian financial institutions. The main external funding source of the Company, besides issued bonds on Nasdaq Baltic Stock Exchange, is Latvian credit institution ALTUM, which granted a loan for current assets to mitigate the COVID-19 effect. The Company ascribes a low interest rate risk for the current credit obligations, and therefore this should avoid a significant effect on its operating results in the future. The Company has developed the following policy to address issues related to receivables: direct managers work with clients that have late payments for up to 30 calendar days, after exceeding 30 calendar days of debt, its recovery is transferred to the Company's lawyer, who, according to experience, ensures 99% debt recovery. Besides, the Company is cooperating with SIA Factris LV1 factoring. Since factoring customers are insured, in negative scenario case the Company will recover 90% of the debt amount. There is no significant difference between the carrying amount of financial assets and liabilities and their fair value. Taking into account the situation in the country and in the world with the spread of SARS-CoV-2 virus, the Company kept production volumes at a high level and was able to organize work to ensure timely provision of products to all customers. The main challenges that the Company was able to overcome due to the current negative situation in the world were the increase in prices for raw materials, fuel and components, as well as delays in traditional logistics routes. Despite all these difficulties, the Company showed robust financial results in 2021, which became possible due to the rapid adaptation to the new market conditions. Based on the current situation of high prices for raw materials and products in the 1st quarter of 2022 and taking into account the assumption of a gradual normalization of prices in the 2nd-3rd quarter of 2022, we forecast the Company's turnover in 2022 at the level of 30 million EUR, while maintaining the target level of EBITDA margin within 6%-7%. This forecast is 46% higher than the baseline scenario for 2022 prepared in mid-2021 (20.5 million EUR) and will be subsequently adjusted based on the results of the first quarter of 2022.

Ričards Andersons
(Chairman of the Board)

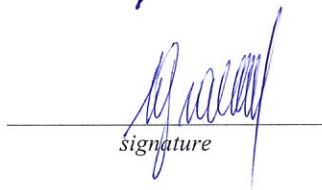


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29 of March, 2022

Annual report drawn up by:

Ieva Grase
(Chief Accountant)



signature

INDEPENDENT AUDITORS' REPORT

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To the shareholder of “CrossChem” SIA

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of SIA “CrossChem” (“the Company”) set out on pages 6 to 25 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2021,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA “CrossChem” as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the ‘Law On the Annual Reports and Consolidated Annual Reports’ of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

Reporting on Other Information

The Company’s management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4 and 5 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the Other reporting responsibilities in accordance with the legislation of the Republic of Latvia section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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



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

SIA „Grant Thornton Baltic Audit”
License No. 183

A handwritten signature in blue ink, appearing to be "S. Gulbe", written in a cursive style.

Silvija Gulbe
Sworn auditor
Certificate No. 142
Member of the Board

Riga, 29 March, 2022