LIFOSA AB

FINANCIAL STATEMENTS AND ANNUAL REPORT, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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Independent auditor's report

To the shareholder of Lifosa AB

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Lifosa AB (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the annual report

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the annual report.

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

With respect to the annual report, we considered whether the annual report includes the disclosures required by the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of PricewaterhouseCoopers UAB

Eleonora Čaikovskaja
Certified auditor
Auditor's Certificate No.000629

Vilnius, Republic of Lithuania
8 April 2021

STATEMENT OF COMPREHENSIVE INCOME

EUR '000

	Notes	Year ended 31 December 2020	2019
Revenue from contracts with customers	1	315,211	352,500
Cost of sales	4	(277,540)	(316,464)
Gross profit		**37,671**	**36,036**
Selling and distribution expenses	2,4	(12,369)	(11,533)
Administrative expenses	3,4	(5,741)	(5,305)
Net foreign exchange gain/(loss)	5	2,364	221
Other income/(expenses), net	6	163	2,505
Operating profit		**22,088**	**21,924**
Finance income/(costs)		(2,601)	(1,512)
Profit/(loss) before income tax		**19,487**	**20,412**
Income tax	7	(2,655)	(2,436)
Profit/(loss) for the period		**16,832**	**17,976**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**16,832**	**17,976**

The financial statements set out on pages 5 to 32 were approved by the Chief Executive Officer, Chief Financial Officer and Chief Accountant on 8 April 2021.

Jonas Dastikas
Chief Executive Officer

Regvita Ivanovienė
Chief Financial Officer

Asta Aleinikovienė
Chief Accountant

The accounting policies and notes on pages 9 to 32 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

(EUR '000)

	Notes	At 31 December 2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	8	161,171	155,799
Intangible assets	9	269	290
Prepayments	10	426	1,311
		161,866	**157,400**
Current assets			
Inventories	11	53,790	43,025
Trade and other amounts receivable	12,13	85,536	76,700
Overpaid income tax		-	314
Cash and cash equivalents	14	530	438
		139,856	**120,477**
Total assets		**301,722**	**277,877**
EQUITY			
Share capital	15	60,960	60,960
Share premium		23	23
Legal reserve	15	6,096	6,096
Retained earnings		97,070	80,238
Total equity		**164,149**	**147,317**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	7	2,678	1,128
Grants	16	994	1,197
		3,672	**2,325**
Current liabilities			
Income tax liabilities		766	-
Trade and other amounts payable	17	45,313	38,232
Current borrowings	18	87,822	90,003
		133,901	**128,235**
Total liabilities		**137,573**	**130,560**
Total equity and liabilities		**301,722**	**277,877**

The accounting policies and notes on pages 9 to 32 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

(EUR '000)

	Notes	Share capital	Share premium	Legal reserve	Retained earnings	Total
Balance at 31 December 2018		**60,960**	**23**	**6,088**	**62,270**	**129,341**
Total comprehensive income for the period		-	-	-	17,976	17,976
Increase in compulsory reserve				8	(8)	-
Dividends paid		-	-	-	-	-
Balance at 31 December 2019	15	**60,960**	**23**	**6,096**	**80,238**	**147,317**
Total comprehensive income for the period		-	-	-	16,832	16,832
Dividends paid		-	-	-	-	-
Balance at 31 December 2020	15	**60,960**	**23**	**6,096**	**97,070**	**164,149**

STATEMENT OF CASH FLOWS

(EUR '000)

	Notes	Year ended 31 December 2020	2019
Cash flows from operating activities			
Cash flows from operating activities	19	23,925	28,808
Income tax paid		(25)	(6,463)
Net cash flows generated from operating activities		**23,900**	**22,345**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	8,9	(21,459)	(20,306)
Proceeds from disposal of property, plant and equipment		45	23
Loans granted to related parties	13	-	-
Repayments of loans granted to related parties	13	-	-
Interest received on loans granted to related parties	13	-	-
Interest received on emission allowances			
Net cash flows used in investing activities		**(21,414)**	**(20,283)**
Cash flows from financing activities			
Borrowings from related parties	18	-	26,811
Repayments of borrowings to related parties	18	-	(26,860)
Interest paid on borrowings	18	(2,394)	(1,864)
Net cash flows used in financing activities		**(2,394)**	**(1,913)**
Net increase (decrease) in cash and cash equivalents		**92**	**149**
Movement in cash and cash equivalents			
At the beginning of the year		438	289
Net increase (decrease)		92	149
Cash and cash equivalents at the end of the year	14	**530**	**438**

The accounting policies and notes on pages 9 to 32 form an integral part of these financial statements

A. GENERAL INFORMATION

Lifosa AB, company code 161110455 (hereinafter the "Company"), formerly Fostra AB, was originally established as Kėdainiai State Chemical Plant in 1963. In 1995, Kėdainiai State Chemical Plant was reorganised into a state-owned public limited liability company and registered as Fostra AB, following the partial privatisation of the Company during 1991–1994. The Company is domiciled in Kėdainiai. The address of its registered office is as follows:

Juodkiškio 50
LT-57502 Kėdainiai
Lithuania

Until 31 December 2011, the Company's shares were listed in the Secondary Trading List of NASDAQ Vilnius AB Stock Exchange. Following the buy-out of all minor shareholdings by the majority shareholder, the shares of Lifosa AB were de-listed from NASDAQ Vilnius AB Stock Exchange. The Company's main activity is production of phosphate fertilisers. The main product produced by Lifosa AB is nitrogen-phosphorus fertiliser - diammonium phosphate (DAP 18-46-0). The Company also produces soluble, crystalline monoammonium phosphate fertilisers (MAP 12-61-0), aluminium fluoride (AlF3), monocalcium phosphate (MCP), urea phosphate, compound mineral fertilizers with microelements (boron and zinc) NP(S)+B+Zn, phosphoric acid and technical sulphuric acid. As at 31 December 2020 and 31 December 2019, the Company's sole shareholder was as follows:

Shareholder	*Number of shares*	*Interest held, %*
EuroChem Group AG	21,020,564	100%
	21,020,564	**100%**

As at 31 December 2020, a trust fund (LineTrust PTC Ltd.) representing the property interests of Mr. Andrey Melnichenko indirectly controlled 100% of shares of AIM Capital SE registered in Cyprus. AIM Capital SE directly holds 90% of shares of EuroChem Group. JSC MCC EuroChem, a company registered in the Russian Federation, holds 10% of shares of EuroChem Group AG.

All the shares of the Company are fully paid.

As at 31 December 2020, the Company had 1,014 (31 December 2019: 1,005) employees.

The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

B. SIGNIFICANT ACCOUNTING POLICIES

B.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in Note D.
The financial statements have been prepared on the assumption that the Company will be able to continue its activities in the foreseeable future. The Company's financial year coincides with the calendar year.

B.1 Basis of preparation (continued)

Adoption of new and/or amended IFRSs and IFRIC interpretations

Accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous financial year, except for as follows

a) *Adoption of new and/or amended IFRSs and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)*

The following IFRSs and amendments thereto were adopted by the Company for the first time in the financial year ended 31 December 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The amendments had no impact on the financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business, and the amendments are applied prospectively. The Company intends to apply the amendments to business acquisitions, if any, with affect from 1 January 2020.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments had no significant impact on the financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs') by alternative benchmark rates. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. The Company has no hedging relationships, and accordingly, the amendments are not relevant for the Company.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. The amendments are not relevant for the Company.

b) <u>New standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2021 that have not been early adopted, but may be relevant for the Company in the future, therefore their impact is assessed:</u>

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional.

B.1 Basis of preparation (continued)

Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

Other new standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2021, which have not been endorsed by the EU and have not been adopted when preparing these financial statements, are expected to be not relevant and will not have significant impact.

B.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The euro was adopted in the Republic of Lithuania on 1 January 2015. These financial statements are presented in the euro (EUR), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

B.3 Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the expenses costs of day-to-day servicing, less accumulated depreciation and estimated impairment. The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Subsequent costs are added to the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

B.3 Property, plant and equipment (continued)

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.
Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Plant and machinery	10-25 years
Vehicles and machinery	4-10 years
Other PP&E	5-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note B.5).

Construction in progress is reclassified to corresponding categories of property, plant and equipment when it is completed and ready for the intended use.

When property is written off or otherwise disposed, the cost and accumulated depreciation are removed from the financial statements and any related gains or losses are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Borrowing costs directly attributable to the acquisition, construction or production of assets are added to the cost of those assets over the duration of their construction and preparation for use.

B.4 Intangible assets

Computer software expected to provide economic benefit to the Company in future periods is carried at acquisition cost less subsequent amortisation. Software is amortised on the straight-line basis over the useful life of 3 years.

B.5 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

B.6 Financial assets

<u>Classification</u>

The Company classifies its financial assets in the following new three categories:
(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income; and
(iii) financial assets subsequently measured at fair through profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets.

B.6 Financial assets (continued)

Recognition and derecognition

The Company recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised using trade date accounting. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Assessment

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

In view of the business model applied for managing the group of financial assets, the accounting for debt financial assets is as follows.

Financial assets measured at amortised cost

The Company's trade receivables and other receivables, loans granted are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows. These assets are stated at amortised cost using the effective interest method. Interest income calculated on these financial assets is recognised as finance income. Any gain or loss arising from the write-off of assets is recognised through profit or loss in the statement of comprehensive income. Impairment losses are presented separately as impairment and write-off expenses in the statement of comprehensive income.

Financial assets are recognised as current assets, except for trade and other receivables, loans with maturities greater than 12 months after the date of the preparation of the statement of financial position, in which case they are classified as non-current assets.

Amortised cost and effective interest method

Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. Effective interest rate method is a method applied to allocate interest income over the relevant period so as to achieve a constant periodic rate of interest (effective interest) on the carrying amount. The effective interest rate exactly discounts estimated future cash inflows or outflows (excluding future expected credit losses) to gross carrying amount of the financial instrument over the expected life of the financial instrument or a shorter period, if necessary.

Expected credit losses

For trade receivables without a significant financing component, the Company applies a simplified approach required by IFRS 9 and measures expected lifetime credit losses from initial recognition of the receivables the moment. The Company uses the provision matrix, according to which provisions for losses are calculated on trade receivables with different ageing and overdue periods. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics into amounts receivable from related parties and amounts receivable from other customers.
The expected credit losses of other current amounts receivable are assessed using the coefficients established for trade receivables, non-current amounts receivable and other amounts receivable that are individually significant are measured on an individual basis.

The Company assesses and recognises 12-month expected credit losses relating to loans granted, cash and cash equivalents. In subsequent reporting periods, in case there is no significant increase in credit risk related to the borrower or

B.6 Financial assets (continued)

the bank in which cash and cash equivalents are held, the Company adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the borrower has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Company records all lifetime expected credit losses of the loan. The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption. Loans, cash and cash equivalents for which lifetime expected credit losses are calculated are treated as credit-impaired financial assets.

B.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average unit cost method. The cost of finished products and work in progress comprises raw materials, direct labour, other direct costs and related indirect production costs, but excludes borrowing costs.

Net realisable value of finished goods is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Raw materials and other substances used in the production of goods are not written down below their cost, only when it is probable that the cost of goods produced using these raw materials and substances will exceed the net realisable value. Under such circumstances, the best estimate of net realisable value of raw materials and substances is deemed to be the value in exchange of which the same raw materials could be acquired. Loss resulting from writing down of inventories to net realisable value is included in the cost of sales in the statement of comprehensive income.

B.8 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value. Cash and cash equivalents comprise cash in hand, cash at bank held on call, letters of credit, and other short-term highly liquid investments with original maturities of three months or less.

B.9 Share capital

Ordinary shares are stated at their nominal value. Consideration received for the shares sold in excess over their nominal value is shown as share premium.

B.10 Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve cannot be used for payment of dividends, however, it may be used to cover future losses.

B.11 Trade and other payables

Trade payables are obligations to suppliers to pay for the goods or services that have been acquired by the Company in its ordinary course of business. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

B.12 Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Tax rates and tax laws used to compute income tax expenses are those applicable as of the date of the statement of financial position.

B.12 Income tax (continued)

Income tax calculations are based on annual profit after estimation of deferred income tax. Income tax is calculated in accordance with the requirements set forth in the Lithuanian tax legislation.

Pursuant to the Lithuanian Law on Corporate Income Tax, taxable profit is subject to income tax at a rate of 15%.

Tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred tax assets are recognised in the statement of financial position to the extent that the Company's management expects to utilise such assets in the foreseeable future taking into consideration forecasts of taxable profit. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred income tax is not recognised in the financial statements.

Deferred income tax related to items recognised in the statement of comprehensive income is also recognised in the statement of comprehensive income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

B.13 Leases – where the Company is a lessee

At the commencement date of the lease, a lessee measures the lease liabilities at the present value of the lease payments that are not paid at that date, including the following payments:
- fixed payments (including those equivalent to fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate initially measured using an index or a rate at the commencement date;
- amounts to be paid by the lessee under the residual value guarantees;
- fines for the termination of the lease, if it is assumed that the lessee will exercise the option to terminate the lease over the lease term.

Lease payments are discounted using the interest rate implicit in the lease, if that rate cab be readily determinable. If that rate cannot be readily determinable, the lessee uses the lessee's incremental borrowing rate. The interest rate implicit in the lease is the rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and) any initial direct costs of the lessor. Lease liability is measured using the interest rate that corresponds to the discount rate used for discounting of the lease payments. Interest expenses on the lease liabilities are apportioned over the lease term and recognised in profit or loss.

At initial recognition, the cost of right-of-use assets comprises as follows:
- the amount of lease liabilities at initial measurement;
- any lease payments at the commencement date or prior to it, less any lease incentives received;
- any initial direct expenses incurred by the lessee; and
- estimate of the asset's restoration expenses.

Right-of-use assets are subsequently measured by the lessee at cost, less accumulated depreciation and all accumulated impairment losses. If the ownership right of the leased assets is transferred to the lessee before the end of the lease term or if the price of right-of-use assets indicates that the lessee will exercise the purchase option, the lessee calculates the depreciation of right-of-use assets from the commencement date until the end of the useful life of the leased assets. Otherwise, the lessee calculates the depreciation of right-of-use assets from the commencement date until the earlier of the date of the end of the useful life of the right-of-use assets and the date of the end of the lease term.

B.13 Leases – where the Company is a lessee (continued)

Payments related to short-term lease or lease of low-value assets are recognised on a straight-line basis as expenses in profit or loss. Short-term lease is defined as a lease that has a lease term of 12 months or less.
The land lease agreement falls within the scope of IFRS 16. In the management's opinion, the land lease payments are variable because both the value in the cadastre and the lease fee denominated in % can be modified and they do not depend on an index or a rate, and accordingly, no lease liabilities are recognised.

B.14 Leases – where the Company is a lessor

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease income is recognised on a proportionate basis over the entire lease term.

B.15 Employee benefits

(a) Social security contributions
The Company pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

(b) Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Bonus plans
The Company recognises a liability and expenses for bonuses where it is contractually obliged or where there is a past practice that has created a constructive obligation.

B.16 Revenue recognition

The Company is engaged in the production and wholesale trade of fertilisers. Revenue is recognised upon transferring the control of goods to the customer, the customer has discretion over the manner and price of selling the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The transfer of control to the customer is normally carried out in accordance with the standard sale terms and conditions (INCOTERMS).

Revenue from these sales is recognised at the price indicated in the agreement, discounts are not applied, and no financing element is provided. The amount receivable is recognised upon the transfer of the control of goods, which is the moment at which consideration is unconditional.

Revenue from the provision of services is recognised in the reporting period in which the control of services is transferred to the customer, i.e. upon rendering the service. Revenue from transport services is recognised in the period in which the services are rendered. Revenue from sale of electricity and heat energy is recognised in each reporting period on the basis of meter readings.

Interest income is recognised on a proportionate basis using the effective interest method.

B.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

B.18 Financial liabilities

Financial liabilities
Liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. The Company does not have any financial liabilities at fair value through profit or loss.

Other financial liabilities
Other financial liabilities comprise trade and other payables, loans received. These financial liabilities are initially carried at fair value, less transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.
Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. If a financing agreement concluded before the balance sheet date proves that the liability was non-current by its nature as of the date of the balance sheet, that financial liability is classified as non-current.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income.

B.19 Emission allowances

The Company participates in a carbon dioxide cap and trade scheme. The Company has target of reducing its carbon dioxide emissions to the atmosphere to a specified level (the cap). The Company is issued allowances by the Government equal in number to its cap. The allowances are granted at no consideration. The Company measures both emission allowances and government grants at cost, i.e. zero value. Revenue from sale of surplus emission allowances is recognised on the actual trade date.

B.20 Grants

Grants are recognised where there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.
Grants relating to purchase of property, plant and equipment are included in non-current liabilities and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

B.21 Statement of cash flows

For the purpose of cash flow statement, interest received on bank deposits and cash balances in current bank accounts is classified as income from financing activities, whereas interest received on loans granted is classified as income from investing activities.

C. FINANCIAL RISK MANAGEMENT

C.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Company.

The Company's management is responsible for risk management. The Company's management identifies, evaluates and takes appropriate actions in order to mitigate the financial risks.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD). Foreign exchange risk arises from future transactions and from assets and liabilities recognised.
The Company's foreign exchange risk management is based on matching the expected cash flows in principal currencies. Since most of the transactions carried out by the Company, i.e. sales of goods and purchases of raw materials, are denominated in the US dollars, fluctuations in the US dollar exchange rate do not affect the Company's cash flows. However, these fluctuations are reflected in the carrying amount of financial assets and liabilities which are originally denominated in foreign currencies and subsequently translated into the functional currency (the euro (EUR).

Financial assets and financial liabilities denominated in USD:	**2020**	**2019**
Cash and cash equivalents (Note 14)	202	343
Loans granted and accrued interest (Note 18)	(30,097)	(30,026)
Amounts receivable (Note 13)	8,038	20,880
Amounts payable (Note 17)	(23,652)	(15,408)
Net open position	(45,509)	(24,211)

US dollar exchange rate (USD/EUR)	At 31 December	Average exchange rate for the year
2019	1.1189	1.1196
2020	1.2281	1.1419

No significant transactions in other foreign currencies were conducted by the Company.

(ii) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has liabilities subject to interest. Interest payable by the Company is fixed, therefore, the Company is not exposed to cash flow risk, but is exposed to fair value risk. The Company's major interest-bearing assets comprise short-term bank deposits and letters of credit which may be converted to a known amount of cash and are subject to an insignificant fair value interest rate risk. These deposits are held at banks for a period of up to three months for cash flow management purposes and classified as cash equivalents (details are disclosed in Note 14).

(ii) Cash flow and fair value interest rate risk

C.1 Financial risk factors (continued)

(b) Credit risk

The Company's management is responsible for credit risk management. Credit risk arises from cash and cash equivalents and short-term deposits with banks, as well as trade receivables from customers and loans granted to related parties. The Company only selects well-known Lithuanian banks evaluated by independent experts.

The Company sells the majority of its production to wholesalers and complies with internal rules ensuring that sales of products are made only to customers with an appropriate credit history. The Company always makes the assessment of the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to non-related parties are in most cases made only when the customer pays the entire amount in advance. Credit is awarded only to a few customers who are well known to the Company and have excellent credit history. With respect to sales to related parties, sales are performed mainly to EuroChem Trading GmbH, EuroChem Agro GmbH, EuroChem Group AG which operate as wholesale distributors of the Company's products in the non-EU markets. No significant sales were conducted by the Company with other related parties. No additional credit risk assessment procedures are conducted in granting loans to related EuroChem group companies.

During the reporting period, the Company did not experience any significant difficulties in obtaining trade receivables or collecting cash from banks (except for those disclosed in Note 13). In the opinion of the Company's management, the Company does not expect any significant losses to arise in the foreseeable future due to default by these parties, as well as no significant difficulties in relation to loan repayments from related parties.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets indicated in Note 12.

(c) Liquidity risk

The Company is exposed to liquidity risk due to different maturity profiles of receivables and payables. In managing its liquidity risk, the Company focuses on matching cash inflows and outflows related to current receivables and payables, capital expenditures as well as accumulating sufficient amounts of liquid funds to make the regular payments as they fall due according to the schedule.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow. In 2019, the Company's current liabilities exceeded its current assets by EUR 7,758 thousand. In 2020, the Company's current assets exceeded its current liabilities by EUR 5,955 thousand. According to the latest cash flow estimates, the Company is not expected to face any significant liquidity problems in the foreseeable future. If necessary, the short-term loans of related parties might be covered.

The Company has no other financial liabilities except for borrowings, trade and other amounts payable. All trade and other amounts payable reported in the statement of financial position are due within 12 months and their fair value substantially approximates their carrying amounts since the impact of discounting would be insignificant. The Company's loans received bear a fixed interest rate. Since the maturity date of the loans is one year and there were no significant changes in the economic environment, the Company is of the opinion the fair value of the loans does not significantly differ from their carrying value.

C.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders.

The Company defines its capital as equity less cash and cash equivalents.

	2020	2019
Equity	164,149	147,317

C.2 Capital risk management (continued)

Cash and cash equivalents	(530)	(438)
Less: cash and cash equivalents	**163,619**	**146,879**

Aiming to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, or take other appropriate actions.

Pursuant to the Lithuanian Law on Companies, the authorised share capital of a public limited liability company must be not less than EUR 40 thousand and the shareholders' equity should not be lower than 1/2 of the Company's authorised share capital. As at 31 December 2019 and 31 December 2020, the Company complied with these requirements.

C.3 Fair value estimation

The nominal value less impairment provision of trade receivables and the nominal value of loans received and amounts payable is assumed to approximate their fair values. For the purposes of disclosure in the financial statements, loans granted that are stated at amortised cost and the fair value of financial liabilities are estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

D. CIRTICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Expected impairment losses of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators. This determination requires significant judgement. The Company's expected credit losses are calculated with reference to the history of default and delinquency in payments, as well as the forecast situation in the market. The Company's current estimates might significantly change as a result of developments in the situation in the market and the overall situation in economy as a whole.

Impairment loss of inventories

Write-down of finished goods to net realisable value is performed based the management's estimate of expected sales price of finished goods after the end of the financial year. If the production cost of finished goods exceeds their expected prices, impairment loss is recognised. Such an estimate is performed in respect of each significant position of finished goods as at the date of the statement of financial position. The Company's management determined expected sales prices of goods after the end of the year with reference to the available market information and/or existing contracts with the buyers of goods.
Raw materials and other substances used in the production of goods are not written down below their cost if these goods, for the production of which these raw materials and other substances are used, are expected to be sold at cost or at a higher price. When decreasing prices of raw materials are indicative of the cost of goods produced using these raw materials and substances exceeding the net realisable value, raw materials are written down to their net realisable value. In such circumstances, the best estimate of net realisable value of raw materials and consumables is the value for which raw materials of the same nature can be purchased.

Management's current estimates regarding net realisable value of inventories could change because of changes in demand for goods produced by the Company and other unexpected market developments (Note 11).

OTHER EXPLANATORY NOTES

1. REVENUE FROM CONTRACTS WITH CUSTOMERS

Breakdown of sales by category:	2020	2019
Sales of diammonium phosphate	158,967	212,493
Sales of monocalcium phosphate	65,968	72,483
Sales of aluminium fluoride	14,886	15,625
Sales of mono-ammonium phosphate	20,255	17,442
Urea phosphate	14,880	12,574
Ammonium phosphate (with sulphur)	37,307	17,475
Total sales	**312,263**	**348,092**
Sales of goods	17	1,407
Sales of electricity, thermal energy and other	2,931	3,001
	315,211	**352,500**

Sales of goods are recognised at a certain moment, upon the transfer of the control of the good. Sales of electricity and heat energy are recognised over the period .

2. SELLING AND DISTRIBUTION EXPENSES

	2020	2019
Transportation expenses	6,695	5,147
Loading and forwarding expenses	2,758	3,615
Employee benefits and social security contributions	1,878	1,889
Depreciation and amortisation	396	373
Other selling and distribution expenses	642	509
	12,369	**11,533**

3. ADMINISTRATIVE EXPENSES

	2020	2019
Employee benefits	2,966	2,418
Social security contributions	39	237
Depreciation and amortisation	387	351
Taxes (other than income tax)	669	688
Sponsorship	51	135
Consulting expenses	677	462
Other administrative expenses	952	1,014
	5,741	**5,305**

4. EXPENSES BY NATURE

	2020	2019
Raw materials and consumables used	229,001	268,541
Employee benefits and social security contributions	32,172	30,340
Change in finished goods, semi-manufactures and work in progress	(155)	(44)
Depreciation and amortisation	15,810	14,943
Transportation services	9,453	8,756
Energy and fuel	5,681	5,580
Repair and maintenance	484	865
Other expenses	492	1,247
Occupational safety expenses	41	28
Taxes (other than income tax)	669	688
Business trips, daily allowances, visas	15	118
Expenses of social nature, professional qualification	195	242

4. EXPENSES BY NATURE (CONTINUED)

Sponsorship	51	135
Office maintenance expenses	62	179
Marketing and representation	98	121
Telecommunication and IT maintenance expenses	98	100
Motor vehicle and property insurance	134	138
Security services	345	350
Professional consultation services	819	622
Vacation and bonus reserve accrual expenses	185	353
	295,650	**333,302**

Employee benefits and social security contributions comprise wages and salaries of EUR 30,460 thousand (2019: EUR 29,525 thousand), social security contributions of EUR 538 thousand (2019: EUR 523 thousand) and other employee benefits of EUR 1,335 thousand (2019: EUR 1,084 thousand), capitalised expenses of EUR 161 thousand (2019: EUR 792 thousand). In 2020, expenses for the lease of low-value assets amounted to EUR 73 thousand (2019: EUR 74 thousand); expenses related to short-term leases amounted to EUR 13 thousand (2019: EUR 10 thousand) for lease contracts with the term between 1 and 12 months.

5. NET FOREIGN EXCHANGE GAIN/LOSS)

In 2019-2020, fluctuations in foreign exchange rates were stable, and accordingly, they had no significant impact on operating profit. On 20 December 2019, based on the agreement #101-0867705 a loan of USD 30,000 thousand was received from OJSC MCC EuroChem. The effect of change in USD exchange rate (gain) amounted to EUR 2,382 thousand (31 December 2019: EUR/USD- 1.1189, 31 December 2020: EUR/USD-1.2281).

6. OTHER INCOME (EXPENSES), NET

	2020	2019
Interest income, premium on emission allowances	-	180
Income from emission allowances, net	-	1,820
Gain/(loss) on disposal of property, plant and equipment	(10)	(13)
Expenses on disposal and write-off of inventories	(6)	(5)
Income from grants	203	247
Other operating income (expenses)	(24)	276
	163	**2,505**

7. INCOME TAX

	2020	2019
Current income tax	(1,103)	(2,203)
Adjustment of previous year income tax	(2)	4
Deferred income tax	(1,550)	(237)
	(2,655)	**(2,436)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise when using the basic income tax rate as follows:

	2020	2019
Profit/(loss) before tax	**19,487**	**20,412**
Tax calculated at a rate of 15%	(2,923)	(3,062)
Effect of non-taxable income and support granted	17	29
Effect of expenses not deductible for tax purposes	(39)	(36)
Adjustment to previous year income tax	(2)	4
Income tax relief on investment projects (Art 46.1, CIT Law)	292	629
Income tax	**(2,655)**	**(2,436)**

7. INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the period :

Deferred income tax

	Inventory write-down	Provisions	Differences in amortisation periods of non-current assets	TOTAL
At 1 January 2019	**-**	**55**	**(946)**	**(891)**
Recognised in the statement of comprehensive income	513	21	(771)	(237)
At 31 December 2019	**513**	**76**	**(1,717)**	**(1,128)**
Recognised in the statement of comprehensive income	(501)	(18)	(1,031)	(1,550)
At 31 December 2020	**12**	**58**	**(2,748)**	**(2,678)**

Deferred income tax liability of EUR 2,748 thousand was recognised on differences in amortisation periods of non-current assets for financial reporting and tax purposes 2015-2020.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and machinery	Vehicles and equipment	Other PP&E	Construc-tion in progress	Total
At 1 January 2019							
Cost	710	80,577	233,176	10,921	6,628	7,702	339,714
Accumulated depreciation	-	(41,329)	(137,393)	(7,020)	(4,361)	-	(190,103)
Net book amount	**710**	**39,248**	**95,783**	**3,901**	**2,267**	**7,702**	**149,611**
Year ended 31 December 2019							
Opening net book amount	**710**	**39,248**	**95,783**	**3,901**	**2,267**	**7,702**	**149,611**
Additions	-	-	3,949	111	595	16,455	21,110
Disposals and write-offs (cost)	-	-	(1,919)	(515)	(434)	-	(2,868)
Disposals and write-offs (accumulated depreciation)	-	-	1,919	515	434	-	2,868
Reclassifications	-	2,619	11,087	202	356	(14,264)	-
Depreciation charge	-	(2,117)	(11,511)	(647)	(647)	-	(14,922)
Closing net book amount	**710**	**39,750**	**99,308**	**3,567**	**2,571**	**9,893**	**155,799**
At 31 December 2019							
Cost	710	83,194	246,294	10,717	7,145	9,893	357,953
Accumulated depreciation	-	(43,444)	(146,986)	(7,150)	(4,574)	-	(202,154)
Net book amount	**710**	**39,750**	**99,308**	**3,567**	**2,571**	**9,893**	**155,799**

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2020							
Opening net book amount	**710**	**39,750**	**99,308**	**3,567**	**2,571**	**9,893**	**155,799**
Additions	-	-	2,990	314	636	18,354	22,294
Disposals and write-offs (cost)	-	(63)	(4,440)	(83)	(200)	(1,136)	(5,922)
Disposals and write-offs (accumulated depreciation)	-	29	4,440	83	200	-	4,752
Reclassifications	-	3,885	11,112	75	332	(15,404)	-
Depreciation	-	(2,235)	(12,301)	(513)	(703)	-	(15,752)
Closing net book amount	**710**	**41,366**	**101,109**	**3,443**	**2,836**	**11,707**	**161,171**
At 31 December 2020							
Cost	710	87,016	255,957	11,023	7,913	11,707	374,326
Accumulated depreciation	-	(45,650)	(154,848)	(7,580)	(5,077)	-	(213,155)
Net book amount	**710**	**41,366**	**101,109**	**3,443**	**2,836**	**11,707**	**161,171**

Land is leased by the Company from the Government of the Republic of Lithuania for the term of 99 years under the lease agreement signed in 1997. Lease payments for the land amounted to EUR 92 thousand in 2020 (2019: EUR 92 thousand), and were recognised as administrative expenses in the statement of comprehensive income.
In 2017, the investment project *Construction of the Urea Phosphate Unit UP 17:44; Reconstruction of the Ammonium Phosphate Unit's third technical line into a new technical line for production of NPK fertilizers; Construction of warehouses for NPK fertilizers and KCl raw materials* was started. Investments in this project amounted to EUR 32,142 thousand during the period from 2017 to 2020. In 2018, stage 1 (*Construction of the Urea Phosphate Unit UP 17:44)* of the investment project was finalised (EUR 14,861 thousand). The production of a new product, i.e. urea phosphate UP 17:44, was launched. During 2019-2020, stage 2 (*Reconstruction into a new production line of NPK Fertilizers*) was finalised (EUR 6,614 thousand). The production of a new product, ammonium phosphate with sulphur NPS 12:40-10S+Zn+B, was launched. In January 2021, the project was completed.

In addition, the Company leased out certain items of property, plant and equipment with the net book amount of EUR 141 thousand (2019: EUR 210 thousand). Annual income earned from the lease of these items of assets amounted to EUR 58 thousand (2019: EUR 45 thousand), and depreciation expenses incurred amounted to EUR 10 thousand (2019: EUR 11 thousand). In 2020, capitalised depreciation expenses on investment projects amounted to EUR 10 thousand (2019: EUR 46 thousand). In 2020, there were no capitalised borrowing costs added to the value of property, plant and equipment amounted (2019: EUR 258 thousand).

9. INTANGIBLE ASSETS

	Computer software
At 1 January 2019	
Cost	1,518
Accumulated amortisation	(1,208)
Net book amount	**310**
Year ended 31 December 2019	
Opening net book amount	310
Additions	48

9. INTANGIBLE ASSETS (CONTINUED)

Disposals and write-offs (cost)	(363)
Disposals and write-offs (accumulated depreciation)	363
Amortisation charge	(68)
Closing net book amount	**290**
At 31 December 2019	
Cost	1,204
Accumulated amortisation	(914)
Net book amount	**290**
Year ended 31 December 2019	
Opening net book amount	290
Additions	48
Disposals and write-offs (cost)	(4)
Disposals and write-offs (accumulated depreciation)	4
Amortisation charge	(69)
Closing net book amount	**269**
At 31 December 2020	
Cost	1,248
Accumulated amortisation	(979)
Net book amount	**269**

10. PREPAYMENTS

The balance of non-current amounts receivable comprises prepayments for non-current assets amounting to EUR 426 thousand (2019: EUR 1,311 thousand), prepayments for construction in progress amounting to EUR 293 thousand (2019: EUR 396 thousand), and prepayments for materials under construction projects in progress amounting to EUR 133 thousand (2019: EUR 915 thousand).

11. INVENTORIES

	Finished products	**Raw materials and consumables**	**Work in progress and semi-manufactures**	**Total**
At 31 December 2019				
Cost	19,955	24,969	1,524	46,448
Write-down to net realisable value	(2,570)	(853)	-	(3,423)
Net realisable value	**17,385**	**24,116**	**1,524**	**43,025**
At 31 December 2020				
Cost	17,843	34,436	1,591	53,870
Write-down to net realisable value	(80)	-	-	(80)
Net realisable value	**17,763**	**34,436**	**1,591**	**53,790**

11. INVENTORIES (CONTINUED)

As at 31 December 2019, the remaining balance of warehoused finished goods was written down to net realisable value. The values of inventories after the adjustment were as follows: diammonium phosphate – EUR 7,483 thousand; monocalcium phosphate – EUR 1,460 thousand; ammonium phosphate with sulphur – EUR 3,699 thousand. As at 31 December 2020, the remaining balance of warehoused finished products of ammonium phosphate with sulphur was written down: the value of ammonium phosphate after the adjustment was EUR 5,142 thousand.

12. FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets measured at amortised cost	
	2020	**2019**
Assets as per the statement of financial position		
Trade and other amounts receivable	83,436	75,673
Cash and cash equivalents	530	438
	83,966	**76,111**

	Financial liabilities measured at amortised cost	
Liabilities as per the statement of financial position	**2020**	**2019**
Trade and other amounts payable	35,127	29,923
Current borrowings	87,822	90,003
Total	**122,949**	**119,926**

Amounts receivable in the table above are reported less prepayments, taxes receivable and overpaid taxes and other non-financial assets, while amounts payable are reported less taxes payable and other non-financial liabilities.

As at 31 December 2020, the Company's cash balances on bank accounts and short-term deposits held with banks amounted to EUR 530 thousand (2019: EUR 438 thousand). As at 31 December 2020, all balances were held in Lithuanian banks with a long-term credit rating not lower than 'A' assigned by international rating agency *FitchRatings*, or in Lithuanian banks with no ratings assigned by international rating agency, but the parent companies of which have a long-term credit rating not lower than 'A'. Although expected credit losses must be established in relation to cash and cash equivalents, the impairment calculated was immaterial

The Company applies a simplified approach for the measurement of expected credit losses, on the basis of which lifetime expected credit losses are calculated for trade receivables. The analysis on non-recoverability of trade receivables is conducted for the last 3 years in order to determine the default ratio. As the liabilities of all parties were fulfilled during the last 3 years and the Company does not expect any deterioration in economic conditions, the expected credit loss rates are equal to 0%.

12. FINANCIAL INSTRUMENTS (CONTINUED)

As at 1 January 2020, the Company applied the following expected loss rates in respect of trade receivables:

At 31 December 2020	Not past due	Up to 3 months	Total
Expected loss rate	0%	0%	0%
Amounts receivable from related parties before impairment	82,249	-	82,249
Amounts receivable from non-related parties before impairment	1,184	3	1,187
Impairment	-	-	-

1 January 2020	Not past due	Up to 3 months	Total
Expected loss rate	0%	0%	0%
Amounts receivable from related parties before impairment	73,598	-	73,598
Amounts receivable from non-related parties before impairment	2,013	62	2,075
Impairment	-	-	-

Trade receivables are non-interest bearing and are normally settled over the term of 5 to 60 days.
As at 31 December 2020, the Company's trade receivables not past due amounted to EUR 83,433 thousand (2019: EUR 75,611 thousand). These receivables may be split into the following groups:

Trade receivables not past due	**2020**	**2019**
Receivables from related party EuroChem Group AG	59,844	839
Receivables from related party Agrocentr Eurochem S.R.L.	-	20
Receivables from related party EuroChem Group Trading	-	15,460
Receivables from related party EuroChem Trading GmbH	-	3
Receivables from the related party EuroChem Belorechenskie MU	38	-
Receivables from related party EuroChem Agro GmbH	22,367	57,276
Amounts receivable from unrelated customers	1,184	2,013
	83,433	**75,611**

More details on transactions with related parties are disclosed in Notes 13 and 20. EuroChem Agro GmbH has been the Company's customer for a number of years with no history of defaults. In 2020, a significant part of sale transactions were conducted through EuroChem Group AG.
None of the financial assets that are fully performing and that would otherwise be past due or impaired has been renegotiated in the previous year in relation to repayment terms (except for that disclosed in Note 13).

13. TRADE AND OTHER AMOUNTS RECEIVABLE

	2020	**2019**
Trade receivables, gross	83,436	75,673
VAT receivable	-	-
Prepayments to suppliers	1,427	525
Provision for prepayments to suppliers	-	-
Other amounts receivable	673	502
	85,836	**76,700**

13. TRADE AND OTHER AMOUNTS RECEIVABLE (CONTINUED)

Details of amounts receivable from related parties are disclosed in Note 20.

Formation and reversal of impairment loss in respect of amounts receivable is accounted for within administrative expenses in the statement of comprehensive income. The amounts in respect of which impairment loss is recognised are generally written off, when there is no expectation of recovering additional cash. Other categories within trade and other amounts receivable do not contain impaired assets.

The carrying amount of the Company's trade and other amounts receivable denominated in USD totalled EUR 556 thousand (USD 8,038 thousand) as at 31 December 2020 (2019: EUR 18,662 thousand (USD 20,880 thousand)). Other amounts receivable are denominated in EUR.

14. CASH AND CASH EQUIVALENTS

	2020	2019
Cash at bank	530	438
	530	**438**

The Company's cash and cash equivalents denominated in USD amounted to EUR 165 thousand as at 31 December 2020 (USD 202 thousand) (2019: EUR 306 thousand (USD 343 thousand)).

On 11 June 2013, a credit line agreement No 001/04821L/13 was signed with UniCredit bank branch in Moscow, under which a credit limit of USD 25,000 thousand was granted for issuing letters of credit and guarantees. On 16 February 2016, the agreement was extended. The agreement No is 001/0096L/16. The agreement will expire on 19 March 2021.

15. SHARE CAPITAL

As at 31 December 2019 and 2020, the Company's authorised share capital was divided into 21,020,564 ordinary shares with the par value of EUR 2.90 each.

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5% of net result are required until the reserve reaches 10% of the share capital. The legal reserve cannot be used for payment of dividends, however, it may be used to cover future losses.

In 2019-2020, the Shareholders' Meeting did not pass any decisions on the calculation and payment of dividends.

16. GRANTS

The Company has received a grant of LTL 5,976 thousand (EUR 1,731 thousand) from the EU structural funds to finance the implementation of the project "The usage of local and renewable energy sources for electricity generation at the Sulphur Acid Unit" (the grant was received in 2007), and a grant of LTL 238 thousand (EUR 69 thousand) from the Environment Protection Investments Fund to finance in part the acquisition of waste cleaning equipment (the grant was received in 2008). In 2010, a grant of LTL 13,712 thousand (EUR 3,971 thousand) was received from the EU structural funds to finance the modernisation of production at the Feed Phosphate Unit.

The grants are amortised over the useful life of the related property, plant and equipment. Income of EUR 203 thousand was recognised in 2020 on the total amount of grants received (2019: EUR 247 thousand) to cover the depreciation expenses of the related property, plant and equipment.

17. TRADE AND OTHER AMOUNTS PAYABLE

	2020	2019
Trade payables	34,695	29,923
Amounts payable under cash pool contract	432	-
Import VAT payable, customs duty	1,749	743
Other amounts payable and accrued charges	7,162	6,673
Advance amounts received	417	67
Other taxes payable	263	292
Social security contributions	595	534
	45,313	**38,232**

The Company's trade and other amounts payable denominated in USD totalled EUR 19,260 thousand (USD 23,652 thousand) as at 31 December 2020 (2019: EUR 13,770 thousand (USD 15,408 thousand)).

18. Current borrowings

- On 24 August 2017, the Company received a loan of EUR 90,000 thousand from EuroChem Group AG according to Agreement #504-0119519. On 22 August 2018, the Company repaid a part of the loan amounting to EUR 16,000 thousand. On 23 December 2019, the Company repaid part of the loan amounting to EUR 10,860 thousand. The loan maturity term was extended until 21 August 2021. **As at 31 December 2020**, the balance of current borrowings amounted to EUR 63,314 thousand (the principal amount of loan was EUR 63,140 thousand, and interest thereon was EUR 174 thousand). **As at 31 December 2019**, the balance of current borrowings amounted to EUR 63,168 thousand (the principal loan amount was EUR 63,140 thousand, and interest thereon was EUR 28 thousand). Interest rate ranged between 2.05% and 3.25% in 2020 (2019: 1.90% and 2.05%). In 2020, interest amounted to EUR 1,568 thousand (2019: EUR 1,441 thousand).

- On 23 December 2019, the Company received a loan of USD 30,000 thousand from EuroChem MCC according to Agreement #101-0867705. **As at 31 December 2020**, the balance of current borrowings amounted to EUR 24,508 thousand (USD 30,097 thousand) (the principal loan amount was EUR 24,429 thousand (USD 30,000 thousand), and interest thereon was EUR 79 thousand (USD 97 thousand). In 2020, interest rate ranged between 3.95% and 3.55% (2019: 3.95%). In 2020, interest amounted to USD 1,181 thousand (2019: USD 26 thousand).
Details of amounts payable to related parties are presented in Note 20.

19. CASH FLOWS FROM OPERATING ACTIVITIES

	2020	2019
Profit/(loss) before income tax	19,487	20,412
Depreciation and amortisation (Notes 8, 9)	15,820	14,990
IT reclassification to expenses	1,136	-
Finance charges	2,601	1,769
Net profit (loss) on disposal of property, plant and equipment, net	(10)	(23)
Foreign exchange gain (loss)	(2,387)	-
Changes in working capital:		
– trade and other amounts receivable	(8,836)	(27,651)
– trade and other amounts payable	7,082	2,691
– grants	(203)	(247)
– inventories	(10,765)	16,867
Cash flows from operating activities	**23,925**	**28,808**

There were no significant non-cash transactions during the years 2019 and 2020.
In the statement of cash flows, proceeds from disposal of property, plant and equipment comprise as follows:

	2020	2019
Gain on disposal of property, plant and equipment (Note 6)	(10)	(13)
	(10)	**(13)**

20. RELATED-PARTY TRANSACTIONS

The Company is controlled by the main shareholder EuroChem Group AG, which owns 100% of the Company's shares.

Other related parties include the EuroChem group entities and the Company's key management.

The following transactions were conducted with related parties:

	2020		2019	
	Sales	**Purchases**	**Sales**	**Purchases**
EuroChem Trading GmbH	-	6,980	28,793	17,883
EuroChem Belorechenskie MU	810	-	303	-
EuroChem Agro GmbH	89,385	8	278,456	16
EuroChem Usolsky Ptash Complex Limited Company	2	-	-	-
EuroChem Group AG	186,419	19,473	28,582	7,427
OAO Kovdorsky GOK	113	39,538	6	51,520
Eurochem terminal Sillamae Osauhing	-	1	-	2
OAO NAK Azot	279	5,503	906	3,244
UAB EuroChem Logistics International	49	5,612	-	5,960
OJSC Nevinomyssky Azot	-	3,399	54	2,797
OOO Fosforit	-	-	97	-
OAO Novomoskovskij Chlor	-	367	-	345
OJSC MCC Eurochem	-	1,408	-	260
Agrocenter EuroChem S.R.L.	96	-	94	-
EuroChem Antwerpen NV	431	7	-	12
Harvester Shipmanagement Ltd	-	-	-	11,074
OOO Gostinica Uyut	-	-	-	1
	277,584	**82,296**	**337,291**	**100,541**

Year-end balances of transactions with related parties:

	2020		2019	
	Receivables	**Payables**	**Receivables**	**Receivables**
EuroChem Group Trading	-	-	15,618	-
EuroChem Trading GmbH	-	2,732	5	2,816
EuroChem Agro GmbH	22,367	14	57,308	14
OAO Kovdorsky GOK	-	7,313	-	9,701
OAO NAK Azot	-	323	123	23
„EuroChem Group AG	60,356	63,968	839	63,168
UAB EuroChem Logistics International	-	239	-	137
OAO Novomoskovskij Chlor	-	-	-	4
OJSC MCC EuroChem	-	24,542	-	26,863
AgrocenterEurochem S.R.L	-	-	21	-
EuroChem Belorechenskie MU	38	-	-	-
	82,761	**99,131**	**73,914**	**102,726**

20. RELATED-PARTY TRANSACTIONS (CONTINUED)

The balances of receivables include receivables on sales of products (EuroChem Trading GmbH, EuroChem Agro GmbH, Agrocenter Eurochem S.R.L, EuroChem Group Trading). The balances of payables include amounts payable on purchases of raw materials (Kovdorskiy GOK OAO, NAK Azot OAO, Novomoskovskij Chlor OAO, EuroChem Trading GmbH), transportation services (EuroChem Logistics International UAB, Harvester Shipmanagement Ltd), consultation services (MCC EuroChem OJSC), current borrowings (EuroChem Group AG and MCC EuroChem OJSC). Details of the borrowings from EuroChem Group AG, MCC EuroChem OJSC are presented in Note 18.

Compensation of key management personnel

Based on the Company's management work regulations, key management personnel are deemed to include top level management personnel. In 2020, the Company accounted for employee benefits to key management personnel amounting to EUR 1,317 thousand (2019: EUR 1,366 thousand), whereof wages and salaries amounted to EUR 757 thousand (2019: EUR 743 thousand), bonuses amounted to EUR 550 thousand (2019: EUR 611 thousand), and social security contributions amounted to EUR 10 thousand (2019: EUR 12 thousand).
There were no outstanding balances of amounts due to key management personnel as at 31 December 2019 and 2020.

The number of key management personnel was 6 in 2019 and 2020.

21. CONTINGENT LIABILITIES AND OFF-BALANCE SHEET COMMITMENTS

Contingent liabilities

The Company is producing excessive quantity of gypsum which is a waste product. Based on the order of the Lithuanian Minister of Environment, the Company has prepared a plan for management of waste products in case it ceases its operations, and has made an assessment of the expected waste management costs. Waste gypsum is stored on a special site designated for its storage.
Phosphogypsium makes up the largest portion of waste of the Company. This waste is classified as non-hazardous waste. On 5 November 2020, the plan on cessation of waste recovery and disposal activities was updated (every 2 years), which is prepared for both hazardous and non-hazardous waste (before the update, the plan used to be prepared only for hazardous waste).
Following this change, a bank guarantee is issued for management of both hazardous and non-hazardous waste. On 19 January 2021, the terms and conditions of a guarantee issued by SEB Bankas were amended as follows: the guarantee amount is EUR 968 thousand (31 December 2020: EUR 194 thousand), and the guarantee validity term extended until 31 January 2022.
Based on the above-mentioned plan, the outflow of the Company's resources for waste management purposes is under full control of the Company. Such outflow is considered to be unlikely because it would happen only if the Company ceases its operations. The Company's management and shareholders have no intentions to put the Company into liquidation or terminate its production and trade activities in the foreseeable future, nor do they expect that such situation would be inevitable. In view of this, no provision was recognised in these financial statements for the expected waste management costs.

Capital expenditure commitments
Capital expenditures related to property, plant and equipment that have been contractually committed at the balance sheet date but not recognised in the financial statements amounted to EUR 538 thousand as at 31 December 2020 (31 December 2019: EUR 1,671 thousand).
Contingent litigations
There is an ongoing administrative litigation proceeding since 2013 with the National Energy Regulatory Council (formerly the National Commission for Energy Control and Prices) regarding the pricing of public service obligations (the PSO). The subject matter of the litigation is an obligation to pay the PSO fee on electricity produced by the Company and used for its own needs. The Company has disputed the legitimacy of the aforementioned amounts

assessed for payment at the Lithuanian courts and the EU institutions. The Company has accounted for the PSO amounts assessed for payment by recognising the respective expenses and liabilities, however, it does not make payments due to the ongoing litigations.

In 2019, Baltpool UAB (administrator of the PSO funds) applied to Kaunas District Court with request to order payment of the unpaid part of the PSO fee and late interest on overdue amounts from the Company. In October 2020, the court passed a judgement in favour of Baltpool UAB and committed the Company to pay the PSO funds and interest charged in total amount of EUR 1,673 thousand. No provision was established for the payment of this amount as at 31 December 2020.
In November 2020, the Company appealed against the judgement of Kaunas District Court regarding the order to pay amount due to Baltpool UAB, and expects a positive outcome. In addition, the Company expects a resolution from the EU institutions.

Emission allowances

The Company participates in a carbon dioxide cap and trade scheme. The Company receives emission allowances from the Government in an amount equal to its cap. Allowances are issued at no consideration.

	2020	2019
Accumulated emission allowances brought forward from prior years, tons	226,617	171,713
Emission allowances granted during the year, tons	148,474	152,808
Actual emissions, tons	(447)	(1,124)
Emission allowances sold or transferred to third parties during the year, tons	-	(100,000)
Emission allowances granted with expired term (tons)		
Emission allowances purchased from third parties during the year, tons	5,800	3,220
Emission allowances not used and not sold during the previous year that can be carried forward (tons)	380,444	226,617
Market value of emission allowances not used and not sold as at the date of the statement of financial position (EUR thousand)	12,460	5,915
Income from disposal of emission allowances (EUR thousand)	-	1,900

Impact of COVID-19 on the Company

Late in 2019 news first emerged from China about the COVID-19 (coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In 2020, the Company's production volume, supply of raw materials, and transportation were not substantially affected by COVID-19 pandemic. To ensure safety of employees and continue day-to-day operations, additional measures were taken by the Company. Additional expenses for personal protection equipment amounted to up to EUR 100 thousand. The Company granted sponsorship in a form of available personal protection equipment to Kėdainiai PSPC health care centre for the amount of EUR 14 thousand, and in a form of cash in the amount of EUR 10 thousand and EUR 7 thousand (for purchase of the required equipment) to Kėdainiai hospital and Kėdainiai PSPC health care centre, respectively. Management is closely monitoring the situation and seeking ways to minimise the potential impact on the Company.

22. POST-BALANCE SHEET EVENTS

There were no significant post-balance sheet events.

Annual Report

1. Reporting period

This annual report covers the period from 1 January 2020 to 31 December 2020. All numbers in the annual report are given as of 31 December 2020, unless otherwise stated. In this report Lifosa AB is referred to as the Company.

2. The Company and its contact details

Name	AB Lifosa
Legal status	Legal entity, public limited liability company
The authorised share capital	60 959 635,60 EUR
Date and place of registration	30 October 1996, Register of Legal Entities
Registration Certificate No.	025806
Company code	161110455
VAT payer's code	611104515
Head-office address	Juodkiškio g. 50, LT-57502 Kėdainiai
Phone number	(8~347) 66 483
Fax number	(8~347) 66 166
E-mail address	info@lifosa.com
Website address	www.lifosa.com

The Company has no branches or representative offices.

3. The Company's profile of activities

The Company's core line of business is the production and wholesale of nitrogen-phosphorus fertilizers (diammonium phosphate, ammonium phosphate with sulfur, monoammonium phosphate MAP 12-61, urea phosphate UP 17-44), feed phosphates and aluminium fluoride. Interim products are sulphuric acid and wet-process phosphoric acid used in the production of the main products. The Company's non-typical activities are production and sales of electric and thermal power.

4. Agreements with the intermediaries of public trading in securities

On 8 June 2010, Lifosa AB concluded the agreement on service ofthe issuer with SEB Bankas AB (Gedimino 12, Vilnius). Before that date, Lifosa AB had an agreement with the financial brokerage firm Finasta AB FMĮ (Konstitucijos pr. 23, Vilnius) on handling the accounting of securities issued by the Company.

5. Information about trade of company‘s securities

The ordinary registered shares of Lifosa AB were listed in the Supplementary Trading List of NASDAQ OMX Vilnius Stock Exchange until 31 December 2011. The Company's shares were de-listed from the Supplementary Trading List based on the Decision ofthe Board of NASDAQ OMX Vilnius AB (dated 28 December 2011, Minutes No. 41). The basis for the Company's withdrawal from the stock exchange became effective on 16 December 2011 upon the completion of transfer of title of ownership to the Company's shares from the minority shareholders to Mineral and Chemical Products Company EuroChem AB.

Main characteristics of the shares:

Type of shares	Ordinary registered shares
ISIN	LT0000116691
Ticker	LFO1L
Number of shares, in units	21 020 564
Nominal value, in EUR	2,90
Total nominal value, in EUR	60 959 635,60
Listing start date	12 May 1997
Listing end date	31 December 2011

6. Objective overview of the Company's financial position, performance and development; description of its exposure to key risks and uncertainties

Overview of the Company's financial position and performance

Diammonium phosphate and feed phosphates are used all over the world. These products are produced by many companies which can offer products of the same quality and chemical composition. Sales results mainly depend on the best price offered to the market, which is significantly affected by economic situation in agricultural sector and the policy on subsidies, i.e. the factors that are beyond the influence of producers.

At the beginning of 2020 it was recorded the lowest prices of phosphate fertilisers in the recent decade. However, in the second quarter of 2020 prices of phosphate fertilisers started increasing. Growth of prices continued for the rest of the year.

Main factors influenced growth of the prices of phosphate fertilisers are these:

1. good harvest in 2020;
2. phosphate fertilisers deficit caused by increased phosphate fertilisers import demand of Brazil and India;
3. export of Chinese phosphate fertilisers constrained due to COVID-19;
4. changes in countervailing duties policy - in the mid of 2020, US Department of Commerce and US International Trade Commission launched investigation into harm by Moroccan and Russian phosphate fertilizers import on local producers, as well as opportunities to apply the customs duties on Moroccan and Russian-origin phosphate fertilizers producers who are subsidized by governments of these countries. On 11 March 2021, US International Trade Commission made a final decision to apply countervailing duties on Morocco's OCP phosphate fertilizers import by 19,97%, on Russian PhosAgro phosphate fertilizers producers import 9,19%, on Russian EuroChem phosphate fertilizers producers import 47,05%, on others 17,20%.

During the reporting period, Company's sales revenue in EUR, compared to 2019, decreased by 10,6% while cost of goods sold decreased by 12,3%.

The price of Company's main product, diammonium phosphate, in USD (compared to previous quarter) decreased in 1Q 2020 – 6,4%, increased in: 2Q 2020 – 6,6%, 3Q 2020 – 3,4%, 4Q 2020 – 8.5%:

	2019, USD/tons	**Change over the quarter, %**	**2020, USD/tons**	**Change over the quarter, %**
1Q	410,81		284,44	-6,4
2Q	393,39	-4,2	303,23	6,6
3Q	341,13	-13,3	313,63	3,4
4Q	304,03	-10,9	340,22	8,5

Assessment of the Company's exposure to key risks and uncertainties

It is expected that in 2021 tendencies of phosphate fertilisers market will be influenced by these main factors:

1. Phosphate fertilisers demand across the world might increase by 1-2 mln. tones.The greatest growth of demand is expected to be in Brazil and Asia/Oceania markets where farmers will likely invest into phosphate fertilisers due to good harvest in 2020 as well as growing prices of their products;
2. It is forecasted that prices of sulphur and ammonia which are the main components for phosphate fertilisers, will increase as well in comparison with 2020. Therefore prices of phosphatic fertilisers will grow too.

Such factors as grain market conditions, i.e. grain yield, grain prices, farmers' stocks at warehouses highly affect the demand for nitrogen and phosphate fertilizers

The phosphate fertilizer business is cyclic. Phosphate fertilizer prices fluctuate because of economic and natural factors, end user's cyclic business, and decline in the purchasing power; therefore the Company's sales revenue and profit may drop, and business may become unprofitable during the periods unfavourable to the producers of phosphate fertilizers.

Overproduction may reduce fertilizer sale prices, and the Company's products may, therefore, become uncompetitive due to higher production cost as compared to that of the competitors. The major component of the production cost is the acquisition cost of the raw materials. Raw phosphates (apatite concentrate or phosphorite) are the main raw materials used in phosphate fertilizer production process, therefore, the lowest production cost is ensured by manufacturers producing their own raw phosphates.

Poor climate conditions (e.g., heavy sea conditions limiting the movement of ships), unrest in the regions may hinder the delivery of raw materials resulting in reduced production outputs.

Business risks are managed through regular investment not only in replacement of obsolete equipment with new one, but also through installation of modern technologies, improvement of production processes, which on turn, allows saving costs, raw materials and energy. The major part of raw materials is obtained from related-party companies, controlled by EuroChem Group. When raw materials are purchased from third parties, several independent suppliers are selected. The supply of raw materials is a regularly planned process.

The Company produces high-quality fertilizers widely recognised among the buyers and consumers. Goods are promptly delivered to different regions under agreed delivery terms.

The Company's exposure to financial risks and their management are described in the notes to the audited financial statements.

7. Analysis of the financial and non-financial performance

Key financial indicators:

	2018	2019	2020
Sales, '000 EUR	366.454	352.500	315.211
Cost of sales, '000 EUR	300.472	316.464	277.540
Gross profit, '000 EUR	65.982	36.036	37.671
Gross profit margin, %	*18*	*10*	*12*
Operating profit, '000 EUR	56.715	21.924	22.088
Operating profit margin, %	*15*	*6*	*7*
Profit before tax, '000 EUR	54.919	20.412	19 487
Profit before tax margin, %	*15*	*6*	*6*
Net profit, '000 EUR	47.470	17.976	16.832
Net profit margin, %	*13*	*5*	*5*
EBITDA, '000 EUR	70.617	36.867	37.898
EBITDA margin, %	*19*	*10*	*12*
Return on equity (ROE), %	37	12	10
Return on assets (ROA), %	18	6	6
Debt-to-equity ratio	1,02	0,89	0,84
Current liquidity ratio	0,84	0,94	1,04
Quick liquidity ratio	0,38	0,60	0,64
Cash ratio	0,00	0,00	0,00
Earnings per share, EUR	2,26	0,86	0,80
Income per employee, '000 EUR	374	355	314

8. References to and additional explanation of data presented in the financial statements

During the year 2020 the Company produced 578 497 tons of diammonium phosphate, i.e. 12,5% less compared to the year 2019 (661 100 tons). In 2020, the production of diammonium phosphate decreased due to the production of 161 778 tonnes of a new alternative product – ammonium phosphate with sulfur. In 2020, the Company produced 33 848 tons of monoammonium phosphate, i.e. 12,2 % more compared to 2019 (30 157 tons). In 2020, the Company produced 24 975 tons of urea phosphate, i.e. 33,3 % more compared to 2019 (18 740 tons). The Company produced 195 767 tons of feed phosphates, i.e. 2,4 % less compared to the year 2019 (200 610 tons). In 2020, the Company produced 18 466 tons of aluminium fluoride, i.e. 21,2 % more compared to 2019 (15 239 tons). In 2020, the Company produced: 1 246 987 tons of sulphuric acid, i.e. 1,3 % more than in 2019 (1 230 525 tons); 470 006 tons of phosphoric acid, i.e. 0,8% more than in 2019 (466 190 tons).

The Company also produces electricity, which is first of all used for own needs, and the remaining amount is sold to other companies. During 2020, The Company produced 206 575 thousand KWh of electricity, i.e. 7,4% less than in 2019 (223 009 thousand kWh).

Sales revenue during the reporting period amounted to 315 211 thousand EUR and decreased by 10,6% compared to the year 2019 (352 500 thousand EUR). Such decrease was mainly driven by smaller sales prices of diammonium phosphate and feed phosphates. The average price of diammonium phosphate sold by the Company was equal to 270,58 EUR per ton in 2020 and, compared to the average price 322,71 EUR per ton in 2019, decreased by 16.2%. The average price of feed phosphates sold by the Company was equal to 341,52 EUR per ton in 2020 and, compared to the average price 357,76 EUR per ton in 2019, decreased by 4.5%. Revenue from sales of main products (diammonium phosphate, ammonium phosphate with sulfur, monoammonium phosphate, urea phosphate, feed phosphates, aluminium fluoride) amounted to 312 263 thousand EUR (348 092 thousand EUR in 2019). Revenue from sales of diammonium phosphate amounted to 158 967 thousand EUR (212 493 thousand EUR in 2019), i.e. 50,4% of total sales revenue (60,3% in 2019). Revenue from sales of feed phosphates amounted to 65 968 thousand EUR (72 483 thousand EUR in 2019), or 20,9% of total sales revenue (20,6% in 2019). Revenue from sales of aluminium fluoride amounted to 14 886 thousand EUR (15 625 thousand EUR in 2019), or 4,7% of total sales (4,4% in 2019). Revenue from sales of monoammonium phosphate in 2020 amounted to 20 255 thousand EUR (17 442 thousand EUR in 2019), i.e. 6,4% of total sales revenue (4,9% in 2019). Revenue from sales of urea phosphate in 2020 amounted to 14 880 thousand EUR (12 574 thousand EUR in 2019), i.e. 4,7% of total sales revenue (3,6% in 2019). Revenue from sales of ammonium phosphate with sulfur in 2020 amounted to 37 307 thousand EUR (17 475 thousand EUR in 2019), i.e. 11,8% of total sales revenue (5,0% in 2019).Sales of diammonium phosphate, in tons:

	1Q	2Q	3Q	4Q	TOTAL
2020	172.904	120.725	158.086	135 781	587 497
2019	199.377	120.659	162.039	176.385	658.461
Change %, 2020/2019	86,7	100,1	97,6	77,0	89,2

The cost of sales amounted to 277 540 thousand EUR and decreased by 12,3% compared to the year 2019 (316 464 thousand EUR). Consumption of raw materials and materials in 2020 amounted to 229 001 thousand EUR (2019 – 268 541 thousand EUR). Raw materials costs in 2020 decreased 14,7% due to:

1) Costs for phosphate raw material aimed to produce phosphoric acid decreased by 20 397 thousand Eur. (price of phosphate raw material decreased by 16,4% from 119,18 EUR per tone in 2019 to 99,66 EUR per tone in 2020);
2) Costs for sulfur aimed to produce sulfuric acid decreased by 15 114 thousand Eur. (price of phosphate raw material decreased by 37,3% from 106,21 EUR per tone in 2019 to 66,57 EUR per tone in 2020);
3) Costs for ammonia decreased by 8 274 thousand Eur. (price of ammonia decreased by 19,5% from 238,92 EUR per tone in 2019 to 192,36 EUR per tone in 2020);

In 2020, the main markets for sale of diammonium phosphate fertilizers remained Europe (with the largest sales to France, Germany, Great Britain, Lithuania, Belgium, Ireland, Ukraine, Spain, Poland). Sales in tons to Europe accounted for 94,96% (99,97% in 2019).

In 2020, 193 160 tons of feed phosphates were sold (202 601 tons in 2019). Feed phosphates were mainly sold to Europe: 166 664 tons (or 86,28%) of feed phosphates were sold to Europe (181 478 tons or 89,57% in 2019). In 2020 feed phosphate sales to Mexico amounted to 18 000 tons or 9,3% total sales of feed phosphates, 2019 – 17 780 tons or 8,8% total sales of feed phosphates.

In 2020, 16 986 thousand KWh of electricity were sold, i.e. 38,17% less than in 2019 (27 723 thousand kWh).

Investments

In 2020, capital expenditure incurred in relation to property, plant and equipment and intangible assets amounted to 22 342 thousand EUR (21 158 thousand EUR in 2019). The basic investment projects in 2020 were as follows:

Title of the project	Capital expenditure in 2020, in thousands EUR
Reconstruction of ammonium phosphate plant 3rd line into NPK fertilizer production line	8 102
Renovation of technological equipment and pumps of the phosphoric acid workshop	1 220

In 2020 the amortisation deductions amounted to 15 810 thousand EUR (14 943 thousand EUR in 2019).

9. Information on own shares acquired and held by the Company

During the reporting period the Company did not acquire own shares.

10. Significant events after the end of the reporting financial year

None.

11. The Company's operational plans and forecasts

In 2021, the Company will focus on full exploitation of the available production capacity of sulphuric and phosphoric acids and plans to produce and sell 408 thousand tons diammonium phosphate, 312 thousand tons ammonium phosphate with sulfur, 36 thousand tons monoammonium phosphate MAP 12-61, 25 thousand tons urea phosphate UP 17-44, 202 thousand tons feed phosphates and approx. 16,6 thousand tons aluminium fluoride. According to the business plan for 2020 prepared by the Company, the average price of the main product, diammonium phosphate, will be ~ USD 327 per ton in 2021 and the Company revenue will reach ~ EUR 299 million in 2021.

The changes in prices of raw materials in 2021 will depend on the trends of prices of phosphate fertilizers: the increased production of phosphate fertilizers results in increased demand for the raw materials (phosphate rock, ammonia, and sulphur) and usually leads to higher prices of raw materials. In addition, higher fertilizer prices enhance expectations of the raw materials sellers to increase prices of their products, and the pressure on buyers to pay more for raw materials becomes stronger.

12. The Company's authorised share capital structure

Type of shares	Number of shares, in units	Nominal value, in EUR	Total nominal value, in EUR	Weight in the authorised share capital, %
Ordinary registered shares	21 020 564	2,90	60 959 635,60	100,00

13. Restrictions on disposal of shares

There are no restrictions on disposal of shares.

14. Shareholders' structure

As at 31 December 2020, the Company had in total 1 shareholder.
The shareholders whose ownership interest exceeded 1 % of the Company's authorised share capital as of 31 December 2020 are listed below:

Company name, code, registered office address	Number of ordinary registered shares owned by the shareholder	Ownership interest, %	Voting shares, %
EUROCHEM GROUP AG, CH306864578, Baarerstrasse 37, 6300 Zug, SWITZERLAND	21 020 564	100	100

15. Shareholders holding special control rights and description of these rights

None.

16. All restrictions of voting rights

None.

17. Agreements between shareholders, which to the best knowledge of the Company, may restrict disposal of shares and/or voting rights

None.

18. Employees and environment protection

Employees

At the end of 2020, the Company had 1 014 employees. The average age of employees is 47,8 years. During the year 2020, employment relations were terminated with 40 employees. The Company allocated funds for improvement of the professional skills and qualification of its employees. In 2020 training expenses amounted to 43 thousand EUR, and training courses were attended by 614 employees.

Average number of employees on payroll:

	2017 m.	2018 m.	2019 m.	2020 m.
Managers	111	112	112	111
Specialists	78	79	82	88
Workers	782	790	800	804
Total	**971**	**981**	**994**	**1 003**

Average monthly salary, in EUR:

	2017 m.	2018 m.	2019 m.*.	2020 m.
Managers	3 029	3 066	4 084	4 141
Specialists	2 174	2 208	2 857	3 023
Workers	1 497	1 544	2 078	2 155
Total	**1 727**	**1 727**	**2 363**	**2 446**

**As of 1 January 2019 changes in the rates of state social insurance contributions paid by the employer and the employee.*

Breakdown of employees by educational background:

	2017	2018	201	2020
Employees with high education	263	281	290	298
Employees with special secondary education	148	137	133	136
Employees with secondary education	543	541	546	548
Other	17	22	25	21
Total	**971**	**981**	**994**	**1 003**

Environmental protection

In 2020, 1 001 tons (1 020 tons in 2019) of pollutants were emitted to atmosphere from stationary pollution sources (production facilities). As compared to 2019, the emission of pollutants decreased by 19 tons as a result of decreased production volumes.

In 2020, the emissions of greenhouse gases (CO_2) amounted to 447 tons.

Overall 1 811 thousand m3 of sewage was discharged to the Obelis river, i.e. ~ 872 thousand m3 more than in 2019 (more rainfall). During the year, 600 tons of recorded pollutants were discharged with waste water.

During the reporting year, the following waste was handled in the Company's own dumps: phosphogypsum – 1,713 mln. tons, silicogel - 8 476 tons, sulphur sludge - 205 tons, neutralisation sludge (mud) - 1 402 tons. Other waste of the Company are sorted and transferred to waste management companies, whereas mixed domestic waste is transported to the Zabieliškis regional landfill.

During 2020, the Company paid 185,48 thousand EUR pollution taxes, i.e. 29 thousand EUR more than in 2019 due to decreased waste water volume.

In all sources, the data for all controlled pollutants did not exceed the annual TIPK allowances limits.

19. Procedure for amending the Company's by-laws

The by-laws of the Company are amended in accordance with the Law on Companies of the Republic of Lithuania. The by-laws can be amended only by the resolution of the general shareholder's meeting voted in favour by the majority of votes - more than 2/3 of votes. The amended by-laws of the Company are valid only if they have been registered with the Register of Legal Entities according to the procedure established by the law.

20. The Company's bodies

The principal body of the Company is the General Meeting of Shareholders. The Company's managerial bodies are as follows: the Board and the Head of the Company (Chief Executive Officer). There is no Supervisory Council. The Board is elected by the General Meeting of Shareholders for the term of office of 4 years. The Board is composed of 5 members. The Chief Executive Officer is appointed, recalled and dismissed by the Company's Board. The Board may organise recruitment competition to elect the Chief Executive Officer.

21. Members of collegiate bodies, chief executive officer, chief financial officer

Members of the Board of the Company (at 31 st of Decenber 2020):

Full name	Position of the Board of the Company	Executive position in other companies	Shareholding and votes represented by shares owned, %
Aleksandras Tugolukovas	Chairman	JSC MCC EuroChem Head of the Fertilizers Division and member of the board of directors	-
Marc Hechler	Member	EuroChem Group AG Europe Head of Marketing and Sales	-
Jonas Dastikas	Member		-
Regvita Ivanovienė	Member		-

Term of office start and end dates for members of the Company's Board

Full name	Term of office start date	Term of office end date
Aleksandras Tugolukovas	28 April 2020	April 2024
Marc Hechler	28 April 2020	April 2024
Axel Mørkved Thorsdal	28 April 2020	August 2020
Jonas Dastikas	28 April 2020	April 2024
Regvita Ivanovienė	28 April 2020	April 2024

Chief Executive Officer, Financial director

Full name	Position	Shareholding and votes represented by shares owned, %
Jonas Dastikas	Chief Executive Officer	-
Regvita Ivanovienė	Financial director	-

22. Information on significant agreements

The Company has not entered into any significant agreements the validity, amendment and termination of which could be affected by the change in shareholders' structure.

23. Information on compliance with the Code of Corporate Governance

Since 2012, the shares of Lifosa AB have been de-listed from NASDAQ OMX Vilnius Stock Exchange, and its compliance with the Code of Corporate Governance is no longer obligatory.

24. Information on the transactions between the related parties

Information on the related parties is presented in Note 20 of the Company's audited financial statements for the year 2019.

25. Data on information placed in public domain

Since 2012, the shares of Lifosa have been de-listed from NASDAQ OMX Vilnius Stock Exchange, and placement of information in public domain about the major events at the Company is no longer obligatory.

Jonas Dastikas

Chief Executive Officer 08 April 2021