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1. BACKGROUND CORPORATE INFORMATION

Neochim AD (the 'Company') was established in 1951. It was registered as a joint-stock company in July 1997. The Company has a seat and registered address at: Himkombinatska St., East Industrial Zone, Dimitrovgrad and it has been entered in the Commercial Register under UIC 836144932.

The latest changes in the Articles of Association were approved by the General Meeting of Shareholders of Neochim AD, held on 23 November 2021, and were entered in the Commercial Register on 2 December 2021.

According to these changes, Neochim AD transfers from a one-tier management system to a two-tier management system, whereby the Company is managed by a Management Board, acting under the control of a Supervisory Board. The latest registration of changes in the Company's registration with the Commercial Register was on 2 December 2021, when the changes adopted by the General Meeting of Shareholders held on 23 November 2021 were registered, namely: amendment to the Company's Articles of Association, election of a Supervisory Board and election of a Management Board by the Supervisory Board.

1.1. Ownership and management

Neochim AD is a public company under the Public Offering of Securities Act.

The structure of Company's share capital as at 31 December 2021 was as follows:

• Eco Tech AD	- 24.28 %
• Evro Fert AD	- 24.03 %
• Feboran EOOD	- 20.30 %
• Agrofer International Establishment, Lichtenstein	- 7.68 %
• UPF Saglasie	- 3.33 %
• Neochim AD (treasury shares)	- 2.58 %
• ZPAD Allianz Bulgaria	- 2.46 %
• UPF CCB Sila	- 2.19 %
• Other	- 13.15 %

According to the amendments to the Company's Articles of Association, adopted by the General Meeting of Shareholders held on 23 November 2021, the Company's management bodies are:

- General Meeting of Shareholders
- Supervisory Board
- Management Board.

The Company is managed and represented by the Management Board, which performs its activities under the control of the Supervisory Board.

The supervisory Board consists of 5 /five/ persons and comprises the following members:

- 1/ Dimcho Staikov Georgiev, citizen of the Republic of Bulgaria
- 2/ Dimitar Stefanov Dimitrov, citizen of the Republic of Bulgaria
- 3/ Tosho Ivanov Dimov, citizen of the Republic of Bulgaria

4/ Zarneni Hrani Bulgaria AD, UIC 175410085, whose representative in the Supervisory Board of Neochim AD is Nikola Peev Mishev, citizen of the Republic of Bulgaria

5/ Ingo Rendel, citizen of the Republic of Austria.

The Management Board consists of 5 /five/ persons and comprises the following members:

Stefan Dimitrov Dimitrov

Miroslav Dimitrov Dimitrov

Katya Gospodinova Petrova

Stefan Vasilev Grancharov

Stanislav Zahariev Zhelyazkov.

The Company is represented by the executive members /Executive Directors/ of the Management Board, Stefan Dimitrov Dimitrov and Miroslav Dimitrov Dimitrov, jointly and separately.

Before the changes made by the General Meeting of Shareholders held on 23 November 2021, the Company had one-tier management system, with a Board of Directors consisting of the following members:

1/ Dimcho Staykov Georgiev; 2/ Dimitar Stefanov Dimitrov (Executive Director until 2 December 2021); 3/ Tosho Ivanov Dimov; 4/ Vasil Zhivkov Grancharov; 5/ Viktoria Ilieva Tsenova; 6/ Zarneni Hrani Bulgaria AD, UIC 175410085, whose representative is Nikola Peev Mishev; 7/ Peter Michael Leitner; 8/ Marcus Horcher.

Due to the change in the management structure, the Company is represented by Dimitar Stefanov Dimitrov in his capacity as Executive Director and Stefan Dimitrov Dimitrov in his capacity as procurator (Business General Manager), separately.

The Audit Committee supports the work of the Management Board and has the role of those charged with governance, performing monitoring and supervision over Neochim AD, including the Company's financial reporting process.

The members of the Audit Committee are as follows:

Tanya Dimitrova Kovanlashka

Nikolina Zheleva Delcheva

Iordanka Atanasova Nikolova

As at 31 December 2021, the total number of Company's personnel was 705 workers and employees (31 December 2020: 723).

1.2. Principal activities

The principal activities of the Company include the following types of transactions and deals:

- production of inorganic and organic chemical products;
- trade.

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that affected Company's activities throughout the period 2017 – 2021 are presented in the table below:

Indicator	2017	2018	2019	2020	2021
GDP in million levs*	102,308	109,695	120,395	119,951	132,744
Actual growth of GDP*	3.5%	3.1%	4.0%	-4.4%	4.2%
Year-end inflation (HICP)	1.8%	2.3%	3.1%	0.0%	6.6%
Average exchange rate of USD for the year	1.73	1.66	1.75	1.72	1.68
Exchange rate of the USD at year-end	1.65	1.72	1.76	1.59	1.72
Basic interest rate at year-end	0.00	0.00	0.00	0.00	0.00
Unemployment rate at year-end*	7.1%	6.1%	5.9%	6.7%	4.8%
Credit rating of the Republic of Bulgaria by Standard&Poors (long-term)	BBB-	BBB-	BBB	BBB	BBB
Credit rating of the Republic of Bulgaria by Moody's (long-term)	Baa2	Baa2	Baa2	Baa1	Baa1
Credit rating of the Republic of Bulgaria by Fitch (long-term)	BBB	BBB	BBB	BBB	BBB

* BNB forecast for 2021, prepared as at 10 March 2022; Source: BNB

1.4. COVID-19 pandemic – impact, effects, actions and measures taken

The Covid-19 pandemic's spread globally and in Bulgaria resulted in the governments imposing a number of measures to restrict it. As a result of the restrictions imposed and measures taken in Bulgaria and in most countries around the world, the normal operations of businesses in a number of economic sectors was disrupted. There were difficulties with the supplies of raw and other materials from suppliers, shipments to clients, and procuring workforce. Almost all entities, though to a different extent, had to impose certain actions and measures to reorganise business operations, work schedules, business communications and other aspects of their relations to counterparts, partners, and state institutions. On a state level, there continue to be multiple reliefs and funding instruments aimed at reducing the negative impact of the pandemic on the business.

Impact on the Company's operations and financial position

The Company operates in the chemical sector and produces inorganic products, mainly ammonium nitrate – EC fertilizer, but also ammonia, ammonium hydrogen carbonate, etc., whose normal functioning was not affected by the restrictive measures applied.

The Company's operating volumes in 2021 have not been affected by the pandemic situation in Bulgaria and the other countries it has business connections and relations with. Sales revenue has increased compared to the prior period, which is due to an increase in the supply prices of natural gas (main raw material), which increases cost, respectively, the final selling price. There have been no changes in the structure and range of finished products sold.

The Company has not dismissed personnel and has not made use of the measures introduced by the State of Emergency Act ("60:40", etc.).

The Company has received a compensation under a government programme to compensate non-household end customers of electricity. The programme (effective as from the end of 2021) has a compensatory effect and envisages a mechanism for support of non-household end customers (entities) which receive a compensation determined in the decisions of the Council of Ministers, as an amount per MWh in the form of direct compensation in electricity bills. The amount the Company received as compensation in 2021 was BGN 2,649 thousand. The programme was initially for electricity payment compensation for October and November 2021, and subsequently, compensation was also provided for December 2021.

In the reporting period, Neochim AD continued to perform its business activities without significant difficulties in procuring asset supplies (main and auxiliary) and other assets, and to perform sales to customers. No contracts with key suppliers and/or customers have been terminated, and there have been no changes to the supply chains. The Company has sufficient financing to meet its liquidity needs. The same trends have been observed in the beginning of year 2022.

The Company's results for the year are as follows:

The production volume for 2021 is 1,088 thousand tons, and for 2020 it is 1,254 thousand tons, which is a decrease by 13.24 %.

Sales of products to customers for 2021 amount to BGN 350,402 thousand, and for 2020 – BGN 219,168 thousand, or growth by 59.88 %.

Personnel as at 31 December 2021: 703 people, and as at 31 December 2020: 723 people.

Post-tax profit at the amount of BGN 47,718 thousand, and for 2020 – BGN 15,145 thousand.

As at 31 December 2021, the Company has available: cash at the amount of BGN 71,155 thousand (31 December 2020: BGN 17,490 thousand); receivables at the amount of BGN 4,572 thousand (31 December 2020: BGN 6,855 thousand), and undrawn funding under a contracted loan (credit line under a revolving loan) at the amount of BGN 30 million.

The Company's management currently monitors compliance with the statutory requirements related to the pandemic, as well as the business risks in the sector, takes the necessary measures and monitors changes in the economic, health and legal environment.

Impact on items of the financial statements

The Company's management has not identified areas in the financial statements that have been directly and materially impacted by the pandemic, including with the respect to the measurement of individual assets and liabilities.

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the separate financial statements

The separate financial statements of Neochim AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and

the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force as from 1 January 2021 and have been accepted by the Commission of the European Union. IFRS endorsed by EU is the generally accepted name of the general purpose framework – the basis of accounting equivalent to the framework introduced with the definition in § 1, p. 8 of the Additional Provisions of the Accountancy Act under the name of "International Accounting Standards" (IASs).

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

The adoption of these standards and/or interpretations, *applicable to entities in Bulgaria for annual reporting periods beginning on 1 January 2021 at the earliest*, has not resulted in changes to the Company's accounting policy, with the exception of some new and the expansion of already introduced disclosures, without leading to other changes in the classification or measurement of individual reporting items and transactions.

The new and/or amended standards and interpretations include:

- Amendments to IFRS 16 "Leases" (in force for annual periods beginning on or after 1 June 2020, endorsed by EC). *These amendments introduce a practical expedient which exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. The practical expedient applies when all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021 (by means of a subsequent amendment to the standard dated 1 April 2021, the term was extended to 30 June 2022); and c) there is no substantial change to other terms and conditions of the lease. A lessee that uses the practical expedient accounts for any change in lease payments resulting from the rent concession in the same way that it would account for the change applying IFRS 16 if the change were not a lease modification. It does not affect lessors. Earlier application is permitted.*
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Disclosure", IFRS 7 "Financial Instruments: Disclosure", IFRS 4 "Insurance Contracts", and IFRS 16 "Leases" related to Phase 2 of the Interest Rate Benchmark Reform (in force for annual periods beginning on or after 1 January 2021, endorsed by EC). *The amendments to the standards related to Phase 2 of the Interest Rate Benchmark Reform constitute mainly two practical expedients: a) in identification and measurement of modification of contractual cash flows from financial assets, financial liabilities, and lease liabilities – the modifications to the interest rate benchmarks are accounted for by updating the effective interest rate; and in hedge accounting – by permitting an amendment (revision) in the identification of the hedging*

relationship and the measurement of the hedged item based on cash flows, due to and resulting from the substitution of the interest rate benchmarks applied with other alternatives. The amendments are applied retrospectively. Earlier application is permitted.

- Amendments to IFRS 4 “Insurance Contracts” (in force for annual periods beginning on or after 1 January 2021, endorsed by EC). *The amendments allow entities primarily engaged with insurance activities, to defer the date of initial application of IFRS 9 “Financial Instruments” by two years, from 1 January 2021 to 1 January 2023, and continue to apply IAS 39 “Financial Instruments: Recognition and Measurement”. The aim of the amendment is to align the date of enforcement of IFRS 9 with the new IFRS 17 to overcome temporary accounting consequences from the different effective dates of the two standards. The amendment also introduces a temporary exemption from the requirements of IAS 28 “Investments in Associates and Joint Ventures”, with respect to the application of a uniform policy for entities using the equity method under IAS 28. For annual periods beginning before 1 January 23, such entities are allowed, but not obliged, to retain the respective accounting policy applied by the associate or joint venture when using the equity method. The Company does not perform insurance operations and this change does not impact its financial statements.*
- Amendments to IFRS 16 (in force for annual periods beginning on or after 1 April 2021, endorsed by EC). *These amendments: a) permit a lessee to apply the practical expedient regarding COVID-19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); b) require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual period reporting period in which the lessee first applies the amendment; and c) specify that, in the reporting period in which a lessee first applies the amendment, the lessee is not required to disclose the information required by paragraph 28 (f) of IAS 8. Earlier application is permitted (including financial statements not yet authorized for issue at the date the amendment is issued).*

Additionally, with regard to the stated below new standards, amended/revised standards and new interpretations that have been issued but not yet in force for annual periods beginning on 1 January 2020, the management has judged that they are unlikely to have a potential and/or material impact resulting in changes in the accounting policies and the financial statements of the Company:

- Amendments to IFRS 3 “Business Combinations” (in force for annual periods beginning on or after 1 January 2022, endorsed by EC). *These amendments update IFRS 3 by replacing the reference to the old version of the Conceptual Framework for Financial Reporting with its latest updated 2018 version. They also add an exception from the principle for recognition of liabilities and contingent liabilities within the scope of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and IFRIC*

21 “Levies”, explicitly specifying that contingent liabilities are not recognized at the date of acquisition. The amendments are applied prospectively.

- Amendments to IAS 16 “Property, Plant and Equipment” (in force for annual periods beginning on or after 1 January 2022, endorsed by EC). *These amendments prohibit deducting from the cost for “testing whether the asset is functioning properly”, which is part of the direct costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the net proceeds received from selling items produced while the entity is preparing the asset for its intended location and condition. Instead, the entity shall recognize the revenue from sales of such items and the respective costs related thereto within profit or loss for the period, in accordance with the other applicable standards. The amendments specify that testing whether the asset is functioning properly is in fact an assessment of whether the technical and physical performance and capacity of the asset correspond to its intended use in production, supply of goods or services, lease, or for administrative purposes. Additionally, the amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities. The amendments are applied retrospectively, but only for property, plant and equipment brought to the location and condition necessary for their intended use on or after the start of the earliest period presented in the financial statements for which the entity first applies the amendments.*
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (in force for annual periods beginning on or after 1 January 2022, endorsed by EC). *The amendments specify that the ‘cost of fulfilling’ an onerous contract comprises the ‘costs that relate directly to the contract’, including: a) direct labour costs and direct cost of materials; and b) additional costs which related directly to fulfilling the contract – for instance, the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. Administrative and other general costs are excluded, unless specifically billable to the counterpart. The amendments also make a small adjustment to the clarifications for recognition of impairment losses before a separate onerous contract provision is created, by highlighting that these are assets used in fulfilling the contract rather than assets intended thereto, which was the requirement prior to the amendments’ enforcement. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.*
- Annual Improvements to IFRSs 2018-2020 Cycle, to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, Illustrative Example 13 to IFRS 16 “Leases” and IAS 41 “Agriculture” (in force for annual periods beginning on or after 1 January 2022, endorsed by EC). *These improvements introduce partial amendments to the following standards: a) the amendment to **IFRS 1** grants a relief for a subsidiary in first-time adoption of IFRS at a date later than the parent. It measures in its separate financial statements the assets and liabilities at the carrying amounts that would be included in the parent’s consolidated financial statements based on which the parent acquired the subsidiary. The subsidiary may, in its financial statements, measure the cumulative translation*

differences using the carrying amount stated in the parent's consolidated financial statements based on the date of the parent's date of transition to IFRS, unless adjustments have been made for the purpose of consolidation procedures or to account for the business combination's effects. These amendments will also be applied for associates and joint ventures which have elected the same relief under IFRS 1. Entities shall apply these amendments for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted; b) the amendment to **IFRS 9** clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether in case of a modification of a financial liability the conditions of the new or amended financial liability significantly differ from the conditions of the initially recognized one. According to the amendment, the entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The entity applies the amendments to financial liabilities modified at or after the beginning of the annual reporting period in which it first applies these amendments; c) the amendment to **Illustrative Example 13 to IFRS 16** removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives. Since the amendment refers to an illustrative example accompanying the standard and is not a part thereof, no enforcement date is specified; d) the amendment to **IAS 41** removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC). These amendments a) require disclosing **material** accounting policies information instead of **significant** accounting policies; b) explain how the entities can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; c) clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; d) clarify that accounting policy information is material if users of the entity's financial statements would need it to understand other material information in the financial statements; and d) clarify that if the entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Earlier application is permitted.
- Amendments to IAS 1 "Presentation of Financial Statements" (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC). These amendments address the criteria for classification of liabilities as current or non-current. According to them, an entity classifies its liabilities as current or non-current depending on the rights that are in existence at the end of the reporting period, and the classification is unaffected by expectations about whether it will exercise its right to defer settlement of the liabilities. The amendments made clear that "settlement" refers to the transfer to a counterparty of cash, equity instruments, other assets or services. The classification does not address derivatives of convertible liabilities, which constitute equity instruments. The amendments are applied retrospectively. The management is currently

in the process of survey and analysis of the change's impact on the Company's financial policy and the classification of its assets and liabilities.

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC). *These amendments focus entirely on accounting estimates and clarify the following: a) "the definition of a change in accounting estimates" is replaced with a "definition of accounting estimates". Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty"; b) the entity develop accounting estimates if the accounting policies require items in the financial statements to be measured in a way that involves measurement uncertainty; c) a change in accounting estimate that results from new information or new developments is not the correction of an error; d) a change in an accounting estimate may affect only the current's period profit or loss, or the profit or loss of both the current period and future periods. Earlier application is permitted.*
- IAS 12 Income Taxes (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC). *Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments restrict the scope of exemption from recognition of deferred tax liabilities, as a result of which it is not applied for transactions in which equal taxable and deductible temporary differences may arise upon initial recognition. Such transactions are the recognition of a right-of-use asset and lease liability by the lessee at the commencement date of a lease, as well as in the accrual of liabilities for dismantling, removing or restoring included as part of the cost of an asset. Upon the amendments coming into force, the entities should recognize each deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability (for all deductible temporary differences) in accordance with the IAS 12 criteria for transactions related to assets and liabilities arising from a single transaction on or after the beginning of the earliest comparative period presented in the financial statements. The entities recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at that date. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, and the earlier application is permitted.*
- Improvements to IFRS 17 Insurance Contracts (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC). *The amendments are related to the Initial Application of IFRS 17 and IFRS 9 – Comparative Information. They provide a transitional provision regarding the comparative information on financial assets upon initial application of IFRS 17 in order to reduce accounting mismatches between financial assets and liabilities under insurance contracts in the comparative information upon initial application of IFRS 17 and IFRS 9. The application of the changes is optional and only applies to the presentation of comparative information upon initial application of IFRS 17. The Company does not perform insurance operations and this change does not impact its financial statements.*

- IFRS 17 “Insurance Contracts” (in force for annual periods beginning on or after 1 January 2023, endorsed by EC). *This is an entirely new accounting standard on all types of insurance contracts, including some guarantees and financial instruments, and includes rules and principles on recognition and measurement, presentation and disclosure. The standard will supersede the effective standard up to date related to insurance contracts – IFRS 4. It establishes an entirely new overall model for insurance contracts’ accounting, covering all relevant accounting and reporting aspects. The Company does not perform insurance operations and this change does not impact its financial statements.*
- IFRS 10 (amended) “Consolidated Financial Statements” and IAS 28 (amended) “Investments in Associates and Joint Ventures” – regarding the sale or contribution of assets between an investor and its associates or joint ventures (postponed effective date, to be determined by the IASB). *These amendments address the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or contributed constitute in substance a business as defined in IFRS 3. If these assets as an aggregate do not meet the definition of a business, then the investor shall recognise gain or loss only to the extent of other unrelated investor's interests in the associate or joint venture. In cases of sale or contribution of assets, which as an aggregate constitute a business, the investor shall recognise the full gain or loss on the transaction. The amendments will be applied on a prospective basis. IASB postponed the initial date of application of these amendments for an indefinite period.*

The Company keeps its accounting books in Bulgarian Levs (BGN), which is accepted as being its presentation currency. The data in the separate financial statements and the notes thereto is presented in thousand Bulgarian Levs (BGN'000) except where it is explicitly stated otherwise.

2.2. Consolidated financial statements of the Company

These financial statements represent the separate financial statements prepared in accordance with the requirements of the accounting and tax legislation of the Republic of Bulgaria. The Company has interest and exercises control over two subsidiaries and therefore, in accordance with the requirements of the Bulgarian Accountancy Act and based on IFRS 10 Consolidated Financial Statements, it also prepares consolidated financial statements, which the management plans to submit not later than 29 April 2022.

2.3. Accounting assumptions and estimates

The presentation of the annual financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial

crisis the uncertainties are more significant). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in *Note 2.28*.

2.4. Comparatives

In these separate financial statements the Company presents comparative information for one prior year.

Where necessary, comparative data is reclassified (and restated) for the purpose of achieving comparability in view of the current year presentation changes.

2.5. Functional currency and recognition of exchange differences

The Company's functional and reporting currency is the Bulgarian lev. Functional currency is the currency of the main economic environment in which a company operates and where cash is mostly generated and expensed. It reflects the basic transactions, events and conditions, which are significant for the entity. The Bulgarian Lev has been fixed to Euro, under the BNB Act, at the ratio BGN 1.95583:EUR 1.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in a foreign currency, are measured at 31 December at the closing exchange rate of BNB.

Net foreign exchange differences related to cash, trade receivables and payables, denominated in a foreign currency, are recognised in the statement of comprehensive income (within profit or loss for the year) when they arise and are presented net under 'other operating income/(losses)'.

The non-monetary items in the statement of financial position, which have been initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the transaction date and are not subsequently revalued at the closing exchange rate.

2.6. Revenue

2.6.1. Recognition of revenue from contracts with customers

The Company's usual revenue is from the sale of finished products produced thereby.

The Company's revenue is recognised when control over the products, goods and/or services promised in the *contract with the customer* is transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised products, goods and/or provision of the promised services.

Measurement of contracts with customers

The Company accounts for a *contract with a customer* only if upon its enforcement:

- a. it has commercial essence and rationale;

- b. the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform it;
- c. each party's rights can be identified;
- d. the payment conditions can be identified; and
- e. it is probable that the Company will collect the consideration to which it is entitled upon performing its performance obligations.

In evaluating whether collectability of an amount of consideration is probable, the Company considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Company, collaterals and possibilities for satisfaction.

A contract for which any of the above criteria has not yet been met is subject to new assessment in each reporting period. The consideration received under such contracts shall be recognised as payable (*contract liability*) in the statement of financial position, until: a/ all criteria for recognizing a contract with a customer are met; b/ the Company meets its performance obligations and has received the whole or almost the whole remuneration (which is not recoverable); and/or c/ when the contract is terminated and the remuneration received is not recoverable.

Upon the initial measurement of its contracts with customers, the Company makes additional analysis and judgement whether two or more contracts should be combined and accounted for as a single contract, respectively whether the products, goods and/or services promised in each separate and/or combined contract should be accounted for as a single and/or multiple performance obligation(s).

Each promise to transfer goods which are distinct (in nature and in the context of the contract) is accounted for as a separate performance obligation.

The Company recognises revenue for *each separate performance obligation* at the level of *individual contracts with customers*, by analysing the type, term and conditions of each particular contract.

2.6.2. Measurement of revenue under contracts with customers

Revenue is measured based on the *transaction price* determined for each contract.

The transaction price is the amount of consideration to which an entity expects to be entitled, excluding amounts collected on behalf of third parties. Upon determining the transaction price, the Company takes into consideration the contractual conditions and its customary business practices, incl. the effect of variable consideration, the presence of a significant financing component, non-monetary consideration and consideration due to the customer (if any). In the case of contracts with more than one performance obligations, the transaction price is allocated between each performance obligation based on the standalone selling prices of each of the goods and/or services.

The change in the scope or price (or both) of the contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change is related to the addition of goods and/or services which are distinct, and on the price determined for them. Depending on that:

- a) a contract modification is accounted as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services;
- b) the Company accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract (future application), if the remaining goods and/or services are distinct from the goods and/or services transferred before the contract modification, but the change in the contract price does not reflect the standalone selling price of the goods and/or services added;
- c) the Company accounts for the contract modification as if it were a part of the existing contract (cumulative adjustment) if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied.

2.6.3. Performance obligations under contracts with customers

The revenue generated by the Company is mainly from the sale of finished products produced thereby. Sales of goods and services constitute an insignificant portion.

Sales of finished products are mostly to two main distributors – wholesalers, and to a foreign subsidiary. The other sales are realised in the country and abroad within the fertiliser season under one-off contracts.

As a whole, the Company has concluded that it acts a principal in its contracts with customers, since usually the Company controls the products, goods and/or services prior to their transfer to the customer.

Revenue from the sale of products

The Company produces and sells mostly ammonium nitrate, ammonia, ammonium hydrogen carbonate, etc. Upon sale, control over the products is transferred to the client *at a point in time*.

In the case of domestic sales, this is usually upon handover of the products or physical title thereof to the customer, when the customer may dispose of the products sold by managing the use and obtaining substantially all other rewards.

In the case of export sales, the judgement on the point in time when the customer obtains control over the products sold is made based on the INCOTERMS agreed.

Revenue from the sale of goods

The Company sells goods at an agricultural pharmacy which it rents. Upon the sale of goods, control over the goods is transferred to the client *at a point in time*, which is usually upon handover of the goods to the customer and the customer may dispose of the goods sold by managing the use and obtaining substantially all other rewards.

The Company holds a license for trade in natural gas (purchase and sale). The revenue from sales of natural gas is stated as *other income in the statement of comprehensive income*, since it has accompanying nature and is not treated as a major and key business activity for the Company.

Revenue from the sale of services

The services provided by the Company include: IT services, and in some cases – transportation as an adjacent service to the sale of products.

Transport of the products sold

In some cases of export sales, the Company is responsible for transporting the goods to the agreed location; transportation is organised by the Company, and the transport cost is included (calculated) in the selling price. Depending on the contractual conditions, the transportation service may also be rendered after control over the products sold has been transferred to the customer. Until the transfer of control over the products, the sales of products and the transportation service are accounted for as a *single performance obligation*, since they constitute parts of an integrated product and/or service.

The transportation service following transfer of control over the products sold is accounted for as a *separate performance obligation*, since the transportation can be provided by another supplier (i.e. the customer may use the products sold with easily accessible resources), and the transportation service does not modify or amend the products sold in any way. In this case, the remuneration the Company expects to be entitled to (the transaction price) is allocated between the separate performance obligations based on their standalone selling prices. The standalone selling price of the products sold is determined based on the price list effective at the transaction's date, and the standalone selling price of the transport service is determined based on transport costs incurred.

To render the transportation service, the Company uses transportation companies – subcontractors. The Company has determined it controls the services prior to their provision to the customer and therefore it acts in its capacity as principal, since a) it bears the responsibility for rendering the services and that the services are acceptable to the customer (i.e. the Company is responsible for fulfilling the promise in the contract irrespective of whether it performs the services itself or hires a third-party service supplier to perform them; and b) it negotiates the service price independently, without interference by the customer.

Revenue from the sales of transportation services are recognised *over time*, since it is not necessary for the work performed to date to be repeated if another party has to perform the remaining work, therefore, the customer receives and consumes rewards simultaneously with the service rendition. In order to measure the contract progress (stage of completion), the *input method* is used. This method has been determined as most appropriate to measure progress since it best describes the Company's activity regarding the transfer of control and satisfaction of obligations; respectively, it most accurately reflects the level of performance of obligations, in as far as the Company's efforts (costs incurred) are directly related to the transfer of the service to the customer. Progress is measured *based on the costs incurred versus the total costs planned for contract performance*.

Revenue from transport of the goods sold is stated within revenue from the sale of products, in as far as the transportation services accompany the sale of products.

IT and other services

Control over the services is transferred over the period of their rendition, since the customer simultaneously receives and consumes the benefits from the Company's operation. Revenue from sales is recognised over time by measuring the degree of completion of the Company's performance

obligations (stage of completion). Revenue from IT services is stated within revenue from contracts with customers, and the other service revenue is stated as *other income in the statement of comprehensive income*, in as far as they have rather adjacent nature and are not treated as a main or key business activity.

2.6.4. Transaction price and payment terms

The transaction price usually includes the fixed selling price, as per a common or customer-specific price list. Selling prices are set in the framework contracts with wholesalers and the subsidiary, and for the other customers, they are individually set based on a price list.

Upon determining the transaction price, the Company also takes into consideration amounts (consideration), due to the customer, non-cash consideration and the presence of a significant financing component. In certain cases the Company collects short-term advances from customers. The pricing policy adopted and applied by the Company does not include forms of variable consideration. If such has been agreed, it is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Company has conducted analysis and has determined that length of time between when it transfers the promised goods and/or services to the customer and when the customer pays for those goods and/or services is from three to twelve months and the consideration agreed does not contain a significant financing component. The collected advance payments from the customer are stated in the statement of financial position as contract liabilities.

The Company usually does not incur costs to obtain contracts with customers or fulfil such contracts, which are admissible and subject to capitalisation.

2.6.5. Contract balances

Trade receivables and contract assets

A contract asset is the Company's right to consideration in exchange for the products, goods or services that it has transferred to a customer but is not unconditional (receivable accrual). If by transferring the products, goods and/or providing the services the Company performs its obligation to the customer to pay the respective consideration and/or before the payment is due, a contract asset is recognised for the consideration worked-out (which is conditional).

Recognised contract assets are reclassified as trade receivables when the right to consideration becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The initial measurement, subsequent measurement and impairment of trade receivables and contract assets are disclosed in *Note 2.13*.

Contract liabilities

A contract liability is the consideration received from the customer and/or the unconditional right to receive consideration before it has performed its contractual obligations. Contract liabilities are recognised as revenue when (or as) the performance obligations are satisfied.

Contract assets and contract liabilities are stated on a separate line within current and non-current assets and liabilities in the statement of financial position and are disclosed separately. They are included within current assets when their maturity is within 12 months or within the Company's usual operating cycle, and the others are stated as non-current. Assets and liabilities from a single contract are stated net in the statement of financial position, even if they result from difference performance obligations in the contract.

Following their initial recognition, trade receivables and contract assets are subject to review for impairment pursuant to the conditions of IFRS 9 Financial Instruments. Impairment losses from contracts with customers are stated separately from other impairment losses.

2.7. Expenses

Expenses are recognised by the Company as they are incurred, following the accrual and matching concepts but only as far as the latter does not result in recognising reporting items for assets or liabilities that do not satisfy the criteria of IFRS and the framework thereto.

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

Finance costs are included in the statement of comprehensive income (within profit or loss for the year) when incurred and comprise: interest expenses related to received loans and lease liabilities, as well as bank charges and other direct expenses on loans.

2.8. Property, plant and equipment

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at cost (cost of acquisition) less the accumulated depreciation (excluding land) and any impairment losses in value.

Initial acquisition

Upon their initial acquisition, property, plant and equipment are valued at cost, which comprises the purchase price, customs duties and any other directly attributable costs of bringing the asset to working condition for its intended use.

The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes, expenses on capitalised interest for qualifying assets, satisfying the requirements of IAS 23 and other. Components acquired together with or as addition to other specific tangible fixed assets, but have not yet been installed thereto, are capitalised to the amount of the basic item and depreciated using its residual useful life.

Upon self-construction of tangible fixed assets, the acquisition cost includes all direct costs related to the resources through which the respective items are constructed (salaries and insurances, raw materials and consumables, hired services, etc.).

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent measurement

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses in value.

Depreciation methods

The Company applies the straight-line depreciation method for property, plant and equipment. Depreciation of an asset begins when it is available for use. Land is not depreciated. The useful life per group of assets has been determined considering: their physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence.

The determined useful life per group of assets is as follows:

- buildings – 10-50 years;
- machinery and equipment – 2-25 years;
- computers – 2-5 years;
- motor vehicles – 3-15 years;
- furniture and fixtures – 2-15 years.

The determined useful life periods for non-current assets are reviewed at the end of each reporting year and upon identifying material deviations from future expectations for the assets' period of use, it is adjusted as at the date of change.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is revised at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

Impairment of assets

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might permanently differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the item 'Impairment and write-off of non-current assets' in the statement of comprehensive income (within profit or loss for the year). In the cases when during impairment it is found that an asset recovered its value, the impairment loss stated in prior period is recognized in the statement of comprehensive income. The

asset's amount increased as a result of the impairment reversal does not exceed the carrying amount that would have been stated (following deduction of depreciation) if in prior years no impairment loss was recognized for the respective asset.

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration the Company expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when the customer obtains control thereon. They are stated net within 'Other operating income/(losses)' on the face of the statement of comprehensive income (within profit or loss).

2.9. Intangible assets

Intangible assets are stated in the separate financial statements at cost less accumulated amortisation and any impairment losses in value. They include licences for the use of software and emission quotas under EU emissions trading scheme and units of reduced emissions.

The Company classifies the emission quotas as current ones when it expects to realise them within one reporting period and as non-current ones – all others.

The Company applies the straight-line amortisation method for the intangible assets with a determined useful life of 5 years, except for the non-current emission quotas, which are written-off when used.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an expense in the statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference the consideration the Company expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when the customer obtains control thereon. They are stated net within 'Other operating income/(losses)' on the face of the statement of comprehensive income (within profit or loss).

EU emissions trading scheme and units of reduced emissions

On initial acquisition the allocated quotas for greenhouse gases from the National register for trade with greenhouse gas emissions in relation to the third period from the EU emissions trading scheme (EU ETS) are recognised as intangible assets at nominal value (zero value). The purchased quotas are recognised on initial acquisition at cost and are classified as current or non-current ones depending of the intents for their use. The Company has chosen to apply the cost model for subsequent measurement of non-current emission quotas, i.e. costs less accumulated impairment losses. Current emission quotas are recognised within expenses (cost of finished products) when they are written-off within the current reporting period. In addition, the Company recognises a liability in the statement of financial position

when the level of noxious gases for a certain period exceeds the level of allocated and available quotas. The liability is measured at the acquisition cost of purchased quotas – until reaching the level of the quotas held by the Company, and are revalued at current market price at the date of the statement of financial position – for the excess over the available quotas whereas the changes in the liability amount are recognised in the statement of comprehensive income (within the profit or loss for the year).

The Company currently writes off quotas to cover payables under carbon emission provisions, by using the method of first-in-first-out price.

2.10. Investments in subsidiaries

Long-term investments representing interest in subsidiaries are presented in the financial statements at acquisition cost (cost) being the fair value of the consideration paid. Investments in subsidiaries are not traded in the stock exchange. This circumstance does not provide opportunity for ensuring active market price quotations in order to determine reliably the fair value of these shares. In addition, the future functioning of a part of these companies is related to some uncertainties that affect the ability of making reasonable and justified long-term assumptions for the fair value calculation of their shares through other valuation methods.

In accordance with the requirements of IFRS 10 Consolidated Financial Statements the Company controls other entities if and only if it has achieved all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to use its power over the investee to affect the amount of investor's returns.

Base on the above criteria, the Company has concluded that it controls all entities in which it holds directly or indirectly more than 50% of the voting shares.

The investments in subsidiaries owned by the Company are subject to review for impairment. Where conditions for impairment are identified, the impairment is recognised in the statement of comprehensive income (within profit or loss for the year). The impairment amount reflects the difference between the cost of investments acquisition and the present value of expected future cash flows, discounted at the end of reporting period. Impairment losses are recognised in the item 'Impairment and write-off of non-current assets' on the face of the statement of comprehensive income (within profit or loss for the year).

In purchases and sales of investments in subsidiaries the date of trading (conclusion of the deal) is applied.

Investments are derecognised when the rights related thereto are transferred to third parties due to existing legal grounds for that and thus the control over the economic benefits from the investments is being lost.

2.11. Other long-term equity investments

The other long-term equity investments are non-derivative financial assets constituting shares and interest in the equity of other entities (minority interest) held with a long-term perspective.

Initial measurement

Equity investments are initially recognised at cost, being the fair value of the consideration given including the direct expenses associated with the investment (financial asset) acquisition.

Subsequent measurement

The Company's equity investments, representing shares in other companies (minority interest), are measured at fair value through other comprehensive income. The effects therefrom are transferred to retained earnings upon disposal of the respective investment.

2.12. Inventories

Inventories are valued at the lower of acquisition cost (cost) and net realisable value.

Expenses incurred at bringing a certain product to its current condition and location are included in the cost (acquisition cost) as follows:

- Commercially available raw and other materials – all delivery costs, including the purchase price, import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials ready for usage;
- Finished products and work in progress – cost of direct materials and labour and the attributable proportion of the manufacturing overheads, based on normal operating capacity of production facilities, but excluding administrative expenses, exchange rate gains and losses and borrowing costs.

Production overheads are included in the cost of finished and semi-finished products based on normal operating capacity of the production facilities. The Company has chosen to allocate them to products on the basis of the quantity of articles produced.

Upon putting into production (sale) of inventories, the weighted average cost method is applied.

The net realisable value represents the estimated selling price of an asset in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

2.13. Trade receivables

Trade receivables constitute the Company's unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

Initial measurement

Trade receivables are initially recognised and carried at fair value based on the transaction price, which is usually equal to the invoice amount, unless they contain a significant financial component, which is not additionally charged. In this case they are recognised at their present amount determined at a discount equal to the interest associated to the customer-debtor.

Subsequent measurement

The Company holds trade receivables only for the purpose of collecting contractual cash flows and subsequently measures them at amortised cost less the amount of impairment accumulated for credit losses.

Impairment

The Company applies the expected credit losses model for the entire term of all trade receivables, using the simplified approach under IFRS 9, and based on the matrix model for loss percentage.

Bad debts are written-off when the legal grounds for this occur.

The impairment (incl. reversal thereof) of receivables is accrued and stated through the respective corresponding allowance account for each type of receivable within “Reversed/Accrued impairment of financial assets, net” on the face of the statement of comprehensive income (within profit or loss for the year).

2.14. Non-current assets held for sale

The Company classifies a property as “held-for-sale” when it expects that its carrying amount will be recovered through disposal thereof rather than through continuing use in the Company’s operations, and depends on the Company’s intention and plans for the realization of the respective assets. The main condition to classify an asset as such is that the sale is highly probable. The sale is highly probable when the management has committed to a plan to sell and find a buyer, the asset is actively offered for sale at a price similar to its current (present) fair value and the sale is expected to take place within a year from the classification. Moreover, the asset should be available for immediate sale in its present condition.

Following their initial recognition, these assets are recognised at the lower of their current carrying amount or their fair value less disposal costs. No depreciation is charges for these assets.

The revenue from sales of assets classified as held-for-sale assets is stated in Other operating income, net.

2.15. Cash and cash equivalents

Cash includes cash in hand and cash in current accounts, and cash equivalents – bank deposits with original maturity up to three months, and funds in deposits with longer maturity which are readily available to the Company under its agreements with the banks over the deposits’ terms.

Subsequent measurement

Cash and cash equivalents at banks are subsequently measured at amortised cost, less the impairment accumulated for expected credit losses.

For the purpose of the statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest under investment loans received are included as payments for financing activities, and the interest under loans servicing current operations (working capital) are included within operating activities;
- payments related to leases (interest and principals) related to right-of-use assets are stated within financing operations.
- the VAT paid under purchases of non-current assets from foreign suppliers is stated in the “taxes paid” line, and the VAT paid under purchases of non-current assets from local suppliers – in the “payable to suppliers” line within cash flows from operating activities, in as far as it is involved and recovered together and as part of the Company’s operational flows for the respective period (month);
- cash permanently blocked for over 3 months is not treated as cash and cash equivalents;
- payments for the purchase of greenhouse emission quotas classified as current are included as payments for operating activities (payments to suppliers);
- the grant received (mainly for electricity) is included in cash flows from financing activities.

2.16. Trade and other payables

Trade and other current amounts payable in the statement of financial position are presented on the basis of the original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for assets and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value based on their present value at a discount rate applicable for the Company, and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined following the effective interest method.

2.17. Interest-bearing loans and other borrowings

In the statement of financial position, all loans and other borrowings are initially presented at acquisition cost (nominal amount) which is designated as the fair value of the transaction’s deliverable, net of the direct costs related to these loans and borrowings. Following their initial recognition, interest-bearing loans and other borrowings are subsequently measured and presented in the statement of financial position at amortised cost, determined by means of the effective interest method. The amortised cost is

calculated by considering all charges, commissions and other costs, including discounts and premiums associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or expenses (interest) over the amortisation period or when the payables are written-off or reduced.

Interest costs are recognised for the term of the financial instrument based on the effective interest method.

Interest-bearing loans and other borrowings are classified as current, except for the portion thereof for which the Company has an unconditional right to settle its obligation within over 12 months from the end of the reporting period.

2.18. Leases

The Company performs analysis and assesses whether the contract is, or contains, a lease, at the lease inception, which is the earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.18.1.1. Lessee

The Company applies a uniform model for recognition and measurement of all leases, except for short-term leases (leases with a lease term of 12 months or less and which do not contain a purchase option) and leases of low value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Company has not elected to apply the practical expedient of IFRS 16, which allows a lessee, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

a) right-of-use assets

The Company recognises right-of-use assets in the statement of financial position at the commencement date of the lease, i.e. the date on which a lessor makes an underlying asset available for use by the lessee. Right-of-use assets are presented in the statement of financial position at acquisition cost, less the accumulated depreciation, impairment losses and adjustments resulting from remeasurement and adjustments to the lease liability. The acquisition cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Company in its capacity as lessee;
- costs for dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the asset is transferred under the lease by the end of the lease term, the Company shall depreciate it to the end of the useful life. Depreciation shall be charged from the commencement date.

The depreciation terms of leases are from 2 to 5 years.

The Company has elected to apply the acquisition cost model for all of its right-of-use assets.

Right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*, by applying an impairment determination and reporting policy analogous to the one for property, plant, and equipment. The recoverable amount of right-of-use assets is the higher of the fair value less disposal costs, or value in use. To determine assets' value in use, future cash flows are discounted to their present amount, by applying a pre-tax discount rate reflecting the market conditions and time value of money and the risks inherent to the respective asset. Impairment losses are determined as the difference between the recoverable and carrying amount (when the recoverable account is lower than the carrying amount) and are presented in the statement of comprehensive income as depreciation and amortisation expenses (within profit or loss for the year).

Right-of-use assets are presented on a separate line in the statement of financial position, and depreciation thereof – within depreciation and amortisation expenses in the statement of comprehensive income.

b) lease liabilities

The Company recognises lease liabilities at the commencement date, measured at the present value of the lease payments that are not paid at this date. They include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of the purchase options, if the lessee is reasonably certain to exercise this option;
- payments of penalties for terminating the lease, of the lease term reflects the exercise of an option to terminate the lease;
- the amount expected to be payable by the Company to lessor under residual value guarantees.

Variable lease payments that do not depend on an index or a rate, but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises and are stated within hired service expenses, within profit or loss for the year.

Lease payments are discounted using the interest rate implicit in the lease, of that rate can be readily determined, or the Company's incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Interest costs for the lease are presented in the statement of comprehensive income (within profit or loss for the year) for the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability, and are presented as "finance costs".

Lease liabilities are stated on a separate line in the statement of financial position.

The Company subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications of the lease;
- residual value guarantees are reviewed and if necessary, adjusted, at the end of each reporting period.

The Company remeasures the lease liabilities (and makes corresponding adjustments to the related right-of-use assets) whenever:

- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

2.18.1.2. Lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging obtaining an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The underlying asset which is subject to the lease shall remain and be stated within the Company's statement of financial position.

When the contract contains both lease and non-lease components, the Company applies IFRS 15 to allocate the total consideration between the separate components.

2.19. Employee benefits

The employment and social security relations with the workers and employees of the Company are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

Short-term benefits

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or have met the required terms and requirements) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Company's obligations for social security and health insurance are recognised as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At the date of the annual financial statements, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

Defined contribution plans

The major duty of the Company in its capacity as an employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance. The rates of social security and health insurance contributions are defined in the Social Security Code (SSC), as well

as in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2020: 60:40).

These social security and pension plans, applied by the Company in its capacity of an employer, are based on the Bulgarian legislation and are defined contributions plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Company. The contributions payable by the Company under defined contribution plans for social security and health insurance, are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

Defined benefit plans

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay an indemnity at the amount of the respective employee's gross remuneration for two months upon termination of employment relations due to retirement. If the employee has acquired within the company of the same Group ten years' service over the last twenty years, the indemnity amounts to the gross remuneration for six months. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows:

- (a) current and past service costs, interest costs and effects of curtailment and settlements are recognised immediately when incurred and are presented within current profit or loss in the item 'employee benefits expense';
- (b) the effects of obligation remeasurement, which in substance represent actuarial gains and losses, are recognised immediately when incurred and are presented within other comprehensive income in the item 'remeasurement of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the end of each reporting period, the Company assigns certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Company itself operates.

Termination benefits

According to the provisions of the employment and social security legislation in Bulgaria, the Company in its capacity as employer is obliged to pay upon termination of employment prior to retirement certain types of compensations.

The Company recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on a publicly announced plan (for instance, for restructuring), to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

Other long-term benefits

The members of the Management Board and Supervisory Board (Board of Directors before the change to the management structure dated 2 December 2021) assigned with the Company's management are entitled to, in addition to permanent consideration, variable consideration. Upon determining the permanent and variable consideration, the Company takes into consideration changes on an annual basis in the average amount of considerations for full working time of workers and employers of the Company other than management, as well as the usual practice of Neochim AD for cash incentives to workers and employees at the Company. The determination and payment of variable consideration may be done by considering the current financial condition of the Company for the respective quarter, respectively – financial year, and the meeting of at least three or four criteria set in the Remuneration Policy and determined on an annual basis for the prior financial (calendar) year. The deferred portion of the variable consideration is paid proportionally over the deferral period, which is three years as of the month following the month of passing the decision. The deferral amount of the variable consideration is 40% of its full amount. The Company recognizes income payable 12 or more months after the end of the period in which they were worked out as other non-current liabilities based on the present value thereof at the date of the statement of financial position.

2.20. *Share capital and reserves*

Neochim AD is a joint-stock company and is obliged to register with the Commercial Register a specified share capital, which should serve as a security for the creditors of the Company for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings.

The Company reports its share capital at the nominal value of the shares registered in the Commercial Register.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a Reserve Fund (statutory reserves) by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as provided in the Articles of Association;
- other sources as provided for by a decision of the General Meeting of Shareholders.

The amounts in the Fund can only be used to cover annual loss or losses from previous years. When the amount of the Fund reaches the minimal value specified in the Articles of Association the excess may be used for increasing the share capital.

Treasury shares are presented in the statement of financial position at cost (acquisition cost) whereas the Company's equity is decreased with the gross amount of treasury shares. Gains or losses on sales of treasury shares are carried directly to Company's equity in the 'Retained earnings' component.

The component from restatement of retirement benefit obligations (within accumulated profit) is set aside from the remeasurement of the payables to personnel upon retirement, which in substance represent actuarial gains and losses, and are recognised immediately when incurred. They are presented within other comprehensive income in the item 'remeasurement of defined benefit pension plans'.

2.21. *Income taxes*

Current income taxes are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2021 was 10% (2020: 10%).

Deferred income taxes are determined using the liability method on all temporary differences, existing at the date of the financial statements, between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) at the transaction date.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit/(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed on the preparation of the statement of financial position and reduced to the extent that it is probable that they will reverse and sufficient taxable profit to be generated or occurring in the same period taxable temporary differences to allow the deferred tax asset to be deducted or compensated.

Deferred taxes related to items that are accounted for as other components of comprehensive income or an equity item in the statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates and on the bases that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the basis of the tax laws that have been enacted or substantively enacted, and at tax rates of the country

(Bulgaria) under the jurisdiction of which the respective deferred asset or liability is expected to be recovered or settled.

The deferred tax assets of the Company are presented net against its deferred tax liabilities when and as much as it is the taxpayer for them in the respective jurisdiction (Bulgaria), and this is only in cases where the Company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

The deferred income tax liabilities of the Company as at 31 December 2021 were assessed at a rate valid for 2020, at the amount of 10%.

2.22. Earnings /(loss) per share

Basic earnings /(loss) per share are calculated by dividing net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding during at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. This factor represents the number of days that the shares are outstanding as a proportion of the total number of days in the period.

In case of a capitalisation, bonus issue or splitting, the number of the outstanding ordinary shares as at the date of such event, is adjusted as to reflect the proportional change in the number of outstanding ordinary shares as if the event has occurred in the beginning of the earliest presented period.

Diluted earnings per share are not calculated because no dilutive potential ordinary shares have been issued.

2.23. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The measurement of provisions is based on the best estimate, made by the management at the date of the statement of financial position, concerning the expenses that will be incurred for the settlement of the particular obligation.

The estimate is discounted if the obligation is long-term. When part of the resources required to settle the obligation are expected to be recovered by a third party, the Company recognises a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured and income (credit) is recognised in the same item of the statement of comprehensive income (within profit or loss for the year) where the provision itself is presented.

2.24. Government grant (grant from public institutions)

Government grants are different forms of grants from the state (local and central authorities and

institutions) and/or international agreements and organizations.

The government grant (a grant from public institutions) is initially recognised as deferred income (financing) when there is reasonable assurance that it will be received by the Company and that the latter has complied and complies with the associated thereto terms and requirements.

The government grant (a grant from public institutions) that compensates the Company for expenses incurred is recognised in current profit or loss on a systematic basis in the same period in which the expenses are recognised or if it has been legally determined and obtained in a subsequent period – in this period.

The government grant (a grant from public institutions) that compensates investment expenses incurred to acquire an asset is recognised in current profit or loss on a systematic basis over the useful life of the asset usually at the amount of the recognised depreciation charge.

2.25. Financial instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

Financial assets

Initial recognition, classification and measurement

Upon initial recognition, the Company's financial assets are classified in three groups, based on their subsequent measurement: at amortised cost; at fair value through other comprehensive income, and at fair value through profit or loss.

The Company initially measures financial assets at fair value, and in the case of financial assets which are not stated at fair value through profit and loss, the direct transaction costs are added. An exception to this rule are trade receivables that do not contain a significant financing component – they are measured based on the transaction price determined under IFRS 15.

The purchases and sales of financial assets whose conditions require asset delivery within a certain period, usually pursuant to legislation or the effective practice of the respective market (regular way purchases), are recognised using trade date accounting, i.e. on the date when the Company committed to purchase or sell the asset.

The classification of financial assets upon their initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and on the Company's business model for management thereof. In order for a financial asset to be classified and measured at amortised value or at fair value through other comprehensive income, its conditions should give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. For this purpose, analysis is performed by means of SPPI test at instrument level.

The Company's business model for the management of financial assets reflects the way the Company manages its financial assets to generate cash flows. The business model determines if cash flows are generated only by the collection of contractual cash flows, the sale of financial assets, or both.

The Company has determined a business model whose purpose is to hold assets to collect contractual cash flows. This model includes cash and cash equivalents and trade and other receivables.

Subsequent measurement

For the purpose of subsequent measurement, the Company's financial assets are classified as financial assets at amortised cost (debt instruments) and financial assets at fair value through other comprehensive income without recycling of the cumulative gains and losses (equity instruments).

The Company measures a financial asset at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) upon asset disposal, modification or impairment.

The Company's financial assets at amortised cost include: cash and cash equivalents at banks, and trade receivables, including from related parties.

The Company has made an irrevocable commitment to classify into the category of financial assets at fair value through other comprehensive income (equity instruments) its minority equity investments which it holds in the long term. These instruments are not traded on stock exchanges and are stated in the statement of financial position within the "other long-term equity investments" item.

Derecognition

A financial asset (or, when applicable, a portion of a financial asset or a group of similar financial assets) is derecognised from the Company's statement of financial position, when:

- the rights to cash flows from the asset have expired, or
- the rights to cash flows from the asset have been transferred or the Company has assumed an obligation to pay in full the cash flows received, without undue delay, to a third party under a transfer agreement, in which: a) the Company has transferred substantially all risks and rewards from ownership of the asset; or b) the Company has neither transferred nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Company has transferred its right to obtain cash flows from the asset or has concluded a transfer agreement, it assesses the extent to which it has retained the risks and rewards of ownership. When the Company has neither transferred, nor retained substantially all risks and rewards from

ownership of the financial assets, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Company also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Company has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Company may be required to pay.

Impairment of financial assets

The Company recognises an allowance (impairment provision) for expected credit losses for all debt instruments which are not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the contractual conditions, and all cash flows the Company expects to receive, discounted at the initial effective interest rate. Expected cash flows also include cash flows from the disposal of collateral held or other credit enhancements which constitute an integral part of the contract terms.

To calculate the expected credit losses for *loans to related and third parties and contract assets*, the Company has elected and applies a simplified approach based on a matrix to calculate expected credit losses and does not monitor subsequent changes to their credit risk. Using this approach, it recognises an allowance (impairment provision) based on expected credit losses for the lifetime of receivables at each reporting date. The Company has developed and applies a provisioning matrix based on historical experience with credit losses, adjusted for forecast factors applicable to debtors and for the economic environment, for which a correlation has been established with the percentage of credit losses.

In order to calculate expected credit losses for cash and cash equivalents at banks, the Company applies a „three-stage” impairment model based on changes versus the initial recognition of the credit quality of the financial instrument (asset). For this purpose it applies a rating model by using the banks’ ratings as determined by internationally recognised rating firms such as Moody’s, Fitch, S&P, BCRA and Bloomberg. Based on this, on the one hand, public data is used for the PD (probability of default) of the respective bank, and on the other hand, based on the change in a bank’s rating, the Company determines the presence of increased credit risk. Loss given default is measured depending on the presence of secured amounts in the bank accounts.

Impaired financial assets are derecognised when no reasonable expectation exists to collect contractual cash flows.

Financial liabilities

Initial recognition, classification and measurement

The Company’s financial liabilities include trade and other payables, loans and borrowings. Upon their initial recognition, financial liabilities are classified as: liabilities at amortised cost.

All financial liabilities are initially recognised at fair value, and in the case of loans and borrowings and trade and other payables, net of direct transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. They are usually classified and measured at amortised cost.

Loans and borrowings (incl. payables to suppliers)

Following their initial recognition, the Company measures interest-bearing loans and borrowings at amortised cost, applying the effective interest method. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) when the respective financial liability is derecognised, as well as through amortisation based on the effective interest rate.

The amortised cost is calculated by taking into consideration any discounts or premiums at acquisition, as well as fees or costs that constitute an integral part of the effective interest rate. Amortisation is stated as a “finance expense” in the statement of comprehensive income (within profit or loss for the year).

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income (within profit or loss for the year).

2.26. Fair value measurement

IFRS 13 is applied when another IFRS requires or allows fair value measurement or disclosure of the measurement at fair value both of financial instruments and non-financial items. The standard is not applicable for share-based payment transactions that fall within the scope of IFRS 2 *Share-based Payment*, and with regard to measurements that have some similarities to fair value but are not fair value – e.g. measurement at net realisable value under IAS 2 *Inventories* or at value in use under IAS 36 *Impairment of Assets*.

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes. Such are: on a recurring (annual) basis – financial assets at fair value through other comprehensive income - *certain trade and other receivables and payables*,.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal (or most advantageous) market under current market conditions. According to IFRS 13, fair value is an exit price no matter if this price is directly observable or has been estimated by another valuation technique.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets the starting point is always the assumption what would be the highest and best use of the particular asset for the market participants.

All assets and liabilities that are measured and/or disclosed in the financial statements at fair value are categorised within the following fair value hierarchy, namely:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to significant adjustments; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In accordance with Company's accounting policy, at the end of the annual reporting period the specifically designated individual, engaged with measurements, performs a general analysis of collected in advance information about the movement in the values of assets and liabilities that are subject to valuation or to a disclosure at fair value, the type of available data and the possible factors for the observed changes, and proposes for approval to the Executive Director the approach for measuring the fair value of the respective assets and liabilities at that date.

2.27. Segment reporting

A reporting segment is a distinguishable component of the Company that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Company), whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available. The Company has a single reporting segment.

2.28. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty

2.28.1. Main price factors. Going concern

The Company's financial statements have been prepared on a going concern basis. The following key factors have been taken into consideration in management's assessment of this principle:

2.28.1.1. Impact of natural gas price on profitability and on the financial results. Natural gas supplies

Impact of natural gas price

Natural gas is the Company's main production raw material, and the price of natural gas has always significantly impacted the Company's profitability and financial results. About 74% (2020: 65%) of the cost of products is formed mainly by this raw material. The continuity of natural gas supplies and the price thereof are key to production activity. In 2021 the Company carries natural gas expense at the amount of BGN 200,545 thousand (2020: BGN 105,920 thousand), which is an increase of BGN 94,625 thousand (Note 5). The increase is due to an increase in supply prices, while there is no growth in the volume consumed. In addition, in the current period, the gross cash outflows (incl. VAT) for natural gas

supply amount to BGN 234,815 thousand (2020: BGN 133,686 thousand), which is an increase of BGN 101,129 thousand. In 2021 the average supply price of natural gas, at which the Company supplied its main production material, was 55.93 BGN/MWh (2020: 29.42 BGN/MWh), which is an increase by 90.11%. In the first three months of 2022 there has been another growth in the price of natural gas supplied by the Company, and as at 1 March 2022 the price was BGN 114.13 (an increase of 104.06% compared to 2021).

The Company's management has made approximate estimates that can be summarised as follows:

- In case of a 10% increase in natural gas price, the impact on the 2021 financial result would be a decrease by about BGN 20,100 thousand;
- In case of a 10% decrease in natural gas price, the impact on the 2021 financial result would be an increase by about BGN 20,100 thousand.

The March 2022 natural gas price is 114.13 BGN/MWh. If this price rises by about 20-30%, the selling price of finished products may grow proportionately, which will make it difficult for farmers to purchase fertilizers for spring crops. The conditions of Neochim AD's traditional export markets are favourable for the Company.

Natural gas supplies

Following an amendment to the Energy Act in the beginning of 2020, Neochim AD has only purchased natural gas on the free market in Bulgaria. In order to ensure equality of all natural gas consumers, Bulgargas EAD applies a uniform approach in the price formation for clients on the regulated and free markets, namely based on the conditions of Ordinance 2 of 19 March 2013 on regulation of natural gas prices. In 2021, the share of Bulgargas EAD in the Company's natural supplies is 95.71% (2020: 82.25%). A large share of the remaining natural gas suppliers in Bulgaria offer supply prices based on the prices of major European gas exchanges plus a mark-up. In addition, the supply of natural gas to the Company is only done through the gas transmission networks owned by Bulgratransgas EAD.

The management of Neochim AD is continuously seeking different options to purchase natural gas that include both direct negotiation with suppliers and purchases through the licensed natural gas trade exchange (Gas Hub Balkan EAD) in Bulgaria. Pursuant to Decision No JI-560 of 28.09.2021 of the Energy and Water Regulatory Commission, Neochim AD was issued License JI-560-15 of 28.09.2021 for performing the activity "trade in natural gas" for a period of 10 years.

Nevertheless, it is the assessment of the management of Neochim AD that the Company is currently exposed to a significant risk, of both adverse changes in the price of the natural gas supplies, and regarding the security of gas supplies. These risks, at this stage, can only be overcome if different governmental measures are taken in line with the common European networks for market liberalization and providing different sources of natural gas supplies to the European Union.

The Group is not exposed to a significant risk of adverse changes in the prices of other raw materials and materials, because according to its contractual relations with suppliers, these are subject to periodic analysis and discussions for review and update based on market changes.

2.28.1.2. Carbon emission quotas price

The Company's operation's climate impact is mainly related to the generation of carbon emissions in the production of ammonia and nitric acid. For the separate carbon emissions, it forms an obligation to purchase carbon quotas as the difference between the total quotas due and the ones freely granted.

The Company is exposed to a price risk related to the price of carbon emission quotas. The management manages this risk by daily monitoring the quotas' exchange rates. This process is monitored and managed on an ongoing basis.

Quotas' market prices as at 31 December for a period of five prior years is, as follows:

31.12.2017 - 8.14 EUR (15.92 BGN)
31.12.2018 - 24.64 EUR (48.19 BGN) and 202.7% growth versus 2017
31.12.2019 - 24.48 EUR (47.88 BGN) and 201% growth versus 2018
31.12.2020 – 32.54 EUR (63.64 BGN) and 33% growth versus 2019
31.12.2021 – 79.96 EUR (156.39 BGN) and 146% growth versus 2020

For the period from 2017 to 2021 the increase in quota prices is 882,3%.

The current quota price in March 2022 is BGN 148.64.

The significant increase in carbon emission quotas price has a negative impact on the Company's results.

The cash flows related to quotas for year 2021 amount to BGN 24,952 thousand (2020: BGN 14,125 thousand), and the expenses carried to the statement of comprehensive income amount to BGN 22,377 thousand (2020: BGN 10,087 thousand).

According to the approved Rules on free quotas allocation, the expected quantity of free quotas for Neochim AD will gradually decrease in phase 4 of the European carbon emissions trade scheme. The change in phase 4, compared to the prior period for free quotas allocation (phase 3) is that the quotas allocation depends on the operation level of installations rather than on the capacity thereof, i.e. a change in production will impact the quantity of free quotas. In case of changes in activity levels exceeding 15% from the baseline prepared based on historical data, the quantity of free quotas is subject to change. The baseline is the production level for the 2014-2018 period and based on these values, the 15% deviations are calculated.

Phase 4 (2021 to 2030) is split into two 5-year periods, for each of which there will be a separate allocation of free quotas. The allocation process has been finalized and the phase envisages gradual annual decrease in free quotas by 2.2% while retaining installation's operating volumes within 15% deviation levels. The free allocation of quotas for the second period, 2026-2030, will be subject to verification of a second baseline for the 2019-2023 period.

The Company's management has made approximate calculations, according to which upon 10% increase in the price of quotas compared to the average 2021 purchase price, the impact on expenses would be an increase of about BGN 2,238 thousand, and the Company's financial result would be decreased by the same amount; respectively, in case of decrease of the price of quotas, the effect would be reverse.

In 2021 the Company acquired carbon emission quotas at an average price of BGN 90.30, while the quotas purchased in 2022 have an average price of BGN 145.60, which is growth of BGN 55.30 (61%) (*Note 41*).

In relation to the requirements of Council Regulation 2020/852 of the European Parliament and the Council, assessment and check commences with the support of technical criteria in order to ascertain the environmental sustainability of the Company's economic activities. The productions assessed are ammonia and nitric acid, due to the generation of carbon emissions. The assessment of climate risks and vulnerability is to be finalized, along with suggestions and assessment of adaptation solutions. The climate risks and vulnerability assessment will be in accordance with the scope of operations and expected life cycle thereof. The assessment is planned to be completed by 2023 at the latest.

According to the management, there are no other negative price factors that might impact its operations, and it will continue to perform all its activities and planned volumes.

2.28.2. Calculation of expected credit losses for trade receivables and cash and cash equivalents

The measurement of expected credit losses for financial assets stated at amortised cost (trade receivables and cash and cash equivalents) is an area that requires the use of complex models and material assumptions for future economic conditions and the credit behaviour of customers and debtors (for instance, the probability of counterparties not meeting their obligations and the pursuant losses).

In order to apply these requirements, the Company's management makes a number of material judgements, such as: a) determining criteria to identify and measure significant credit risk increases; b) selection of suitable models and assumptions to measure expected credit losses; c) establishing groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses; d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses.

Regarding trade receivables, including from related parties

The Company uses a provisioning matrix to calculate expected credit losses from trade receivables. The provision rates are based on days past due for groups from different customer segments (portfolios) sharing similar loss models (type of client by sector).

Each provisioning matrix is initially based on detailed historical observation of default rates in the Company's receivables and the movement of receivables by delay groups. Usually, historical data is used for at least three years as per the financial statement's date. Additionally, the Company calibrates the matrix so as to adjust historically ascertained dependence for credit losses with forecast information by also using probability scenarios. For instance, if forecast economic conditions are expected to aggravate in the next year, which might result in delays for a certain sector, the historic default rates are adjusted. At each reporting date, the observable historical default rates are updated and the effects of changes in the estimates are accounted for.

The assessment of the relation between observable historical default rates, the forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected

credit losses is sensitive to changes in circumstances and forecast conditions. The Company's historical credit closes and the forecast economic conditions may deviate from actual collection rates in the future.

Regarding cash

In order to calculate expected credit losses for cash and cash equivalents at banks, the Company applies a „three-stage” impairment model established by IFRS 9. For this purpose it applies a rating model by using the banks' ratings as determined by internationally recognised rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg. Based on this, on the one hand, public data is used for the PD (probability of default) of the respective bank, and on the other hand, based on the change in a bank's rating, the Company determines the presence of increased credit risk. Loss given default is measured based on a formula to calculate expected credit losses, taking into consideration any guaranteed and/or secured amounts in the respective bank accounts.

The Company's management has conducted analysis and has determined that cash and cash equivalents contain a small expected credit loss, and has decided to not account for it in the financial statements.

2.28.3. Recognition and measurement of provisions

Quotas for greenhouse gases

At the end of each reporting period, the Company reports issued quantities of quotas for greenhouse gases. In case of shortage of quotas, the Company recognises a provision for the current liability for settlement of verified quotas. The provision amount is determined as the quantity of shortage (the difference between the free quotas and the actual emissions of gases for the reporting period) of quotas, verified via a special document – Report on annual emission quotas, are valued at current market price at the reporting date while the changes in the liability amount are recognised in the statement of comprehensive income (within profit or loss for the year).

Production waste repositories

The Company has recognised a provision for closing-down of industrial waste repositories (landfills) and for recultivation of the terrain based on the simultaneous existence of:

- legal obligation by virtue of §4, Para of the transitional and final provisions of Ordinance 6 dated 27 August 2013 and Art. 14 of Directive 1999/31/EC on discontinuing operation, closure and/or alignment of existing waste landfills, and
- plan for rendering the repository in line with the legal requirements, which has been approved in terms of types of activities and terms and forecasted values by the Ministry of Environment and Water in accordance with the requirements of the above Ordinance.

In order to determine the amount of the provision, the Company has assigned certified experts-ecologists to prepare an estimate of costs by type of activity necessary for the execution of the obligation and to issue a special purpose report and a budget account. The amounts expected to be utilised over a period longer than one year are discounted. The discount rate is determined based on the average interest rate of the Company's long-term investment loans.

2.28.4. Impairment of inventories

At the end of each financial year, the Company reviews the state, useful life and usability of the existing inventories. When the companies identify inventories the assessment of which shows that it is highly

probable for them to be not realised at their current carrying amount in the following reporting periods, these inventories are impaired to net realisable value. As a result of annual review, impairment of inventories has been stated at the amount of BGN 331 thousand (*Note 9*).

2.28.5. Actuarial calculations

Calculations of certified actuaries have been used every year when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor (*Note 29*).

2.28.6. Impairment of investments in subsidiaries

The management makes an analysis and an assessment on whether indications for impairment of Company's investments in subsidiaries exist. The following are accepted as indicators for impairment: significant reduction in the volume or discontinuing of investee's operations; reporting of losses for a longer period of time, as well as stating of negative net assets or assets at an amount below the registered share capital.

The tests and assessments of the management on the impairment of investments have been made through the prism of its plans and intents as to the future economic benefits, which are expected from the subsidiaries, including trade benefits and production experience, position on foreign markets, expectations for future sales, etc.

For this purpose, different scenarios of the forecasts are done, which incorporate differing assumptions for the risks, uncertainties and probabilities for the future realization of the cash flows and earnings from these investments. These scenarios are carefully analysed by the Management and the results from them are weighted in the calculations of the recoverable value of the investments.

2.28.7. Impairment of non-current tangible and intangible assets

At the end of each financial year, the Company reviews non-current tangible and intangible assets for impairment. Upon the review, the factors considered are related to: plans for the use of the respective assets, their physical condition and fitness for use, impact of statutory requirements, negative impact of changes in the business environment, etc. As a result of this review, the management determines if conditions exist for impairment and if such conditions are present, the Company states an impairment expense for long-term tangible and intangible assets in the statement of comprehensive income (within profit or loss for the year).

As a result of the annual review performed, impairment has been stated of buildings and equipment for which a decision was made in the reporting period that they will not be used in the Company's operations, at the amount of BGN 349 thousand, as well as impairment of a building which is currently not being actively used, at the amount of BGN 171 thousand (*Note 10*).

2.28.8. Recognition of tax assets

Upon recognition of deferred tax assets by the Company's management, the probability of separate deductible temporary differences to reverse in the future and the Company's perspective possibility to generate sufficient tax profits to offset these profits are assessed.

In the prior reporting periods the Company stated tax losses for which no deferred tax assets have been recognised. The management has determined that an uncertainty exists as to whether and to what extent within the legal term for tax loss carry forward (5 years) it will generate sufficient taxable profit. Therefore, a more conservative approach was applied and no assets were recognised for deferred tax related to tax losses. Moreover, no assets were recognised for deferred taxes related to the impairment of investments in and receivables from subsidiaries, since the management has determined it is improbable that the temporary difference will arise in the foreseeable future (*Note 18*).

The Company has recognised a deferred tax asset in relation to the depreciation, amortisation and impairment of non-current tangible and intangible assets, as it has determined that there is no legally defined timeframe for the reversal of the temporary difference and that it will be able to use this temporary difference in the future.

For the remaining deferred tax assets recognised the Company performs an impairment review for impairment, as far as there is no legally set term for the reversal of temporary differences, and in the future, they may be offset against future gains or taxable temporary differences.

2.28.9. Related to leases

Upon identification and classification of a lease or a lease component of a contract, the Company's management makes a number of important judgements:

- whether there is a lease, i.e. whether the contract contains an identifiable asset and whether it transfers the right of control over this asset for the contract term;
- determining the lease term;
- determining leases' incremental interest rate.

The management has analysed the leases concluded and has determined there are 13 leases containing identified assets and that these transfer control over the asset used over the lease term. The identified assets under these leases are:

- office rental;
- shop rental;
- parking lot rental;
- train carriages rental;
- car leases – seven leases of motor vehicles;
- telescopic telehandler – two leases.

Upon determining the lease term, the management has considered the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Regarding these options and the probability of their exercising or non-exercising, the management has considered a number of factors, such as: the significance of the asset for the Company's operation, costs related to termination of the lease and identifying a new asset for the Company's needs, prior experience with such assets and lessor, etc.

For three of the leases (office, shop, parking lot), the Company has determined that their term is the term set in the lease – 5 years, as far as: there is no extension option, there are possibilities for early termination of the lease in case of non-payment, with the parties' mutual consent, etc., but the management determines that no early termination is planned at this stage. For one of the leases (train carriages) the lease term has been determined by the management to be 2 years based on previous experience, as far as the Company's practice is to renegotiate the use of carriages on an annual basis.

With regard to the car leases, the lease term is determined on the basis of the term specified in the contracts - 60 months, with no option for extension.

Upon occurrence of an important event or a significant change in the circumstances under the Company's control which concern the extension/termination options, it reassesses the lease term.

The Company has determined the incremental interest rate of leases based on the analysis of the interest rates of long term bank loans received.

As at the date of the financial statements, the Company's management performs an impairment review of right-of-use assets. If indicators exist that the approximate recoverable amount is lower than their carrying amount, the latter is impaired to the recoverable amount of assets.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers includes:

	<i>2021</i> <i>BGN '000</i>	<i>2020</i> <i>BGN '000</i>
Domestic market sales of finished products	183,214	112,722
Export of finished products	167,188	106,446
Revenue from the sales of goods	24	65
Revenue from the sales of services	17	17
	350,443	219,250

Sales by product – domestic market

	<i>2021</i> <i>BGN '000</i>	<i>2020</i> <i>BGN '000</i>
Ammonium Nitrate – EC Fertilizer	165,368	107,372
Ammonia	16,981	3,755
Ammonia water	347	303
Ammonium Hydrogen carbonate	177	154
Nitric Acid	166	221
NPK EC Fertilizer	88	158
Sodium Nitrate	32	534
Oxygen	29	11
Carbon dioxide	5	193
Other	21	21
	183,214	112,722

Sales by product – export

	<i>2021</i> <i>BGN '000</i>	<i>2020</i> <i>BGN '000</i>
Ammonium Nitrate – EC Fertilizer	108,200	80,732
Ammonia	55,834	20,603
Ammonium Hydrogen carbonate	3,068	3,052
Ammonia Water	86	24
Sodium Nitrate	-	2,026
Nitric Acid	-	9
	167,188	106,446

The allocation of product sales by markets is as follows:

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Europe (including Bulgaria)	248,221	144,529
Europe (including Turkey)	91,115	66,878
Asia and Africa	11,066	7,761
	350,402	219,168

Information on major clients

The total revenue from transaction with the largest clients of the Company is as follows:

Client	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Client 1	156,513	96,154
Client 2	47,152	26,270
Client 3	15,603	20,263
Client 4	15,146	-
Client 5	12,190	2,296
Client 6	8,703	4,555
Client 7	8,669	-
Client 8	8,484	3,987
Client 9	7,773	10,157
Client10	7,297	-

Revenue for 2021 includes revenue at the amount of BGN 9,639 thousand which was recognised as contract liabilities at the beginning of the reporting year.

Performance obligations under contracts with customers

The obligations are disclosed in detail in *Note 2.6.3*.

All unsatisfied and/or partially satisfied performance obligations of the Company as at 31 December 2021 are under contracts with estimated delivery period of one year or less.

Contract balances

	<i>2021</i> <i>BGN '000</i>	<i>2020</i> <i>BGN '000</i>
Receivables under contracts with customers – third parties, net of impairment (<i>Note 21</i>)	1,877	1,785
Receivables under contracts with customers – related parties, net of impairment (<i>Note 20</i>)	-	281
Liabilities under contracts with customers – related parties (<i>Note 32</i>)	10,799	9,162
Liabilities under contracts with customers – third parties (<i>Note 32</i>)	7,882	477

The receivables under contracts with customers – third parties marked an insignificant increase, which is the result mainly of higher selling prices of products at the end of the reporting period. The receivables under contracts with customers – related parties are decreasing mainly due to the improved collection of receivables.

Liabilities under contracts with customers – related parties and third parties, include advance payments from customers in relation to sales of finished products.

The change in contract liabilities in 2021 is as follows:

Contract liabilities	<i>2021</i> <i>BGN'000</i>	<i>2020</i> <i>BGN'000</i>
<i>Balance at 1 January (Note 32)</i>	<u>9,639</u>	<u>12,230</u>
Revenue stated which has been recognised as contract liabilities	(9,639)	(12,230)
Received payments from customers (excluding those recognised as revenue over the period)	<u>18,681</u>	<u>9,639</u>
<i>Balance at 31 December</i>	<u><u>18,681</u></u>	<u><u>9,639</u></u>

The service revenue at the amount of BGN 17 thousand is from the provision of IT services (31 December 2020: BGN 17 thousand).

Revenue from the sale of goods at the amount of BGN 24 thousand is mostly from the sale of fertilizers, preparations, etc. (2020: BGN 65 thousand).

4. OTHER OPERATING INCOME, NET

	<i>2021</i> <i>BGN '000</i>	<i>2020</i> <i>BGN '000</i>
Government grants	2,996	442
Revenue from the sales of materials	1,390	1,407
Carrying amount of the materials sold	(707)	(485)
<i>Gain on sales of materials</i>	683	922
Revenue from sale of natural gas	1,161	2
Carrying amount of the natural gas sold	(1,200)	(3)
<i>Loss on sale of natural gas</i>	(39)	(1)
Revenue from sale of PPE	378	28
Carrying amount of PPE sold	(177)	(3)
<i>Gain on sale of PPE</i>	201	25
Revenue from sale of non-current assets held for sale	-	388
Carrying amount of sold non-current assets held for sale	-	(386)
<i>Gain on sale of non-current assets held for sale</i>	-	2
Revenue from liquidation of PPE	411	452
Rental income	291	290
Transport services	240	22
Assets excess	224	7
Reversed impairment of inventories	71	-
Insurance indemnities	58	1
Occupational health service	36	47
Industrial services	32	46
Payables written-off	25	11
Manoeuvre services	23	-
Foreign exchange gains / (losses)	17	(334)
Bonus from a mobile operator	4	11
Released provision accrued in prior periods	4	-
Revenue from decrease of price gas for year 2019	-	5,275
Reversed impairment of advances for supplies	-	27
Other	60	227
	5,337	7,472

Government grants comprise mainly:

- Funding under “Programme to compensate non-household end electricity users” at the amount of BGN 2,649 thousand (2020: none), recognized for the October-December 2021 period. The programme was approved by the country’s government due to the increase in energy prices, which poses challenges for the business that is already adversely affected by the economic consequences of the COVID-19 pandemic. The fixed amount of the compensation is 110 BGN/MWh. . The programme was initially for electricity payment compensation for October and November 2021, and was subsequently extended for December 2021;

- Electricity grant at the amount of BGN 159 thousand (2020: BGN 388 thousand) constituting a government grant to alleviate the burden related to renewable energy sources for which

the Company applied pursuant to the Ordinance on alleviating the burden related to renewable energy sources-related costs. The programme ended as at 30 June 2021;

- Funding under operational programmes for projects related to the Company's energy efficiency, at the amount of BGN 37 thousand (2020: BGN 37 thousand) (*Note 30*).

The remaining portion of grants is related to human resources operational programmes.

The gain on sale of materials includes:

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Metal scrap material	575	839
Potassium chloride	40	1
Processed oil	13	12
Ammonium sulphate	-	(13)
Other	55	83
	<u>683</u>	<u>922</u>

Income on natural gas sale

As part of its operations, the Company purchases and sells natural gas, for which it has been issued a license from the Energy and Water Regulatory Commission (*Note 15*). These transactions are accompanying in nature and are not treated as a major and key business activity for the Company.

The assets held for sale sold in 2020 constitute buildings (apartments, garages and basements) classified as held-for-sale by management in year 2019.

Revenue in 2020 from decrease of the natural gas price

In the beginning of March 2020, an annex was signed to the contract between Bulgargas EAD and OOO Gazprom Export (Russia) concerning a new natural gas price formation, as well as the recovery of amounts to Bulgargas EAD backdated. According to an amendment to the Energy Act dated 24 April 2020, a mechanism was approved for recovery for amounts paid in excess for the period from 05.08.2019 to 31.03.2020. The amount reimbursed to the Company for the period from 05.08.2019 to 31.12.2019, at the amount of BGN 5,275 thousand, was carried to the 2020 financial result as other operating income, in as far as it refers to a prior period. The amount reimbursed to the Company for the period from 1 January 2020 to 31 March 2020, at the amount of BGN 9,245 thousand, was stated as a decrease in cost of materials, due to the change in the delivery price of the main raw material, respectively, as a decrease in the cost of finished products (*Note 5*).

5. RAW MATERIALS AND CONSUMABLES USED*Expenses on materials* include:

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Basic raw materials and consumables	209,300	117,125
Fuel and energy	20,830	13,198
Auxiliary materials	1,027	996
Spare parts	903	723
Other materials	259	170
	232,319	132,212

Basic raw materials and consumables include:

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Natural gas	200,545	105,920
Packaging	3,905	4,755
Precious metals	1,392	1,624
Lubricants	1,058	1,138
Magnesite	937	1,151
Sodium hydroxide	393	417
Diethanolamine	391	-
Sulphuric acid	195	188
Catalysts	130	148
Magnesium bicarbonate	65	85
Quicklime	65	76
Antifoaming agent	38	53
Diammonium phosphate	26	30
Potassium chloride	17	37
Ammonium phosphate	10	40
Methyl diethanolamine	30	476
Calcinated soda	-	802
Other raw materials and consumables	103	185
	209,300	117,125

Due to the backdated change in the natural gas price in 2020 for the period from 1 January 2020 to 31 March 2020, the amount of BGN 9,245 thousand has been stated as a decrease in the cost of materials.

Natural gas expenses over the reporting year increased compared to the previous one by BGN 94,625 thousand, which is mainly related to: an increase in costs due to an increase in natural gas price – BGN 94,945 thousand, due to a decrease in the gas volumes used – BGN 320 thousand (2020: a decrease by BGN 55,041 thousand, related to a decrease resulting from the change in natural gas price – BGN 55,177 thousand, decrease in the natural gas price for the period from 1 January 2020 to 31 March 2020 under

contracts with Bulgargas EAD – BGN 9,245 thousand and an increase due to increase in the gas volumes used – BGN 9,381 thousand).

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2021 BGN '000	2020 BGN '000
Transportation	6,738	9,487
Repairs of PPE	4,309	3,332
Ocean freight	1,518	3,828
Security	1,200	1,200
Insurance	1,107	1,202
Cargo handling costs	769	884
Fire safety	718	718
Taxes and charges	570	609
Cleaning and landscaping	410	308
Porters' and port costs	386	546
Subscribed servicing and technical control	334	538
Consulting services	295	183
Communications	190	164
Bank fees	154	178
Spedition fees	95	26
Advertising	66	15
Waste recovery/disposal	59	65
Control of goods	58	49
Training courses	16	6
Civil contracts and fees	9	42
Leases	38	8
Dismantling of buildings and facilities	1	109
Demurrage	-	12
Other services	297	170
	<u>19,337</u>	<u>23,679</u>

The accrued expenses for 2021 for statutory audit amount to a total of BGN 143 thousand, including BGN 88 thousand in relation to audit for year 2020 and BGN 55 thousand for audit for year 2021 (2020: 142 thousand, including BGN 87 thousand in relation to audit for 2019 and BGN 55 thousand in relation to audit for 2020). agreed-upon procedures: pursuant to Ordinance E-PД-04-06 dated 28.09.2016 on reducing the burden related to expenses for energy from renewable sources for the sixth price – none (2020: BGN 3 thousand, for fifth price period). The contracted amount for audit of 2021 is BGN 149 thousand.

7. EMPLOYEE BENEFITS EXPENSE*Personnel costs include:*

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Salaries and other remuneration	19,573	19,883
Social security contributions	4,086	4,169
Food for personnel	1,199	1,043
Accruals for long-term payables to personnel (<i>Note 29</i>)	272	365
	<u>25,130</u>	<u>25,460</u>

Remuneration costs include:

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Current wages and salaries	19,702	19,754
(Reversed)/accrued amounts for unused paid leaves	(129)	129
	<u>19,573</u>	<u>19,883</u>

Social security contributions include:

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Social security contributions	4,116	4,138
(Reversed)/accrued amounts for state social security on unused paid leaves	(30)	31
	<u>4,086</u>	<u>4,169</u>

8. (ACCRUED)/REVERSED IMPAIRMENT OF FINANCIAL ASSETS, NET*Impairment of financial assets and contract assets, net:*

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Credit losses accrued – related parties	(17)	(117)
Reversed credit losses – related parties	139	649
Credit losses accrued – third parties	(612)	(202)
Reversed credit losses – third parties	83	136
	<u>(407)</u>	<u>466</u>

9. OTHER OPERATING EXPENSES*Other operating expenses* include:

	<i>2021</i>	<i>2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Carbon emissions written-off (hazardous gas quotas – current year)	22,377	11,557
Provision for carbon emissions (hazardous gas quotas – current year) (<i>Note 28</i>)	-	118
Price difference in the purchase of provision for carbon emissions in prior years	-	(1,588)
<i>Carbon emissions expenses</i>	22,377	10,087
Impairment of inventories	331	427
Remuneration to BD members – legal entities and natural persons	194	146
Accruals related to provisions (<i>Note 28</i>)	182	519
Unrecognised VAT credit	29	40
Entertainment costs	26	10
Carrying value of the goods sold	17	25
Shortage and scrappage of materials and finished products	17	20
Business trips	10	22
Fines and penalties under natural gas contract	1	264
Environmental pollution sanctions	-	38
Other	11	20
	818	1,531
	23,195	11,618

Carbon emissions expense

In performing its operations, the Company generates carbon emissions. In 2021, the emission quotas' price has increased as compared to prior periods from 32.54 EUR (63.64 BGN) as at 31 December 2020 to 79.96 EUR (156.39 BGN) as at 31 December 2021. The increase in the quota prices impacts the cost of products.

As at 31 December 2021, the Company did not accrue a provision for carbon emission quota, since it had available purchased and free quotas exceeding the number of quotas due for the year. These will be used to cover the Company's obligations in the next reporting period (*Note 15*). At 31 December 2020, the price at which the provision was measured was BGN 64.15 per carbon quota (based on the exchange purchase price of the quotas repaying the obligation) (*Note 21*).

Impairment of inventories

The expenses for impairment of inventories include impairment of materials at the amount of BGN 331 thousand (2020: impairment of materials: BGN 426 thousand, and impairment of finished products – BGN 1 thousand). Over the current period, impairment of materials was stated, of auxiliary materials,

spare parts and other materials, due to obsolescence and moral depreciation, which will not be used in operations.

10. IMPAIRMENT AND DERECOGNITION OF NON-CURRENT ASSETS

The impairment and derecognition of non-current assets are as follows:

	2021	2020
	BGN '000	BGN '000
Impairment of PPE	520	856
PPE written-off	63	65
Reversed impairment of expenses for PPE acquisition	(7)	(46)
	<u>576</u>	<u>875</u>

As at 31 December 2021 the Company has impaired non-current tangible assets that are not actively used in the Company's activity or will not be used. As at 31 December 2020 the Company has impaired non-current tangible assets, which the management has made a decision to use in the Company's activity.

11. FINANCE COSTS

The finance costs constitute:

	2021	2020
	BGN '000	BGN '000
Interest costs on right-of-use assets	33	21
Interest costs on bank loans received	241	411
Interest costs on cash in bank accounts	142	-
	<u>416</u>	<u>432</u>

12. INCOME TAX EXPENSE

Statement of comprehensive income (profit or loss for the year)

	2021	2020
	BGN '000	BGN '000
Tax profit for the year as per return	48,727	-
Current income tax for the year – 10% (2020: 10%)	(4,873)	-

Deferred income taxes

Related to origination and reversal of temporary differences	(28)	(556)
Total expense from income tax recognised in the statement of comprehensive income (profit or loss for the year)	<u>(4,901)</u>	<u>(556)</u>

Reconciliation of income tax expense applicable to the accounting profit or loss:

	<i>2021</i> <i>BGN '000</i>	<i>2020</i> <i>BGN '000</i>
<i>Accounting profit/(loss) for the year</i>	<u>52,619</u>	<u>15,701</u>
Income tax (expense)/savings – 10% (2020: 10%)	(5,262)	(1,570)
<i>Non-deductible amounts under tax return</i>		
Related to increases – BGN 45 thousand (2020: BGN 77 thousand)	(4)	(8)
Recognition of amounts for which no deferred tax assets were previously recognised	365	1,022
Total (expense)/saving from income tax carried to the statement of comprehensive income (within profit or loss for the year)	(4,901)	(556)
Effective tax rate	<u>9.31%</u>	<u>3.54%</u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Other comprehensive income

Other comprehensive income includes only components which will not be reclassified to profit or loss – the effects of subsequent retirement benefit plans. No tax effect has been accounted for, because according to the applicable legislation, a tax effect shall only occur for the amounts which are effectively accounted for through the financial result.

13. NET PROFIT PER SHARE

	<i>2021</i> <i>BGN '000</i>	<i>2020</i> <i>BGN '000</i>
Weighted average number of shares based on days	2,585,964	2,585,964
Profit for the year (BGN'000)	47,718	15,145
Net profit per share (BGN)	18.45	5.86

14. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i>		<i>Plant and equipment</i>		<i>Motor vehicles</i>		<i>Other</i>		<i>PPE and IA in progress</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2021</i>
	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>	<i>BGN'000</i>
<i>Book value</i>												
Balance on 1 January	24,509	24,783	183,524	178,215	9,782	8,698	1,149	1,161	521	3,044	219,485	215,901
Additions	-	-	-	-	655	1,166	-	-	2,315	3,535	2,970	4,701
Disposals	(256)	(1)	(409)	(692)	(230)	(82)	(17)	(29)	-	-	(912)	(804)
Transfer from expenses to additions	-	(313)	-	-	-	-	-	-	-	-	-	(313)
Transfer from acquisition costs	-	40	2,014	6,001	-	-	23	17	(2,037)	(6,058)	-	-
Balance at 31 December 2021	24,253	24,509	185,129	183,524	10,207	9,782	1,155	1,149	799	521	221,543	219,485
<i>Accumulated depreciation</i>												
Balance on 1 January	12,434	11,340	127,893	118,893	7,996	7,612	1,101	1,094	15	61	149,439	139,000
Depreciation charge for the year	685	809	9,026	9,126	535	466	27	34	-	-	10,273	10,435
Impairment charged	288	356	232	499	-	-	-	1	-	-	520	856
Transfer to non-current assets held for sale	-	(71)	-	-	-	-	-	-	-	-	-	(71)
Impairment written-off	(3)	-	(110)	(56)	-	-	(2)	-	(8)	(46)	(123)	(102)
Depreciation written-off	(67)	-	(244)	(569)	(230)	(82)	(15)	(28)	-	-	(556)	(679)
Balance at 31 December 2021	13,337	12,434	136,797	127,893	8,301	7,996	1,111	1,101	7	15	159,553	149,439
Carrying amount on 31 December 2021	10,916	12,075	48,332	55,631	1,906	1,786	44	48	792	506	61,990	70,046
Carrying amount on 1 January	12,075	13,443	55,631	59,322	1,786	1,086	48	67	506	2,983	70,046	76,901

Company's tangible fixed assets as at 31 December 2021 include land at the amount of BGN 3,630 thousand (31 December 2020: BGN 3,630 thousand) and buildings of carrying amount BGN 7,286 thousand (31 December 2020: BGN 8,445 thousand).

As at 31 December 2021, buildings include flats, garages and basements, regarding which the Company's management has made a principal decision for sale, but it is unclear when these would be sold; the carrying amount thereof is BGN 269 thousand (31 December 2020: BGN 443 thousand).

Tangible fixed assets as at 31 December 2021 include assets of book value BGN 56,213 thousand, which have been fully depreciated but still in use in Company's activities (31 December 2020: BGN 50,556 thousand).

As at 31 December 2021 there are contractual mortgages of immovable property with a carrying amount of BGN 4,460 thousand (31 December 2020: BGN 4,803 thousand) and a pledge on machinery and

equipment with a carrying amount of BGN 8,111 thousand (31 December 2020: BGN 9,458 thousand) established as collateral under used bank loans (*Note 26*).

As at 31 December 2021, the expense for fixed assets additions include advances to suppliers at the amount of BGN 191 thousand (31 December 2020: BGN 189 thousand) and ongoing projects at the amount of BGN 601 thousand (31 December 2020: BGN 317 thousand).

The ongoing projects are as follows:

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Delivery and installation of screw compressor for unit 620	201	-
Meters, pipelines, stop valves for liquid and gas ammonia	123	-
Development of a human resource management system based on the BORA BUSINESS SUITE software	70	70
Modernisation of the revolution regulation system of turbo compressor pos.403 at unit 608	70	22
Replacement of 2 pumps with magnet coupling	46	-
Blocking system along axis dislocation of KMA2 compressors and turbines	28	-
Restoration of the roof of KBC building with id 21052.1012.52.136	22	-
Condensation pump position 928A	10	-
Replacement of operator station at Controller S7-400 Siemens	-	30
Replacement of a nitrogen acid pump H-30/3	-	91
Replacement of support systems of catalyst networks of contactor 2	-	28
Deflamgator	-	66
Other	38	25
Impairment of expenses for PPE acquisition	(7)	(15)
	601	317

15. INTANGIBLE ASSETS

	<i>Software and licenses</i>	<i>Carbon emission quotas</i>
<i>Book value</i>		
On 1 January 2020	1,073	-
Additions	6	11,557
Disposals	-	(11,557)
31 December 2020	1,079	-
Additions	23	23,616
Disposals	-	(22,495)
31 December 2021	1,102	1,121
<i>Accumulated amortisation and impairment</i>		
On 1 January 2020	998	-
Amortisation charge for the year	43	-
Amortisation written-off	-	-
31 December 2020	1,041	-
Amortisation charge for the year	27	-
Amortisation written-off	-	-
31 December 2021	1,068	-
Carrying amount on 31 December 2020	38	-
Carrying amount on 31 December 2021	34	1,121
non-current assets	34	-
current intangible assets	-	1,121

Natural gas trade license

In 2021 the Energy and Water Regulatory Commission issued a natural gas trade license to the Company. The acquisition price is BGN 15 thousand.

Greenhouse gas emissions

In 2021, the Company purchased 262 thousand quotas of emissions at the amount of BGN 23,616 thousand (2020: 295 thousand quotas of emissions at the amount of BGN 13,482). As at 31 December 2021 the Company has 7,682 outstanding carbon emission quotas, which it will use in 2022.

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Balance at the beginning of the year	-	-
Newly acquired	23,616	13,482
Written-off as current expense (Note 9)	(22,377)	(11,557)
Written-off in relation to provision (Note 9)	(118)	(1,925)
Balance at the end of the year	1,121	-

16. RIGHT-OF-USE ASSETS

The Company has non-cancellable commitments under leases and recognises right-of-use assets:

	<i>Real estate</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Book value			
<i>1 January 2020</i>	519	1,021	1,540
Increases/additions	-	559	559
Decreases/disposals	-	(50)	(50)
<i>31 December 2020</i>	519	1,530	2,049
Increases/additions	-	865	865
Decreases/disposals	-	(620)	(620)
Balance at 31 December 2021	519	1,775	2,294
Accumulated depreciation			
<i>Balance at 1 January 2020</i>			
Depreciation charge for the period	90	424	514
Depreciation written-off	91	445	536
<i>Balance at 31 December 2020</i>	-	(50)	(50)
Depreciation charge for the period	181	819	1,000
Depreciation written-off	97	614	711
<i>Balance at 31 December 2021</i>	-	(620)	(620)
	278	813	1,091
Carrying amount at 1 January 2020	338	711	1,049
Carrying amount at 31 December 2021	241	962	1,203

Company's leases

The Company rents real estate properties (offices and a parking lot) and motor vehicles (cars and rail vehicles). Lease assets may not be used as collateral in other contracts.

17. INVESTMENTS IN SUBSIDIARIES

<i>Company name</i>	<i>Location of registration</i>	<i>Carrying amount</i>	<i>% of interest</i>	<i>Carrying amount</i>	<i>% of interest</i>
		<i>31.12.2021</i>		<i>31.12.2020</i>	
		<i>BGN '000</i>		<i>BGN '000</i>	
Neochim Tarim Ltd.	Turkey	83	99.92	83	99.92
Neochim Protect EOOD	Bulgaria	5	100	5	100
		88		88	

- Neochim Tarim Ltd., Odrin, Turkey – import, export and local trade in all types of chemical fertilizers. Date of acquisition – 15 October 2012. The company was acquired through incorporation. Neochim Tarim Ltd. is the legal successor of Neochim Gübre Ltd., which was deleted and was merged into Neochim Tarim Ltd. on 17 September 2018.
- Neochim Protect EOOD, Dimitrovgrad – safeguarding property of legal entities, buildings, premises and offices; safeguarding physical persons and their property and others. Date of acquisition – 24 April 2002 through incorporation.

18. DEFERRED TAX ASSETS

Deferred income taxes as at 31 December are related to the following items of the statement of financial position:

	<i>temporary difference</i>	<i>tax</i>	<i>temporary difference</i>	<i>Tax</i>
	<i>31.12.2021</i>	<i>31.12.2021</i>	<i>31.12.2020</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment, including from:	8,219	822	9,178	918
*Land revaluation upon transition to IFRS	46	(5)	46	(5)
*Impairment of buildings, machines, facilities and equipment	4,696	470	4,289	429
*Impairment of expenses for PPE acquisition and advance payments	7	1	15	1
Impairment of intangible assets	148	15	148	15
Impairment of inventories	2,972	297	2,730	273
Provision for emissions (quotas for harmful gases)	-	-	118	12
Accruals for retirement benefit obligations to personnel	565	56	658	66
Accruals for unpaid benefits to physical persons and legal entities	919	92	743	74
Provision for repositories recultivation	732	73	558	56
Impairment of advances for supplies	8	1	8	1
Right-of-use assets	80	8	32	3
Accruals for unused paid leaves	96	10	255	25
Provisions for credit losses	857	86	451	45
Total deferred tax assets	14,596	1,460	14,879	1,488

The movements within deferred tax assets and liabilities are presented below:

<i>Deferred tax assets/(liabilities)</i>	<i>Balance at 1 January 2021</i>	<i>Recognised in profit or loss for the year</i>	<i>Balance at 31 December 2021</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment	918	(96)	822
Impairment of intangible assets	15	-	15
Provision for emissions (greenhouse gas quotas)	12	(12)	-
Accruals for retirement benefit obligations to personnel	66	(10)	56
Impairment of inventories	273	24	297
Provision for remuneration of foreign physical and legal persons	56	17	73
Accruals for unused paid leaves	24	13	37
Accruals for unpaid benefits to local physical persons	25	(15)	10
Provision for repository costs	50	5	55
Provisions for credit losses on receivables	45	41	86
Impairment of advances for supplies	1	-	1
Right-of-use assets	3	5	8
Total tax assets	1,488	(28)	1,460

<i>Deferred tax assets/(liabilities)</i>	<i>Balance at 1 January 2020</i>	<i>Recognised in profit or loss for the year</i>	<i>Balance at 31 December 2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment	1,235	(317)	918
Impairment of intangible assets	15	-	15
Provision for emissions (greenhouse gas quotas)	351	(339)	12
Accruals for retirement benefit obligations to personnel	66	-	66
Impairment of inventories	269	4	273
Provision for repositories recultivation	4	52	56
Provision for remuneration of foreign physical and legal persons	35	(11)	24
Accruals for unused paid leaves	10	15	25
Accruals for unpaid benefits to local physical persons	25	25	50
Provisions for credit losses	30	15	45
Impairment of advances for suppliers	3	(2)	1
Right-of-use assets	1	2	3
Total tax assets	2,044	(556)	1,488

No deferred tax assets have been recognised for:

	<i>temporary difference</i>	<i>tax</i>	<i>temporary difference</i>	<i>Tax</i>
	<i>31.12.2021</i>	<i>31.12.2021</i>	<i>31.12.2020</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Impairment of investments in and receivables from subsidiaries	(18,386)	1,839	(20,754)	2,075
Deductible losses	-	-	(1,286)	129
Total	(18,386)	1,839	(22,040)	2,204

19. INVENTORIES

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Materials	19,174	19,239
Work in progress	6,478	2,969
Finished products	5,671	300
Goods	22	6
Main materials	262	503
	31,607	23,017

Materials include:

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Precious metals	7,055	7,993
Spare parts and bearings	6,047	5,391
Auxiliary materials	2,958	3,442
Basic materials	1,596	1,371
Packaging materials	984	668
Catalysts	160	4
Automobile tyres	33	35
Other materials	341	335
	19,174	19,239

Basic materials

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Magnesite	417	312
Potassium chloride	283	455
Lubricant	190	171
Diethanolamine	126	-
Monoammonium phosphate	122	3
Sodium hydroxide	95	28
Calcium carbonate	57	59
Quicklime	49	23
Chemicals catalysts	45	45
Methyl diethanolamine	-	30
Other	212	245
	1,596	1,371

<i>Finished products</i>	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Ammonium Nitrate – EC Fertilizer	5,577	69
Ammonium Hydrogen carbonate	78	204
Ammonia Water	13	18
Sodium Nitrate – technical grade	-	5
Other	3	4
	5,671	300

<i>Work in progress</i>	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Ammonia	5,870	2,709
Nitric Acid	391	206
Ammonium Nitrate	158	12
Other	59	42
	6,478	2,969

There are established pledges on inventories as at 31 December 2021 as collateral for used bank loans as follows:

- Precious metals – BGN 7,055 thousand (31 December 2020: BGN 7,993 thousand);
- Finished products (Ammonium Nitrate) – BGN 5,577 thousand (31 December 2020: BGN 69 thousand);
- Work in progress (Ammonia) – BGN 5,870 thousand (31 December 2020: BGN 2,260 thousand).

In the review of inventories available at 31 December, impairment of materials was stated (*Note 9*).

20. RECEIVABLES FROM RELATED PARTIES

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Receivables on sales in foreign currency	2,285	2,380
<i>incl. receivables under contract with customers in foreign currencies</i>	2,285	2,380
Provision for impairment of expected credit losses from uncollected receivables in foreign currencies	(2,285)	(2,109)
<i>incl. provision for impairment of credit losses on receivables under contracts with customers in foreign currencies</i>	(2,109)	(1,914)
<i>incl. effect of revaluation of foreign currency items</i>	(176)	(195)
Receivables from sales in BGN	18	149
<i>incl. receivables under contracts with customers in BGN</i>	17	149
Provision for impairment of expected credit losses on receivables in BGN	(17)	(139)
<i>incl. provision for impairment of credit losses on receivables under contracts with customers in BGN</i>	(17)	(139)
	<u>1</u>	<u>281</u>

The receivables from related parties at carrying amount are BGN 1 thousand (31 December 2020: are at carrying amount denominated in USD: USD 170 thousand – BGN 271 thousand and in BGN: BGN 10 thousand).

The receivables from related parties at carrying amount at 31 December 2021 include receivables from a main shareholder at the amount of BGN 1 thousand (31 December 2020: receivables from main shareholder – BGN 1 thousand, receivables from subsidiaries - BGN 271 thousand, receivables from the group of a shareholder with significant influence - BGN 9 thousand).

The Company has set a usual payment term for receivables from subsidiaries of up to 270 days, and from other related parties – up to 20 days.

The *age structure* of non-matured (regular) trade receivables from related parties is as follows:

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
up to 30 days	1	56
from 31 to 90 days	-	224
	<u>1</u>	<u>280</u>

The *age structure* of past due but not impaired trade receivables from related parties is as follows:

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
up to 30 days	-	-
from 31 to 180 days	-	-
from 180 to 365 days	17	1
over 365 days	2,285	2,248
Provision for impairment of credit losses	(2,302)	(2,248)
	<u>-</u>	<u>1</u>

The impairment model under IFRS 9 is based on recognition of impairment provisions based on “expected credit losses”. The Company applies the simplified approach under IFRS 9 to measure expected credit losses for trade receivables from related parties by recognizing expected lifetime losses for all receivables.

The table below provides summarised data about expected credit losses in the allowance (provision) for impairment of receivables from related parties:

31 December 2021	Regular	1 to 30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 365 days past due	Over 1 year past due	Total BGN'000
Expected average percentage of credit losses	-	-	-	-	100%	100%	99.96%
Trade receivables (gross carrying amount)	1	-	-	-	17	2,285	2,303
Expected credit loss	-	-	-	-	17	2,285	2,302

31 December 2020	Regular	1 to 30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 365 days past due	Over 1 year past due	Total BGN'000
Expected average percentage of credit losses	0.00%	-	-	-	-	100.00%	88.89%
Trade receivables (gross carrying amount)	280	-	-	-	1	2,248	2,529
Expected credit loss	-	-	-	-	-	2,248	2,248

Movement of the allowance for impairment:

<i>31.12.2021</i>	<i>31.12.2020</i>
<i>BGN '000</i>	<i>BGN '000</i>

Opening balance of the allowance for expected credit losses as at 1 January

2,248	2,974
--------------	--------------

Increase in the allowance for expected credit losses recognised within profit or loss for the year

17	117
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Decrease in the allowance for expected credit losses recognised within profit or loss for the year

(139)	(649)
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Effect of revaluation of foreign currency positions

176	(194)
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Balance at the end of the year

2,302	2,248
--------------	--------------

21. TRADE RECEIVABLES

<i>31.12.2021</i>	<i>31.12.2020</i>
<i>BGN '000</i>	<i>BGN '000</i>

Receivables on sales to foreign clients

2,959	2,228
-------	-------

incl. receivables under contracts with foreign clients

2,708	1,991
-------	-------

Provision for impairment of expected credit losses on receivables from foreign clients

(852)	(302)
-------	-------

incl. provision for impairment of expected credit losses on receivables from foreign clients

(828)	(293)
-------	-------

incl. effect of revaluation of foreign currency items

(24)	(9)
------	-----

Receivables on sales to local clients

75	118
----	-----

incl. receivables under contracts with local clients

24	98
----	----

Provision for impairment of expected credit losses on receivables from local clients

(5)	(2)
-----	-----

incl. provision for impairment of expected credit losses on receivables from local clients

(3)	(2)
-----	-----

2,177	2,042
--------------	--------------

Advances granted to local suppliers

2,283	3,862
-------	-------

Impairment of advances granted to local suppliers

(7)	(7)
-----	-----

Advances granted to foreign suppliers

118	677
-----	-----

4,571	6,574
--------------	--------------

Trade receivables and advances granted per currency type are as follows:

- in BGN – BGN 2,350 thousand (31 December 2020: BGN 3,972 thousand);
- in EUR – BGN 2,220 thousand (EUR 1,134 thousand) (31 December 2020: BGN 2,579 thousand (EUR 1,319 thousand);
- in USD – none (31 December 2020: BGN 11 thousand (USD 3 thousand).
- in RUB – BGN 1 thousand (RUB 16 thousand), (31 December 2020: BGN 12 thousand (RUB 416 thousand).

The Company usually negotiates full or partial advance payment with its customers, and for the cases without any advance payment, a credit period has been set to 90 days.

The age structure of non-matured (regular) trade receivables from sales is as follows:

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
up to 30 days	2,128	1,933
from 31 to 90 days	-	20
Provision for impairment of credit losses	(3)	-
	2,125	1,953

The age structure of past due trade receivables is as follows:

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
up to 30 days	37	10
from 31 to 90 days	14	68
from 91 to 180 days	5	4
from 181 to 365 days	-	97
over 365 days	850	214
Provision for impairment of credit losses	(854)	(304)
	52	89

The impairment model under IFRS 9 is based on recognition of impairment provisions based on “expected credit losses”. The Company applies the simplified approach under IFRS 9 to measure expected credit losses for trade receivables by recognizing expected lifetime losses for all trade receivables.

The table below provides summarised data about expected credit losses in the allowance (provision) for impairment of receivables from sales to clients as at 31 December 2021 and 31 December 2020:

31 December 2021	Regular	1 to 30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 365 days past due	Over 1 year past due	Total BGN'000
Expected average percentage of credit losses	0.14%	2.70%	14.29%	20.00%	-	100.00%	28.25%
Receivables under contracts with customers (gross carrying amount)	2,128	37	14	5	-	850	3,034
Expected credit loss	3	1	2	1	-	850	857

31 December 2020	Regular	1 to 30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 365 days past due	Over 1 year past due	Total BGN'000
Expected average percentage of credit losses	0.00%	0.00%	4.41%	0.00%	96.91%	96.73%	12.96%
Receivables under contracts with customers (gross carrying amount)	1,953	10	68	4	97	214	2,346
Expected credit loss	-	-	3	-	94	207	304

*Movement in the impairment allowance (provision):**31.12.2021**31.12.2020**BGN '000**BGN '000*

Opening balance of the allowance for expected credit losses at 1 January, calculated under IFRS 9

304**247**

Increase in the allowance for expected credit losses recognised within profit or loss for the year

612

202

Decrease in the allowance for expected credit losses recognised within profit or loss for the year

(83)

(136)

Effect of revaluation of foreign currency items

24

(9)

Balance at the end of the year**857****304**The *advances granted* as at 31 December are regular and are for the purchase of:*31.12.2021**31.12.2020**BGN '000**BGN '000*

Carbon emissions quotas

1,977

642

Materials

256

3,847

Services

161

43

2,394**4,532**

22. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
VAT refundable	2,796	-
Paid deposits and guarantees	786	401
Prepayments	600	599
Receivables under an Operational Programme	51	26
Court and awarded receivables	11	11
Impairment of court and awarded receivables	(1)	(1)
Other	25	13
	4,268	1,049

Prepayments are comprised of:

	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Insurance	506	513
Finance costs	37	46
Subscriptions	42	39
Other	15	1
	600	599

Prepaid finance costs constitute a one-off commission under a short-term credit line in a revolving loan of the amount of up to BGN 30,000. As at 31 December 2021 the Company has no payables under short-term loans (*Note 31*).

The main amounts stated as deposits paid constitute money transferred to guarantee payments to suppliers at the amount of BGN 761 thousand under contracts for:

- Purchase and sale of balancing natural gas – BGN 170 thousand (31 December 2020: BGN 170 thousand);
- Natural gas access and transit – BGN 290 thousand (31 December 2020: BGN 120 thousand);
- Operation on an organized exchange – BGN 80 thousand (31 December 2020: BGN 80 thousand);
- Access and transmission of electricity – BGN 221 thousand (31 December 2020: none).

23. CASH AND CASH EQUIVALENTS

	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Current accounts	71,135	17,474
Cash in hand	20	16
Cash and cash equivalents stated in the statement of cash flows	71,155	17,490

The cash available at 31 December 2021 is held at the Company's accounts in the following banks: UniCredit Bulbank AD, Central Cooperative Bank AD, and UBB AD.

Cash in current account is as follows: in BGN – BGN – 49,880 thousand (31 December 2020: BGN 11,540 thousand), in EUR – BGN 20,947 thousand (31 December 2020: BGN 2,490 thousand) and in USD – BGN 308 thousand (31 December 2020: BGN 3,444 thousand). Cash in hand is only in BGN.

As a result of the analyses made and the methodology applied to estimate expected credit losses for cash and cash equivalents, the management has determined that the impairment of cash and cash equivalent would be minimal. Therefore, the Company has not recognised a provision for the impairment of expected credit losses, at 31 December 2021 or at 31 December 2020.

24. NON-CURRENT ASSETS HELD FOR SALE

The Company states as non-current assets held for sale buildings (flats, garages and basements) for which a decision was made in 2019 by the Board of Directors to be sold, and for which the sale is determined as reasonably certain within a year.

	<i>Buildings</i> <i>2021</i> <i>BGN '000</i>	<i>Buildings</i> <i>2020</i> <i>BGN '000</i>
<i>Book value</i>		
Balance at 1 January	-	169
Transfer from PPE	-	313
Assets sold	-	(482)
Balance at 31 December	-	-
<i>Accumulated depreciation</i>		
Balance at 1 January	-	25
Transfer from PPE	-	71
Written-off depreciation of assets sold	-	(75)
Impairment written-off	-	(21)

Balance at 31 December	<u>-</u>	<u>-</u>
<i>Carrying amount at 1 January</i>	<u>-</u>	<u>-</u>
<i>Carrying amount at 31 December</i>	<u>-</u>	<u>-</u>

25. SHARE CAPITAL AND RESERVES

Share capital

As at 31 December 2021, the registered share capital of Neochim AD amounted to BGN 2,654 thousand, distributed in 2,654,358 ordinary, registered shares with right of vote, dividend and liquidation share with nominal value of BGN 1 per share.

The *treasury shares* are 68,394 at the amount of BGN 3,575 thousand (31 December 2020: 68,394 shares – BGN 3,575 thousand).

Statutory reserves (Reserve Fund) are set aside from distribution of profit in accordance with the Commercial Act and the Articles of Association of the Company.

The *component from remeasurement of defined benefit pension plan obligation* is formed in relation with the requirements of IAS 19 (Note 2.19).

The equity is at a significant amount, BGN 140,967 thousand, and exceeds its liabilities at the total amount of BGN 36,574 thousand. The Company repays its payables on a regular basis and has no past due payables as at the balance sheet date. It has good relations with the creditor banks, observes contractual loan conditions, and in case of need of short-term funding uses bank overdraft. According to the management, there are no adverse factors that might impact the Company's operations, except from the ones described in *Note 2.28*.

26. LONG-TERM BANK LOANS

	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Non-current payables under bank loans		
Bank loans	865	2,756
Deferred loan management and administration charges	-	-
	<u>865</u>	<u>2,756</u>
Current portion of long-term bank loans		
Bank loans	1,893	2,632
Deferred charges for loan management and administration	(10)	(20)
	<u>1,883</u>	<u>2,612</u>
Total payables under interest-bearing loans	<u>2,748</u>	<u>5,368</u>

The terms and conditions of the authorised loans are as follows:

<i>Loan</i>	<i>31.12.2021</i>	<i>31.12.2020</i>	<i>Contracted</i>	<i>Maturity</i>	<i>Interest rate</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>amount in</i>		
			<i>Currency</i>		
1	2,013	3,161	BGN 3,460 thousand	20.09.2023	ADI* plus 1.90% minimum 1.90%
2	735	2,207	BGN 5,900 thousand	20.06.2022	ADI* plus 1.90% minimum 1.90%
	2,748	5,368			

*ADI – Average Deposit Index

The funds were granted primarily for the purpose of repairs and renewal of production facilities for Ammonia and for the construction of the site “Covered area for temporary storage of chemical products, packaged mineral fertilisers and loading and unloading” at the Company.

Reconciliation of liabilities arising from financial activities

The table below details changes in liabilities arising from financial activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	01/01/2021	Changes in cash flows from financing activities	Non-cash changes New liabilities under leases and dividends accruals	Other changes	31/12/2021
	BGN'000	BGN'000	BGN'000		BGN'000
Bank loans, including short-term loans (Note 26, 31)	5,368	(2,628)	-	8	2,748
Leases (Note 27)	1,072	(705)	848	29	1,244
Dividends (Note 37)	71	(1,014)	1,035	(23)	69
Grants (Note 30)	75	-	(37)	-	38
	6,586	(4,347)	1,846	14	4,099

	01/01/2020	Changes in cash flows from financing activities	Non-cash changes <i>New liabilities under leases and dividends accruals</i>	Other changes	31/12/2020
	BGN'000	BGN'000	BGN'000		BGN'000
Bank loans, including short-term loans (Note 26, 31)	20,360	(15,033)	-	41	5,368
Leases (Note 27)	1,022	(530)	559	21	1,072
Dividends (Note 37)	72	(1)	-	-	71
Grants (Note 30)	112	-	(37)	-	75
	21,566	(15,564)	522	62	6,586

The long-term and short-term loans (*Note 26 and Note 31*) are secured with the following assets owned by the Company:

- real estate with carrying amount of BGN 4,460 thousand (31 December 2020: BGN 4,803 thousand) (Note 14);
- equipment with carrying amount of BGN 8,111 thousand (31 December 2020: BGN 9,458 thousand) (Note 14);
- precious metals with carrying amount of BGN 7,055 thousand (31 December 2020: BGN 7,993 thousand) (Note 19);
- finished products (ammonium nitrate) with carrying amount of BGN 5,577 thousand (31 December 2020: BGN 69 thousand) (Note 19);
- work in progress (ammonia) with carrying amount of BGN 5,870 thousand (31 December 2020: BGN 2,260 thousand) (Note 19);
- proceeds from future receivables under concluded sales contracts at the amount of up to BGN 60,000 thousand (31 December 2020: BGN 60,000 thousand).

27. LEASES

In the statement of financial position right of use of motor vehicles, real estate and rail vehicles are presented within "Right-of-use" assets (*Note 16*).

<i>Lease liabilities</i>	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Current	769	475
Non-current	475	597
	1,244	1,072

Maturity structure

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Year 1	789	496
Year 2	316	410
Year 3	100	120
Year 4	58	82
Year 5	11	-
	1,274	1,108

The Company is not faced with significant liquidity risk with respect to its lease liabilities. All lease liabilities are denominated in BGN.

The Company has lease liabilities to a related party – shareholder, at the amount of BGN 258 thousand, including non-current – BGN164 thousand, and current – 94 thousand (31 December 2020: BGN 335 thousand, including non-current – BGN 249 thousand, and current – BGN 86 thousand).

Expenses recognised in the statement of comprehensive income

	<i>Notes</i>	<i>2021</i>	<i>2020</i>
		<i>BGN'000</i>	<i>BGN'000</i>
Depreciation expense for right-of-use assets (IFRS 16)	<i>16</i>	711	536
Interest expense for lease liabilities – IFRS 16 (included within finance costs)	<i>11</i>	33	21
Expenses related to short-term leases (included in hired services expense) – IFRS 16	<i>6</i>	38	8
Revenue from real estate and moveable property leases	<i>4</i>	291	290

The total cash outflow for leases in 2021 amounts to BGN 743 thousand (2020: BGN 538 thousand), including leases related to right-of-use assets – BGN 705 thousand (2020: BGN 530 thousand) and under short term lease contracts – BGN 38 thousand (2020: BGN 8 thousand).

*Company's leases and reporting thereof**Lessee*

The Company leases real estate (office, shop and a parking lot) and transport vehicles (cars and rail vehicles). Leases are concluded for 2 to 5 years. Leases are negotiated on an individual basis and contain

a significant number of conditions and clauses. The leases do not contain compulsory indicators and ratios. Underlying right-of-use assets may not be used as collateral under other contracts.

Extension and termination options

The leases do not contain extension and termination options. The Company has determined for most of the lease that their term is the term set in the lease – 5 years, as far as: there is no extension option, there are possibilities for early termination of the lease in case of non-payment, with the parties' mutual consent, etc., but the management determines that no early termination is planned at this stage. For one of the leases (train carriages) the lease term has been determined by the management to be 2 years based on previous experience, as far as the Company's practice is to renegotiate the use of carriages on an annual basis (*Note 2.28*).

Short-term leases

The Company has elected the exemption from recognition of right-of-use assets and lease liabilities under the standard for short-term leases (leases whose term is up to 12 months, including from the date of commencement, without a purchase option).

Lessor

The Company has lease contracts as a lessor for the leasing of premises, apartments and equipment. The contracts have a residual term of 1 to 7 years, with the expected payments under the lease agreements, for which the Company is a lessor, as follows:

31 December 2021	Up to 1 year	1 to 3 years	3 to 7 years	Total
Expected payments	215	425	456	1,096
31 December 2020	Up to 1 year	1 to 3 years	3 to 7 years	Total
Expected payments	276	450	604	1,330

28. PROVISIONS

	<i>Provision for carbon emissions</i>		<i>Recultivation provision</i>		<i>Total</i>	
	<i>31.12.2021</i>	<i>31.12.20</i>	<i>31.12.20</i>	<i>31.12.20</i>	<i>31.12.20</i>	<i>31.12.20</i>
	<i>1</i>	<i>20</i>	<i>21</i>	<i>20</i>	<i>21</i>	<i>20</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Balance at 1 January	118	3,513	559	42	677	3,555
Accrued	-	118	182	519	182	637
Released	(118)	(3,513)	(9)	(2)	(127)	(3,515)
Balance at the end of the period	-	118	732	559	732	677
<i>including non-current portion</i>	-	-	725	553	725	553
<i>including current portion</i>	-	118	7	6	7	124

Provisions include:

- recultivation provisions, including:
 - provision for the obligation of alignment /closure/ of waste repositories and for recultivation and monitoring of these closed depositories. The provision for depositories used by the Company in prior periods (mainly monitoring costs) determined based on an expert assessment of the expected costs to fulfil the obligation, is BGN 55 thousand, and the present value at 31 December 2021, at which the provision is carried to the statement of financial position, is BGN 42 thousand (31 December 2020: BGN 41 thousand).
 - provision for closure and recultivation of new “Repository for hazardous and production non-hazardous solid waste on the territory of Neochim AD,” which the Company has been using since 2020. The amount of the provision, for the amount of expenses expected under the obligation for the new repository, has been determined based on an expert assessment and is BGN 1,013 thousand, and the amortised cost carried to the statement of financial position as at 31 December 2021 is BGN 690 thousand (31 December 2020: BGN 518 thousand). According to the developed plan, most of the cash outflows will take place in 2030 and 2045, respectively BGN 259 thousand and BGN 269 thousand.
 - The present value of the provision for all depositories has been calculated on the basis of the present value of all future cash payments discounted with interest of 2.03%;
- As at 31 December 2021 there is no provision for a liability to MOEW for carbon emissions, because the Company has available unused carbon emission quotas, respectively, has no obligation to cover carbon emissions (*Note 15*) (31 December 2020: provision at the amount of BGN 118 thousand).

Other long-term receivables

As other long-term receivables, the Company states BGN 41 thousand transferred in 2021 to a third parties' account opened by the Haskovo Regional Environmental Protection Directorate (2020: BGN 18 thousand). The transfers (deductions) refer to the commissioning in 2020 of "Repository for hazardous and production non-hazardous solid waste on the territory of Neochim AD". The transferred amounts constitute compensations in accordance with Ordinance No 7 on the procedure and method for calculation and determining the amount of compensations and deductions required for waste deposition and will be used by the Company in its recultivation and monitoring activities.

29. RETIREMENT BENEFIT OBLIGATIONS

The long-term retirement benefit obligations to personnel include the present value of Company's liability at the date of the statement of financial position to pay indemnities to individuals of its employees upon coming of age for retirement.

In accordance with the Labour Code in Bulgaria, every employee is entitled to an indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for the same employer for 10 years during the last 20 years of their service the indemnity amounts to six gross monthly salaries at the time of retirement. This is a defined benefits plan. (Note 2.19).

For the purpose of establishing the amount of these obligations to personnel, the Company has assigned an actuarial valuation by using the services of a certified actuary.

Movements in the present value of retirement benefit obligations to personnel are as follows:

	2021	2020
	BGN '000	BGN '000
Present value of the obligations at 1 January	2,573	2,506
Interest cost	5	9
Current service cost	297	325
Net actuarial (gain)/loss recognised for the period	(30)	31
Payments for the year	(366)	(367)
Remeasurement (gains)/ losses for the year, including:		
<i>Actuarial (gains)/ losses arising from changes in financial assumptions</i>	(154)	69
<i>Actuarial (gains)/losses arising from experience adjustments</i>	(53)	28
	<u>(101)</u>	<u>41</u>
Liability recognised in the statement of financial position at 31 December	<u>2,325</u>	<u>2,573</u>

The amounts of long-term retirement benefits of personnel accrued in the statement of comprehensive income are as follows:

	2021 BGN '000	2020 BGN '000
Current service cost	297	325
Interest cost	5	9
Net actuarial (gain)/loss recognised for the year	(30)	31
Components of defined benefit plan costs recognised in profit or loss	272	365
Actuarial (gains)/losses arising from changes in financial assumptions	(53)	28
Actuarial (gains)/losses arising from experience adjustments	(101)	41
Components of defined benefit plan costs recognised in other comprehensive income	(154)	69
Total	118	434

The actuarial (gains)/losses are changes in the present value of obligations to pay defined fixed income arising from:

- experience and actual adjustments resulted in an actuarial gain for 2021 at the amount of BGN 101 thousand. The impact of the changes in the actuarial assumptions – change in the discount percentage has resulted in a gain at the amount of BGN 53thousand. The change is due to the increase in interest rates on long-term government securities (with a 10-year maturity) at the time of preparing the valuation.

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2021:

- mortality rate – biometrical tables have been used in accordance with Art. 6, Para 2 of Ordinance No 19 on mortality, according to Decision No 919-POD dated 16 December 2020 of the Deputy Chairman of the FSC, head of Insurance Supervision division;
- staff turnover rate – from 0% to 23% for the five age groups formed with the Company.
- discount factor – the rate applied is based on the effective annual interest rate $i = 0.50\%$ (2020: $i = 0.20\%$). The assumption is based on yield data for long-term government securities with 10-year maturity.
- the assumption for the future level of working salaries is based on the information provided by the Company's management and amounts by year as follows:
 - for 2022 – growth of 20% against the level in 2021;
 - for 2023 – growth of 10% against the level in 2022;
 - for 2024 – growth of 5% against the level in 2023;
 - for 2025 – growth of 5% against the level in 2024;
 - for 2026 – growth of 5% against the level in 2025.

The assumption in the previous year was as follows:

- for 2021 – growth of 5% against the level in 2020;
- for 2022 – growth of 5% against the level in 2021;
- for 2023 – growth of 5% against the level in 2022;
- for 2024 – growth of 5% against the level in 2023;
- for 2025 – growth of 5% against the level in 2024.

This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The Company's management assesses them as follows:

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any increase in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years;
- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The sensitivity analysis of the main actuarial assumptions is based on the reasonably possible changes of these assumptions at the end of the reporting period, assuming that all other assumptions are held constant.

The effect of a change (increase or decrease) by 1% in salary growth and interest rate on the total amount of current service cost and interest cost and on the present value of the obligation for payment of defined benefits on retirement is as follows:

	2021		2020	
	<i>Increase</i> <i>BGN '000</i>	<i>Decrease</i> <i>BGN '000</i>	<i>Increase</i> <i>BGN '000</i>	<i>Decrease</i> <i>BGN '000</i>
Change in salary growth	174	(157)	191	(172)
Change in discount factor	(162)	184	(178)	203
Change in staff turnover	(155)	164	(170)	182

The effects of a change (increase or decrease) by 1% in salary growth and discount factor on the total amount of current length of service and interest expense is as follows:

	2021		2020	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Change in salary growth	38	(34)	17	(15)
Change in interest rate	9	(10)	13	(15)
Change in staff turnover	(31)	33	(12)	13

The average duration of the long-term payable to personnel under the defined benefit plan is 8.17 years (31 December 2020: 8.08 years).

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 667 thousand, including BGN 93 thousand for 2021.

30. GOVERNMENT GRANTS

The obtained financing is under operational programmes for projects related to Company's energy efficiency and amounts to BGN 476 thousand (31 December 2020: BGN 476 thousand). The recognised income from financing until 31 December 2021 amounts to BGN 438 thousand while the financing that will be recognised as income in subsequent reporting periods is BGN 38 thousand.

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Up to 1 year (current portion) (Note 37)	21	37
Over 1 year (non-current portion)	17	38
	38	75

The current portion of the financing will be recognised as current income over the following 12 months from the date of the statement of financial position and presented in Other current liabilities (*Note 37*).

31. SHORT-TERM BANK LOANS

The Company has been granted a credit line under a revolving loan agreement at the amount of up to BGN 30,000 thousand, expiring on 20 April 2022, interest rate – ADI (average deposit index) plus 1.77 points p.a., minimum – 1.90%.

The collateral provided for the loans is disclosed in *Note 26*.

As at 31 December 2021 and 31 December 2020 the Company has no payables under this loan.

32. CONTRACT LIABILITIES

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Liabilities under contracts with customers (related parties)	10,799	9,162
Liabilities under contracts with local customers (other)	33	55
Liabilities under contracts with foreign customers in foreign currencies	7,849	422
	18,681	9,639

Contract liabilities are mainly for the delivery of finished products.

Liabilities under contracts with customers – related parties are from a main shareholder with considerable influence, at the amount of BGN 10,790 thousand (31 December 2020 – BGN 7,435 thousand), subsidiaries of a main shareholder with considerable influence, at the amount of BGN 7 thousand (31 December 2020: BGN 1,725 thousand), and a subsidiary – BGN 2 thousand (31 December 2020: BGN 2 thousand).

33. TRADE PAYABLES

	<i>31.12.2021</i>	<i>31.12.2020</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Local suppliers	6,071	2,814
Foreign suppliers	186	925
	6,257	3,739

The payables to suppliers are regular and interest-free. BGN-denominated payables amount to BGN 6,071 thousand (31 December 2020: BGN 2,814 thousand), EUR-denominated payables amount to BGN 186 thousand (31 December 2020: BGN 923 thousand), in HUF – none (31 December 2020: BGN 2 thousand).

The Company has no past due trade payables.

In accordance with the terms and conditions for the supply of natural gas from Bulgargas EAD, the Company should pay the current supplies in advance as per the submitted order and additional payment within 12 days. After this date, Bulgargas EAD charges the statutory interest.

34. PAYABLES TO RELATED PARTIES

The payables to related parties at the amount of BGN 132 thousand (31 December 2020: BGN 247 thousand) are for supplies for materials, fuel, and services. They are denominated in BGN, current and interest-free. The Company has no past due payables to related parties. The payables are to a subsidiary (BGN 120 thousand) and to the main shareholder (BGN 12 thousand).

The Company has a lease liability to a related party – shareholder, as stated in *Notes 27 and 40*.

35. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Payables to personnel, including:	1,373	1,319
<i>Current payables</i>	1,295	1,112
<i>Accruals for unused paid leaves</i>	78	207
Payables for social security/health insurance, including:	664	742
<i>Current payables</i>	646	694
<i>Accruals for unused paid leaves</i>	18	48
	2,037	2,061

36. TAX PAYABLES

	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Corporate tax	873	-
Tax payables under Personal Income Taxation Act	197	316
VAT	-	48
Other	30	30
	1,100	394

The tax payables are regularly settled.

By the date of issue of these financial statements the following inspections and audits have been performed:

- VAT – until 30 June 2013;
- Corporate tax – until 31 December 2012;
- Tax under Art. 194, 195 of CITA (withholding tax) – until 31 December 2012;
- Tax under Art. 204 of CITA (tax on expenses) – until 31 December 2012;
- National Social Security Institute – until 31 March 2009;
- Customs Agency – excise duty liabilities for natural gas – until 29 February 2016;
- Customs Agency – excise duty liabilities for electric energy – until 5 June 2016.

Tax audit is performed within a 5-year period after the end of the year when the tax return for the respective liability has been submitted. The tax audit confirms ultimately the tax liability of the respective company — tax liable person except in the cases explicitly stated by law.

37. OTHER CURRENT LIABILITIES

<i>Other current liabilities</i> include:	31.12.2021	31.12.2020
	BGN '000	BGN '000
Guarantees received	382	386
Remuneration payable to foreign and local natural persons	371	255
Water usage charge	107	153
Dividend payable	69	71
Deductions from work salaries	78	70
Deposits from clients	69	59
Government grants (Note 30)	21	37
Other liabilities	204	170
	1,301	1,201

The guarantees received at the amount of BGN 382 thousand (31 December 2020: BGN 386 thousand) constitute guarantees from the members of the Board of Directors, for completed civil works, for packaging, etc.

As at 31 December 2021 there are no *other non-current liabilities* (31 December 2020: BGN 1 thousand).

38. CONTINGENT LIABILITIES AND COMMITMENTS*Contract collaterals*

The Company has provided collaterals under two bank loan agreements with UniCredit Bulbank, as disclosed in *Note 26*.

Assets in custody

As at 31 December 2021, the Company has assets in custody, at the warehouses of a counterpart – expedition company, at the amount of BGN 270 thousand.

39. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Company can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that could affect the financial results and position of the Company. The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the Company's products and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentrations. Risk management in the Company is currently performed by the management

The structure of financial assets and liabilities as at 31 December 2021 is as follows:

<i>Financial assets at amortised cost</i>	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Cash and cash equivalents	71,155	17,490
Loans and receivables, incl.:	3,025	2,742
<i>Receivables from related parties (Note 20)</i>	1	281
<i>Trade and other receivables (Notes 21 and 22)</i>	3,024	2,461
Long-term equity investments	2	2
	74,182	20,234

<i>Financial liabilities at amortised cost</i>	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
Financial liabilities at amortised cost, including:	10,785	10,942
<i>Short-term and long-term bank loans (Notes 26 and 31)</i>	2,748	5,368
<i>Lease liabilities (Note 27)</i>	1,244	1,072
<i>Trade and other payables (Notes 33, 34 and 37)</i>	6,793	4,502

The impairment losses related to financial assets recognised in the statement of comprehensive income for 2021 and 2020 are as follows:

Movement in the impairment allowance (provision):

	2021 BGN'000	2020 BGN'000
Opening balance of the expected credit loss allowance on 1 January	2,552	3,221
Increase in the expected credit loss allowance recognised within profit or loss for the year	629	319
Decrease in the expected credit loss allowance recognised within profit or loss for the year	(222)	(785)
Effect of foreign exchange remeasurement	200	(203)
Balance at the end of the year	3,159	2,552

Market risk**Foreign currency risk**

The Company usually performs its activities with an active exchange with foreign suppliers and clients. The Company is not exposed to currency risk in respect of USD. As at 31 December 2021, about 0.42% (31 December 2020: about 18%) of Company's financial assets are formed from assets denominated in USD, and receivables related to export of finished products contracted as payable in USD are 0% (31 December 2020: 1%). The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency.

*Currency structure analysis***31 December 2021**

	<i>in EUR</i>	<i>in USD</i>	<i>in other</i>	<i>in BGN</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>currencies</i>	<i>BGN '000</i>	<i>BGN '000</i>
			<i>BGN '000</i>		
Financial assets					
Cash and cash equivalents	20,947	308	-	49,900	71,155
Loans and receivables	2,106	-	1	918	3,025
Long-term equity investments	-	-	-	2	2
	23,053	308	1	50,820	74,182
Financial liabilities					
Financial liabilities at amortised cost	185	-	-	10,600	10,785

31 December 2020

	<i>in EUR</i>	<i>in USD</i>	<i>in HUF</i>	<i>in BGN</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Financial assets					
Cash and cash equivalents	2,490	3,444	-	11,556	17,490
Loans and receivables	1,914	282	-	546	2,742
Long-term equity investments	-	-	-	2	2
	4,404	3,726	-	12,104	20,234
Financial liabilities					
Financial liabilities at amortised cost	923	-	2	10,017	10,942

Foreign currency sensitivity analysis

The Company's risk is in the exposure to USD. The effect of Company's sensitivity to 10% increase/decrease in current exchange rates of BGN to USD, based on the structure of foreign currency assets and liabilities at 31 December and on the assumption that the influence of all other variables is ignored, has been measured and presented as impact on the post-tax financial result and on the equity.

In case of 10% increase in the rate of USD to BGN, the final effect on post-tax profit of the Company would be an increase by BGN 28 thousand (2020: the final effect on post-tax profit would be an increase by BGN 336 thousand) attributable to cash in USD and receivables from clients denominated in foreign currency. Respectively, the impact on equity would be the same.

On 10% decrease in the exchange rate of USD to BGN, the final impact on the post-tax profit (loss) of the Company would be equal and reciprocal of the stated above.

The management believes that the presented above sensitivity analysis based on the balance sheet structure of foreign currency assets and liabilities is representative for the currency sensitivity of the Company for the respective period (reporting year).

*Price risk**Natural gas price risk*

The Company is exposed to price risk related to adverse changes in the price of the Company's main raw material for production – natural gas, as far as the price of this raw material is impacted by both prices on the international markets, and the specific agreements of the main supplier of natural gas to the Company with the suppliers of natural gas for Bulgaria. In order to ensure the equality of all natural gas consumers, the Company's main supplier (with over 95% share in supplies) in 2021 applied a uniform approach in the price formation for clients on the regulated and free markets.

The Group is not exposed to a significant risk of adverse changes in the prices of other raw materials and materials, because according to its contractual relations with suppliers, these are subject to periodic analysis and discussions for review and update based on market changes.

Carbon emission quotas price risk

The Company is also exposed to a price risk related to the price of carbon emission quotas (*Note 2.28.1.2*).

Credit risk

The main financial assets of the Company are cash in hand and at bank accounts, trade and other receivables.

Credit risk is mainly the risk that any of the Company's clients (and other counterparts) will fail to discharge in full and within the normally envisaged terms the amounts due under trade and other receivables.

Collectability and concentration of receivables are strictly monitored on an ongoing basis by the Sales Department in accordance with the credit policy adopted by the Company. For this purpose, the open exposures by client, the observance of contractual payment terms, and the proceeds received are subject to review on daily basis. In addition, receivables that have not been paid within the set terms are also followed. The Company's usual policy is to negotiate advance payments, including up to 100% for some of its main customers, which reduces credit risk. Regarding the other sales, the Company tries to negotiate short payment terms, usually from 10 to 20 days.

The Company performs the main part of its sales through distributors, including:

- For the domestic market – two distributors: Distributor 1 – 85%, Distributor 2 – 5%. It is an usual practice is to agree 100% advance payment of the transaction amount;
- In 2021, 60% of the export made by the Company is performed with main clients: Client 1 – 28%, Client 2 – 7%, Client 3 to Client 4 – 5%, and Client 7 – 4%.

The Company's management currently monitors and analyses the trade practices established with the main distributors and clients. On the basis of experience (Note 20), the sales to Neochim Tarim Ltd., Turkey, have been regarded as bearing higher risk due to the economic environment in this country and therefore, these receivables are subject to specific current consideration and assessment.

The Company has selected and applies a simplified approach to calculate expected credit losses of trade receivables, which is based on historical experience regarding credit losses adjusted for forecast factors specific for the debtors and the economic environment, and for which a connection with credit loss percentage has been established. Trade receivables are grouped in two groups of clients – from foreign subsidiaries and all others, which is made necessary by the specific market conditions in which the foreign (Turkish) subsidiaries operate.

Cash transactions are limited to reputable banks with high credit rating and liquid stability. In addition, the credit exposure with banks is currently monitored and analysed for the purpose of efficient use of funds. To calculate expected credit losses for cash and cash equivalents, the Company applies a rating model using the banks' ratings as determined by internationally recognised rating firms such as

Moody's, Fitch, S&P, BCRA and Bloomberg, as well as the reference public data about PD (probability of default), corresponding to the respective bank's rating. The management currently monitors the change in the rating of the respective bank so as to assess the presence of increased credit risk and the ongoing management of incoming and outgoing cash flows, and the allocation of amounts between bank accounts and banks.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally all of its obligations within their maturity. The liquidity management policy of the Company is conservative maintaining a constant optimal liquid reserve of cash and a capability for funding its business activities, including by securing and maintenance of adequate credit resources and facilities, continuous control monitoring of the actual and forecasted cash flows by periods ahead and matching maturity profiles of assets and liabilities.

One of the main resources for funding the Company's operations, if necessary, is the use of borrowings – bank loans.

Maturity analysis

The table below presents the financial non-derivative liabilities of the Company at the reporting date, grouped by remaining term to maturity, determined against the contractual maturity and cash flows. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the receivable and respectively, the payable becomes due for payment. The amounts include principal and interest.

31 December 2021	up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	Total
<i>Financial liabilities</i>							
Financial liabilities at amortised cost	6,698	580	857	1,370	1,186	169	10,860
31 December 2020	up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	Total
<i>Financial liabilities</i>							
Financial liabilities at amortised cost	4,277	545	804	2,101	2,325	1,074	11,126

The financial liabilities at amortised cost at 31 December 2020, which mature in up to one month, represent trade payables and payables under the current portion of investment and revolving bank loans. As at 31 December 2021 the Company has payables under a revolving bank loan (*Note 31*).

Risk of interest-bearing cash flows

In general, the Company does not have a significant portion of interest-bearing assets except for cash and cash equivalents. Over the last few reporting periods, banks do not pay/or event charge interest on available cash. The Company paid interest (charges) on cash in the reporting period at the amount of BGN 142 thousand. The income and operating cash flows are largely independent from the changes in market interest rates.

Interest risk concentration of the Company refers to its long-term and short-term loans. They are usually with a floating interest rate, which makes its cash flows dependent on the interest rate risk.

When concluding bank loan contracts, the Company manages cash flow risk of interest rate levels by trying to negotiate interest rates through choosing from the most favourable conditions offered on the banking market.

Interest analysis

31 December 2021	<i>Interest-free</i>	<i>With floating interest %</i>	<i>With fixed interest %</i>	<i>Total</i>
<i>Financial assets</i>				
Cash and cash equivalents	20	71,135	-	71,155
Loans and receivables	3,025	-	-	3,025
Available-for-sale investments	2	-	-	2
	3,047	71,135	-	74,182
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	6,793	2,748	1,244	10,785
31 December 2020	<i>Interest-free</i>	<i>With floating interest %</i>	<i>With fixed interest %</i>	<i>Total</i>
<i>Financial assets</i>				
Cash and cash equivalents	16	17,474	-	17,490
Loans and receivables	2,742	-	-	2,742
Available-for-sale investments	2	-	-	2
	2,760	17,474	-	20,234

*Financial liabilities*Financial liabilities at
amortised cost

	4,502	5,368	1,072	10,942

The Company's management currently monitors and analyses its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points, on the financial result and equity is calculated.

The table below demonstrates the Company's sensitivity to possible increase in interest rates by 0.5% based on the structure of assets and liabilities as at 31 December and with the assumption that the influence of all other variables is ignored. The effect is measured and presented as impact on the financial result after taxes and on equity.

	<i>With floating interest %</i>	<i>Interest rate increase</i>	<i>Impact on post-tax financial result</i>	<i>Impact on equity</i>
31 December 2021				
<i>Financial assets</i>				
BGN	-	0.5	-	-
<i>Financial liabilities</i>				
EUR	-	0.5	-	-
BGN	2,748	0.5	(12)	(12)
	<u>2,748</u>		<u>(12)</u>	<u>(12)</u>

31 December 20120	<i>With floating interest %</i>	<i>Interest rate increase</i>	<i>Impact on post-tax financial result</i>	<i>Impact on equity</i>
<i>Financial assets</i>				
BGN	-	0.5	-	-

Financial liabilities

EUR	-	0.5	-	-
BGN	5,368	0.5	(24)	(24)
	<u>5,368</u>		<u>(24)</u>	<u>(24)</u>
			<u>(24)</u>	<u>(24)</u>

On interest rate decrease by 0.5%, the final impact on Company's post-tax profit would be equal and reciprocal to the stated above. The above table does not include cash and cash equivalents for which the effect of increase or decrease in the floating interest rate would be insignificant.

Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

In both reporting periods, the Company has cash that significantly exceeds debt capital. Debt capital includes loans from banks and lease liabilities and as at 31 December 2021 amounts to BGN 3,992 thousand, while the available cash is BGN 71,155 thousand (31 December 2020: borrowings BGN 6,440 and cash of BGN 17,490 thousand). Therefore, in both periods, the net debt capital (the difference between debt capital and cash and cash equivalents) is negative and reflects full coverage of debt capital by the available cash.

Ratios:

<i>In BGN'000</i>	2021	2020
Total equity/ Total liabilities	3.85	3.49
Cash and cash equivalents/ Total liabilities	1.95	0.65

It is characteristic of both periods that the Company finances its operations both with its own generated retained earnings and by maintaining a certain level of trade and other payables and bank loans. The equity to total liabilities and cash to total liabilities ratios for 2021 have improved compared to the previous reporting period.

Fair value measurement

Fair value is generally the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between independent, willing and knowledgeable parties.

The financial assets owned by the Company represent mainly trade receivables and cash available at current bank accounts and therefore, it has been accepted that their carrying amount is almost equal to their fair value. The financial liabilities owned by the Company represent mainly loans with floating

interest and trade payables and therefore, it has been accepted that their carrying amount is almost equal to their fair value.

An exception to this are investments in other long-term equity investments in Ecobulpack AD Sofia, at the amount of BGN 2 thousand. Interest in Ecobulpack is measured at about BGN 32 thousand based on the net value of assets.

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

40. RELATED PARTY TRANSACTIONS

The Company's related parties are as follows:

Related parties	Relation type
Shareholders:	
Eco Tech AD	Main shareholding company (24.28%)
Evro Fert AD	Main shareholding company (24.03%)
Feboran EOOD	Main shareholding company (20.30%)
Subsidiaries:	
Neochim Tarim Ltd. – Turkey	99.92% owned by the Company
Neochim Protect EOOD	100% owned by the Company
Other:	
Terachim – Dimitrovgrad EOOD	100% owned by Evro Fert AD
Neo Kiten EOOD	100% owned by Evro Fert AD
Neoplod EOOD	100% owned by Evro Fert AD
Borealis L.A.T.	(Borealis AG) – Austria, holding 100% of the capital of Feboran EOOD

Supplies from related parties

Materials

Main shareholding company	<u>102</u>	<u>74</u>
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Services

Subsidiaries	1,200	1,200
Main shareholding company	<u>3</u>	<u>3</u>
	<u>1,203</u>	<u>1,203</u>

Right-of-use assets

Main shareholder	<u>94</u>	<u>94</u>
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Total	<u><u>1,399</u></u>	<u><u>1,371</u></u>
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<i><u>Sales to related parties</u></i>	<i>31.12.2021</i> <i>BGN '000</i>	<i>31.12.2020</i> <i>BGN '000</i>
<i>Finished products</i>		
Main shareholding company	156,513	96,068
Subsidiaries	698	2,742
Other related parties (considerable influence through relation with a main shareholder)	15,604	20,263
	<u>172,815</u>	<u>119,073</u>
<i>Services</i>		
Main shareholding company	50	53
Subsidiaries	30	30
	<u>80</u>	<u>83</u>
<i>Other</i>		
Main shareholding company	21	33
	<u>21</u>	<u>33</u>
Total	<u>172,916</u>	<u>119,189</u>

Leases

During the reporting period, the Company has recognised assets, liabilities, expenses and payments in relation to leases to/from related parties, as follows:

Lease liabilities to related parties as at 31 December are as follows:

	<i>2021</i> <i>BGN</i> <i>'000</i>	<i>2020</i> <i>BGN '000</i>
Lease liabilities at 1 January	352	446
Additions	-	-
Payment of lease liabilities in the period	(94)	(94)
Lease liabilities as at 31 December	<u>258</u>	<u>352</u>

Right-of-use assets to related parties as at 31 December are as follows:

	<i>2021 BGN '000</i>	<i>2020 BGN '000</i>
Right-of-use asset as at 1 January	327	414
Additions	-	-
Depreciation charge	(94)	(87)
Right-of-use assets as at 31 December	233	327

Short-term receivables from related parties as at 31 December are as follows:

	<i>31.12.2021 BGN '000</i>	<i>31.12.2020 BGN '000</i>
<i>Receivables on sales in foreign currency</i>		
Subsidiaries	-	271
<i>Including book value</i>	2,285	2,379
<i>impairment charged</i>	(2,285)	(2,108)
Other related parties (considerable influence through relation with a main shareholder)	-	-
<i>Including book value</i>	1	1
<i>impairment charged</i>	(1)	(1)
	-	271
<i>Receivables on sales in BGN</i>		
Other related parties (considerable influence through relation with a main shareholder)	-	9
<i>Including book value</i>	17	148
<i>impairment charged</i>	(17)	(139)
Main shareholding company	1	1
	1	10
Total	1	281

Payables to related parties as at 31 December are as follows:

	<i>31.12.2021</i>	<i>31.12.2020</i>
<i>Contract assets (Advances received for sale of finished products)</i>	<i>BGN '000</i>	<i>BGN '000</i>
Main shareholding company	10,790	7,435
Other related parties (considerable influence through relation with a main shareholder)	7	1,725
Subsidiaries	2	2
	10,799	9,162
<i>Payables under supplied assets and services</i>		
Subsidiaries	120	240
Main shareholding company	12	7
	132	247
Total	10,931	9,409

Remuneration of key management personnel:

The members of the Company's key management personnel are disclosed in *Note 1*.

	<i>2021</i>	<i>2020</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Salaries and other short-term benefits	1,239	1,211
incl. MB, SB and BoD	1,140	1,022

The amount of security contributions covered by Neochim AD is BGN 22 thousand (2020: BGN 40 thousand).

41. EVENTS AFTER THE END OF THE REPORTING PERIOD**Change in shareholding**

On 11 January 2022 Neochim AD was notified on the grounds of Art. 148b and in relation to Art. 145, Para 1 of POSA, of a change in significant shareholding in the capital of Neochim AD, whereby the interest of Agrofer International Establishment, Lichtenstein was changed to 2.56%, respectively, the interest of Daniel Rumenov Gargov, with address registration in Bulgaria, town of Haskovo, amounted to 5.12% of the voting rights in the public entity Neochim AD.

Neochim AD disclosed the notices received pursuant to Art.100t of POSA, incl. to the Financial Supervision Commission and BSE-Sofia AD on 12 January 2022. The notice was published on the same date on X3 News, and on the Company's webpage, in the "Investor Relations/News" section.

Impact on the Ukraine conflict on the Company's operations

At the end of February (on 24 February) 2022, a military conflict began on the territory of Ukraine with Russia, which is still continuing at the date of these financial statements. In addition, there are disruptions on the leading financial markets around the world, and the problems in supply chains (which were already made difficult by COVID-19 globally) are expected to further aggravate as a result of this conflict on the territory of Ukraine. The European Union, USA and other countries began to gradually impose different economic sanctions and restrictive measures on Russia with respect to specific Russian economic sectors aimed against trade exchange and financial and economic relations with Russia. Therefore, there are forecasts for a significant increase in the prices of oil, gas, electricity and other raw materials, as well as high inflation on a global scale. The first indications are already present. The development and outcome of this military conflict cannot be foreseen at this stage, and it is hard to forecast the long-term effects thereof on global economic and social development, incl. for Bulgaria.

The Company's management has determined this to be a non-adjusting event according to IAS 10. There are no effects presented in this financial statements, since none have been found.

The Company's management currently monitors, analyses and assesses the potential direct and indirect consequences of the conflict on the Company's operations.

As far as the main raw material used in the Company's operations is natural gas, which for Bulgaria is supplied mainly from Russia, in the long term the conflict's impact will be related to the possibility to continuous supplies, and to the gas price. Regarding the supplies of natural gas, which is the main raw materials used in the Company's production, at the date of approval of these financial statements the Company continues to receive the necessary natural gas volumes from Bulgargas EAD. In the meantime, the Bulgarian government has provided assurance that it is working jointly with the European Commission and the other EU member states to take common measures to negotiate alternative natural gas suppliers, and to ensure the storage of reserves in the natural gas warehouse. As far as the Company's installations have built using Russian technology, the Company is dependent on Russia for the supply of spare parts for maintenance thereof. Therefore, the Company's management is discussing, in the event of stricter sanctions, the possibilities for alternative suppliers of spare parts for the production

installations. At present, most of the spare parts for the annual scheduled repair for year 2022 have been procured and no problems are envisaged in carrying it out.

The worst-case scenario for the Company would be as follows: suspension of natural gas supplies, which would result in suspension of production facilities operations, respectively, the installations will be secured as per the operations instructions. Following the recovery of normal natural gas supply, the Company would be able to resume operations within about five days.

Regarding sales of finished products – it is the management's assessment that there is currently very high dynamics on the international markets, which may result in aggravation in the sustainable use of nitrogen fertilizers. The Company's management constantly monitors the international markets and the possibility to redirect export of finished products from one country to another.

The indirect impact on operations is assessed by management through the expected significant increase in the prices of oil, gas, electricity and other raw materials, as well as rising inflation on a global scale.

The development and outcome of the conflict cannot be foreseen at this stage, since it is still in an early phase, with multiple uncertainties, and it is very hard to forecast its long-term effects on the global economic and social development of the EU and the world as a whole, and in particular on Bulgaria and the Company.

Carbon emissions quotas

In January 2022, with the advances granted as at 31 December 2021 at the amount of BGN 1,977 thousand (Note 21), the Company acquired 11,842 quotas at an average price of 166.95 BGN (85.36 EUR), which is an increase compared to quota prices as at 31 December 2021 of 10.56 BGN (6.75%).

