

INDEPENDENT AUDITORS' INTERIM FINANCIAL INFORMATION REVIEW REPORT

To the shareholder of "CrossChem" SIA

Introduction

We have reviewed the accompanying interim financial statements (hereinafter referred to as the financial statement) for period from 01.01.2022. till 30.06.2022. on pages 6 to 24 of "CrossChem" SIA (thereinafter „Company”), which comprise the balance sheet as at June 30, 2022, and the profit and loss statement, statement of changes in equity and statement of cash flows for the year then, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of interim financial statements 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.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity." This standard requires us to comply with ethical requirements and to plan and perform the audit in such a way that we can express a conclusion that no circumstances or facts have come to our attention that would cause us to believe that the Company's financial statements do not present a true and fair view in all material respects. presentation in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia. The examination of the financial statement in accordance with 2410. SPUS is a limited assurance exercise. In the course of the inspection, the persons responsible for finance and accounting, as well as analytical and other procedures, are interrogated. The scope of the procedures performed in the course of the examination is significantly smaller than the scope of an audit conducted in accordance with International Standards on Auditing, and therefore the examination does not provide assurance that we have come to our attention all those significant aspects that we might have identified in the course of the audit. Therefore, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements do not give a true and fair view of the financial position of SIA "CrossChem" as at June 30, 2022, and of its financial performance and cash flows in the period 01.01.2022. until 30.06.2022., in accordance with 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on pages 4 and 5, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. Nothing has come to our attention that causes us to believe that there are material inconsistencies between the Management Report and the financial statements.

SIA „Grant Thornton Baltic Audit”
License No. 183



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

Riga, 15 August, 2022

Riga 15.th August 2022

CrossChem SIA
Interim financial report 01.01.2022 - 30.06.2022
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 Aleksandrs Muzičenko Dagnija Turlaja	– Chairman of the Board – Board member – Board member	
Annual report drawn up by	Ieva Grase	– Chief Accountant	
Reporting year	from 01.01.2022 to 30.06.2022		
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 Brivibas str. 85-5 Riga, LV - 1001 License No. 183	Certified Auditor Silvija Gulbe Certificate No. 142	

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

The company's revenue in the first six months of 2022 is EUR 23 711 962. This is achieved by attracting new customers and increasing the volume of sales of imported chemicals and produced products. The amount of the company's own capital as of June 30, 2022 is EUR 4 917 501. The company is financially stable and able to cover its current payments, as well as ensure the implementation of the investment plan. The total amount of fixed assets is EUR 2 019 115. Financial resources are invested in equipment modernization, acquisition of fixed and intangible assets.

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. The main tasks of
 - 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)



signature

15.th August 2022

INCOME STATEMENT
(classified per function of expenditure)

		2022	2021
	Note	01.01-30.06	01.01-30.06
	number	EUR	EUR
Net turnover:	2	23 711 962	9 834 730
b) from other main activity types.		23 711 962	9 834 730
Production cost of goods sold, acquisition cost of goods sold or services provided	3	(20 826 649)	(8 606 216)
Gross profit or loss		2 885 313	1 228 514
Selling expenses	4	(764 657)	(565 764)
Administrative expenses	5	(205 950)	(171 108)
Other operating income	6	71 235	123 729
Other operating expenses	7	(195 390)	(12 489)
Other interest and similar income:		-	13 488
a) from subsidiary companies,		-	5 067
b) from other persons.		-	8 421
Interest payments and similar expenses:		(89 455)	(46 816)
b) to other persons.		(89 455)	(46 816)
Profit or loss before the corporate income tax		1 701 096	569 554
Corporate income tax for the reporting year		(125 020)	(25 000)
Profit or loss of the reporting year		1 576 076	544 554

Notes on pages 11 to 24 form are integral part of these financial statements.

Ričards Andersons
(Chairman of the Board)


signature

15.th August 2022

Annual report drawn up by:

Ieva Grase
(Chief Accountant)


signature

BALANCE SHEET

ASSETS	Note number	30.06.2022 EUR	31.12.2021 EUR
Long-term investments			
Intangible assets			
Concessions, patents, licences, trademarks and similar rights		210 171	229 447
Other intangible assets		-	-
Goodwill		-	-
Advance payments for intangible assets		24 683	17 530
Total intangible assets	9	234 854	246 977
Fixed assets			
Real estate:		129 204	179 204
a) land, buildings and structures,		129 204	179 204
Long-term investment in leased fixed assets		149 220	123 268
Technology devices and equipment		606 381	640 444
Other fixed assets and inventory		520 876	256 169
Expense of tangible assets and construction in progress		613 434	747 160
Total fixed assets	10	2 019 115	1 946 245
Long-term financial investments			
Shareholding in the capital of subsidiary companies	11	177 256	177 256
Loans to subsidiary companies	12	714 795	703 882
Other loans and long-term receivables	13	-	-
Total long-term financial investments		892 051	881 138
Total long-term investments		3 146 020	3 074 360
Current assets			
Inventories			
Raw materials, direct materials and auxiliary materials		1 749 475	4 454 126
Finished products and goods for sale		1 731 840	213 281
Advance payments for inventories		1 772 626	813 701
Total inventories		5 253 941	5 481 108
Receivables			
Trade receivables	14	1 878 580	4 109 162
Amounts owed by related companies	12	208 628	128 765
Other receivables	15	27 128	7 599
Prepaid expenses		22 210	13 567
Total receivables		2 136 546	4 259 093
Cash and cash equivalents		2 777 735	1 225 826
Total current assets		10 168 222	10 966 027
TOTAL ASSETS		13 314 242	14 040 387

BALANCE SHEET

LIABILITIES	Note number	30.06.2022 EUR	31.12.2021 EUR
Equity capital			
Share capital (equity capital)	16	1 301 400	1 301 400
Long-term investment revaluation reserve	17	339 203	366 664
Reserves:		14	14
f) other reserves		14	14
Retained earnings or uncovered losses of previous years		1 700 808	403 072
Profit or loss of the reporting year		1 576 076	1 797 736
Total equity capital		4 917 501	3 868 886
Creditors			
Long-term liabilities			
Loans to bonds	18	2 013 000	1 919 546
Borrowings from credit institutions	19	111 104	111 104
Other borrowings	20	140 330	60 818
Total long-term liabilities		2 264 434	2 091 468
Short-term liabilities			
Borrowings from credit institutions	19	333 336	666 672
Other borrowings	20	20 976	19 476
Advance payments from customers		1 029 954	4 951 499
Trade payables		4 306 683	1 232 336
Amounts owed to subsidiary companies		116 100	283 270
Taxes and mandatory state social insurance contributions	21	84 852	162 691
Other liabilities	22	108 603	351 083
Deferred income		30 623	19 710
Dividends payable		-	199 000
Accrued liabilities	23	101 180	194 296
Total short-term liabilities		6 132 307	8 080 033
Total liabilities		8 396 741	10 171 501
TOTAL LIABILITIES		13 314 242	14 040 387

Notes on pages 11 to 24 form are integral part of these financial statements.

Ričards Andersons
(Chairman of the Board)


signature

15.th August 2022

Annual report drawn up by:

Ieva Grase
(Chief Accountant)


signature

CASH FLOW STATEMENT

(indirect method)

	2022 01.01-30.06 EUR	2021 01.01-30.06 EUR
Cash Flow from operating activities		
Profit or loss before taxation	1 701 096	569 554
Adjustments:		
Impairment adjustments of fixed assets	134 519	100 348
Amortization of intangible assets	19 276	45 133
Unrealized profit from fluctuations of currency exchange rate	29 838	22 628
Interest and similar income	-	(13 488)
Revenue	-	(100 000)
Adjustments for impairment of long-term and short-term financial investments	(27 461)	(20 370)
Interest and similar expenses	89 455	46 916
Cash Flow before adjustments on changes in current assets and liabilities	1 946 723	650 721
Adjustments for:		
Increase (-)/ decrease (+) in trade and other receivables	2 111 634	(1 176 490)
Increase (-)/ decrease (+) in inventories	227 167	263 008
Increase (+)/ decrease (-) in trade and other payables	(1 324 607)	513 761
Gross operating cash flow	2 960 917	251 000
Interest paid	(89 455)	(46 916)
Corporate tax paid	(185 838)	(34 105)
Net cash flow from operating activities	2 685 624	169 979
Cash flow from investing activities		
Proceeds from the disposal of shares or parts of related companies, associated companies or other companies	-	1 500
Long-term investments in leased fixed assets	(65 155)	-
Purchase of non-current assets	(222 303)	(143 867)
Proceeds from sale of fixed and intangible assets	43 079	-
Loans granted	-	(10 630)
Interest received	-	13 488
Net cash flow from investing activities	(244 379)	(139 509)
Cash flow from financing activities		
Loans from credit institutions received	489 569	-
Received grants, subsidies and donations	-	100 000
Loans from credit institutions repaid	(679 905)	(203 190)
Dividends paid	(699 000)	(100 000)
Net cash flow from financing activities	(889 336)	(203 190)
Net increase/decrease in cash and cash equivalents	1 551 909	(172 720)
Cash and cash equivalents at the beginning of the period	1 225 826	376 178
Cash and cash equivalents at the end of the period	2 777 735	1 225 826

Notes on pages 11 to 24 form are integral part of these financial statements.

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(Chairman of the Board)

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15.th August 2022

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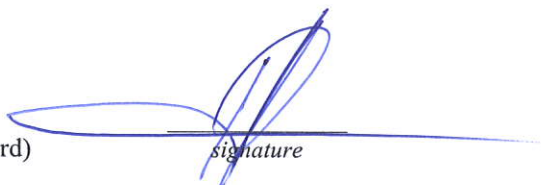
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STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve of financial instruments	Reserves	Retained earnings	Total equity
	EUR	EUR	EUR	EUR	EUR
Balance to 31.12.2020	1 301 400	407 404	14	778 072	2 486 890
Gains or loss from revaluation of	-	(40 740)	-	-	(40 740)
Increase / decrease in the fair value of financial instruments	-	-	-	(375 000)	(375 000)
Profit for the financial year	-	-	-	1 797 736	1 797 736
Balance to 31.12.2021	1 301 400	366 664	14	2 200 808	3 868 886
Distribution of profits from previous periods in dividends	-	-	-	(500 000)	(500 000)
Increase/decrease in the balance of the revaluation reserve for long-term investments	-	(27 461)	-	-	(27 461)
Profit for the financial year	-	-	-	1 576 076	1 576 076
Balance to 30.06.2022	1 301 400	339 203	14	3 276 884	4 917 501

Notes on pages 11 to 24 form an integral part of these financial statements.

Ričards Andersons
(Chairman of the Board)



signature

15.th August 2022

Annual report drawn up by:

Ieva Grase
(Chief Accountant)



signature

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.

In June 2022-30, a corporation falls within the category of medium-sized corporation. The annual report shall be drawn up in accordance with the following guiding 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
 - 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

In order for the data to be comparable, the data for the first 6 months of 2021 were used for the calculation of Profit or Loss and the Cash Flow Report.

The reporting period is 6 months from	01.01.2022	to	30.06.2022
The previous period is 6 months from	01.01.2021	to	30.06.2021

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

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".

Starting with the 2018 tax year, corporation tax is calculated on distributed profits (dividends) and the notionally distributed profits are applied at a rate of 20%. Corporation tax is recognised at the time when the members of the company decide to distribute profits or when costs are recorded which do not contribute to the company's further development (notionally distributed profits).

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	2022	2021
	01.01-30.06	01.01-30.06
	EUR	EUR
Manufacture of other chemical products nec (NACE 2059)	23 711 962	9 834 730
Total	23 711 962	9 834 730

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

	2022	2021
	01.01-30.06	01.01-30.06
	EUR	EUR
Costs of purchased raw materials	19 070 488	7 157 110
Cost of goods purchased	1 003 594	857 205
Staff costs	395 109	320 772
Rental costs	117 340	109 237
Depreciation of fixed and intangible assets	87 503	-
Other costs	152 615	161 892
Total	20 826 649	8 606 216

(4) Selling expenses

	2022	2021
	01.01-30.06	01.01-30.06
	EUR	EUR
Personnel expenses	444 028	301 193
Transport costs	132 585	44 886
Office expenses	86 787	48 423
Advertising expenses	22 906	19 772
ABUS maintenance costs	17 106	12 399
Business travel costs	16 117	32 191
Other selling expenses	45 128	106 900
Total	764 657	565 764

(5) Administrative expenses

	2022	2021
	01.01-30.06	01.01-30.06
	EUR	EUR
Personnel expenses	151 565	115 943
Other administration expenses	54 385	55 165
Total	205 950	171 108

(6) Other operating income

	2022 01.01-30.06	2021 01.01-30.06
	EUR	EUR
Proceeds from the sale of current assets	43 470	-
Revenue from prior period adjustments	1	1 096
Revenue from funding received in the LIAA	-	100 000
Other income	27 764	22 633
Total	71 235	123 729

(7) Other operating expenses

	2022 01.01-30.06	2021 01.01-30.06
	EUR	EUR
Other economic costs - for the improvement of the territory and premises	85 633	-
Net depreciation expense on sale of property, plant and equipment	22 373	-
Other personnel expenses	5 969	3 964
Expenditure on staff sustainability measures	5 929	2 417
Work clothes	3 043	-
Equipment rental and maintenance	480	-
Fines and penalties paid	300	419
Losses from adjustment to prior periods	41	28
Net losses from exchange rate fluctuations	-	2 603
Other expenses	71 622	3 058
Total	195 390	12 489

(8) 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
Scania P124	10 792	12 500	-	12 500	1 708
Land for sale in Frēziju street 9, Katlakalns, Kekava region	50 000	30 579	-	30 579	(24 081)
Total	60 792	43 079	-	43 079	(22 373)

(9) Intangible assets

		Concessions, patents, licenses, trade marks and similar rights	Advances for intangible assets	Total intangible assets
		EUR	EUR	EUR
Acquisition value	01.01.2022	320 098	17 530	337 628
Additions		-	7 153	7 153
Acquisition value	30.06.2022	320 098	24 683	344 781
Accumulated amortization	01.01.2022	90 651	-	90 651
Amortization charge		19 276	-	19 276
Accumulated amortization	30.06.2022	109 927	-	109 927
Net book value	01.01.2022	229 447	17 530	246 977
Net book value	30.06.2022	210 171	24 683	234 854

(10) Fixed assets

		Real estate	Investments in leasehold improve- ments	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	01.01.2022	179 204	254 072	550 682	315 627	522 080	747 160	2 568 825
Additions		-	65 156	2 856	31 748	180 546	-	280 306
Foreclosed or liquidated		(50 000)	-	(24 984)	-	(1 768)	(4 660)	(81 412)
Reclassified		-	-	-	-	129 066	(129 066)	-
Acquisition value	30.06.2022	129 204	319 228	528 554	347 375	829 924	613 434	2 767 719
Accumulated depreciation	01.01.2022	-	130 804	108 827	117 038	265 911	-	622 580
Depreciation charge		-	39 204	24 066	26 580	44 669	-	134 519
Amortization of intangible assets that have been liquidated or reclassified		-	-	(6 963)	-	(1 532)	-	(8 495)
Accumulated depreciation	30.06.2022	-	170 008	125 930	143 618	309 048	-	748 604
Net book value	01.01.2022	179 204	123 268	441 855	198 589	256 169	747 160	1 946 245
Net book value	30.06.2022	-	149 220	402 624	203 757	520 876	613 434	2 019 115

As of 30 June 2022, the carrying amount in the fixed asset category "other fixed assets" includes cars in the value of EUR 240 186 purchased in a finance lease

On 30 June 2022, the cadastral value of the immovable property owned by the company is EUR 129 204.

(11) Shareholding in the capital of subsidiary companies

	30.06.2022	31.12.2021
	EUR	EUR
Acquisition value at the beginning of the reporting year	177 256	178 756
Investments in the beginning of period	177 256	178 756
Acquisition (+)	-	-
Changes to value adjustments in relation to write-off or carrying over	-	(1 500)
Acquisition value at the end of the reporting period	177 256	178 756
Changes in the accrued participation value at the end of the reporting period	-	(1 500)
Investments in the beginning of period	177 256	177 256

Company name

	Owned shares, %	Acquisition value	Investment book value	Subsidiary Profit or Loss 2020	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)

(12) Loans to subsidiary companies

	Changes within the reporting period	30.06.2022	31.12.2021
		EUR	EUR
Long-term loans			
SIA CrossChem International	10 913	714 795	
Total long term loans	10 913	714 795	-

	Changes within the reporting period	30.06.2022	31.12.2021
		EUR	EUR
Short term liabilities			
CrossChem Estonia OU	79 658	140 608	60 950
CrossChem Japan Co.,Ltd	205	68 020	67 815
Total short term liabilities	79 863	208 628	128 765

(13) Other loans and long-term receivables

	Changes within the reporting period	30.06.2022	31.12.2021
		EUR	EUR
Other loans	(376 050)	-	376 050
Total	(376 050)	-	376 050

(14) Trade receivables

	30.06.2022	31.12.2021
	EUR	EUR
Trade receivables carrying amount	1 878 580	4 109 162
Total	1 878 580	4 109 162

(15) Other receivables

	30.06.2022	31.12.2021
	EUR	EUR
Tax overpayment	19 357	6 973
Other debtors	7 771	626
Total	27 128	7 599

(16) Share capital (equity capital)

The share capital consists of 1 301 400 shares with a nominal value of EUR 1.

(17) 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
	01.01.2022	30.06.2022	01.01.2022	2022 6. months	30.06.2022	30.06.2022
	EUR	EUR	EUR	EUR	EUR	EUR
Technology devices and equipment:						
A/m Scania 124	6 501	6 140	14 000	361	7 360	13 500
A/m Scania RO2584	8 341	834	18 895		-	-
AdBlue production facility	302 083	286 979	307 289		8 896	293 019
AdBlue plant 2 (expansion in Latvia)	80 771	76 732	88 200	4 039	6 568	83 300
AdBlue filling station 9000l_6	1 900	1 805	4 650		2 670	4 475
AdBlue filling station 9000l_4	2 286	2 172	4 500		2 078	4 250
High pressure washer HD1140	1 000	950	900		-	850
Washing machine NEPTUNE 5-49	500	475	450		-	425
Filling tank complex of 6 tanks	3 300	3 135	2 970		-	2 805
Total	406 682	379 222	441 854	4 400	27 572	402 624
Total	406 682	379 222	441 854	4 400	27 572	402 624

(18) Loans to bondsLoans to bonds

	30.06.2022	31.12.2021
	EUR	EUR
Loans to be paid in 1 to 5 years	2 013 000	1 919 546
Total	2 013 000	1 919 546

In November 2021, trading of CrossChem bonds in Nasdaq Riga alternative market First North was launched. 3000 bonds issued with a nominal value of EUR 1000. Annual rate of the bond coupon 6.75% with quarterly coupon disbursement. Maturity of bonds 04.11.2024. The nominal value of bonds issued and unrealised on 30.06.2022 is EUR 98 7000.

(19) Borrowings from credit institutions

Long-term borrowings (from 1 to 5 years)

	% rate	Date of payment	30.06.2022 EUR	31.12.2021 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	30.06.2022 EUR	31.12.2021 EUR
Short-term borrowings				
ALTUM	2.9%	25.03.2023	333 336	666 672
Total short - term borrowings	X	X	333 336	666 672

(20) Other borrowings

	% rate	Date of payment	30.06.2022 EUR	31.12.2021 EUR
Long-term borrowings (from 1 to 5 years)				
CrossChem Agro SIA	10.5	31.12.2025	26	26
AS SEB lizings	2.65/2.5	31.12.2026	140 304	60 792
Total long-term borrowings	X	X	140 330	60 818

AS SEB leasing contract U110090, Proc. rate 2.65%; U119731, Proc. rate 2,5% loans should be returned by 31.12.2026; V028998, Proc. rate 2.65%, until 11.08.2026; V054469, Proc. rate 2.60%, until 25.05.2027; V059172, Proc. rate 2.60%, to 25.05.2027 lending line with CrossCghem Agro from 01.07.2019 - 4.1% per year to 31.12.2025

	% rate	Date of payment	30.06.2022 EUR	31.12.2021 EUR
Short-term borrowings				
Irina Andersone	6		-	-
Swedbank leasing EUR	2.9/4.5	31.12.2022	20 976	19 476
Total	X	X	20 976	19 476

AS SEB leasing contract U107284, Proc. rate 2.65%, U110090, Proc. rate 2.65%; U119731, Proc. rate 2,5% loans should be returned by 31.12.2026; V028998, Proc. rate 2.65%, until 11.08.2026; V054469, Proc. rate 2.60%, until 25.05.2027; V059172, Proc. rate 2.60%, to 25.05.2027

(21) Taxes and mandatory state social insurance contributions

	30.06.2022 EUR	31.12.2021 EUR
Social contributions	55 520	62 308
Personal income tax	25 369	29 062
Company Car Tax	2 645	3 272
Property tax	1 295	-
Risk duties	23	22
Corporate income tax	-	58 326
Value added tax	-	9 687
Natural resource tax	-	14
Total	84 852	162 691

(22) Other liabilities

	30.06.2022	31.12.2021
	EUR	EUR
Short-term other creditors		
Settlements for labor wages	78 950	89 343
Settlements for deposits received	29 653	19 392
Settlements with customers for erroneously credited amounts	-	241 745
Other creditors	-	603
Total short-term other creditors	108 603	351 083

(23) Accrued liabilities

	30.06.2022	31.12.2021
	EUR	EUR
Provisions for unused vacations	101 180	101 180
Settlements with creditors for accrued liabilities	-	61 406
Provisions for interest payments	-	31 710
Total	101 180	194 296

(24) Transactions with related parties

	Services rendered and goods sold	Services rendered and goods purchased	Amounts owed by related parties	Payables to related parties
Related party	2022	2022	30.06.2022	30.06.2022
	EUR	EUR	EUR	EUR
SIA CrossChem International	699 401	236 650	714 795	61 650
OU CrossChem Estonia	209 302	80 296	136 291	42 602
CrossChem Japan Co.,Ltd	222 955	-	68 020	67 815
	1 131 658	316 946	919 106	172 067

(25) Average number of employees

	2022	2021
	01.01-30.06	01.01-30.06
Members of the Board	3	3
Other employees	62	52
Average number of employees	65	55

(26) Personnel expenses

	2022	2021
	EUR	EUR
Wages	801 609	1 247 950
Mandatory state social insurance contributions	188 953	294 036
Other personnel expenses	990 562	1 541 986

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

The remuneration of the members of the board of directors for the performance of duties in the board of directors, as well as for the performance of work duties, shall be as follows:

Board members receive a salary for the performance of their duties in accordance with their employment contracts.

Type of costs	2022	2021
	EUR	EUR
Wages	32 925	54 037
Mandatory state social insurance contributions	7 767	18 421
Total	40 692	72 458

(28) 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.

(29) 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

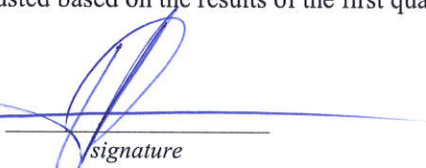
(30) Important events after the end of the report year

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 the company has. 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 and what affect 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.

(31) 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, 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)


signature

15.th August 2022

Annual report drawn up by:

Ieva Grase
(Chief Accountant)


signature