EKOTECHNIKA

ANNUAL REPORT

from 1 October 2022 to 30 September 2023

Modern equipment for efficient farming

CONTENT

EKOTECHNIKA AG, Walldorf
Group Management report as of 30 September 2023

GROUP MANAGEMENT REPORT

1. BACKGROUND OF THE GROUP

Ekotechnika AG, headquartered in Walldorf, is the German holding company of the EkoNiva-Technika Group, the largest distributor of international agricultural machinery in Russia. Ekotechnika's main business lies in selling agricultural machinery such as tractors, combines and spare parts for agricultural machinery.

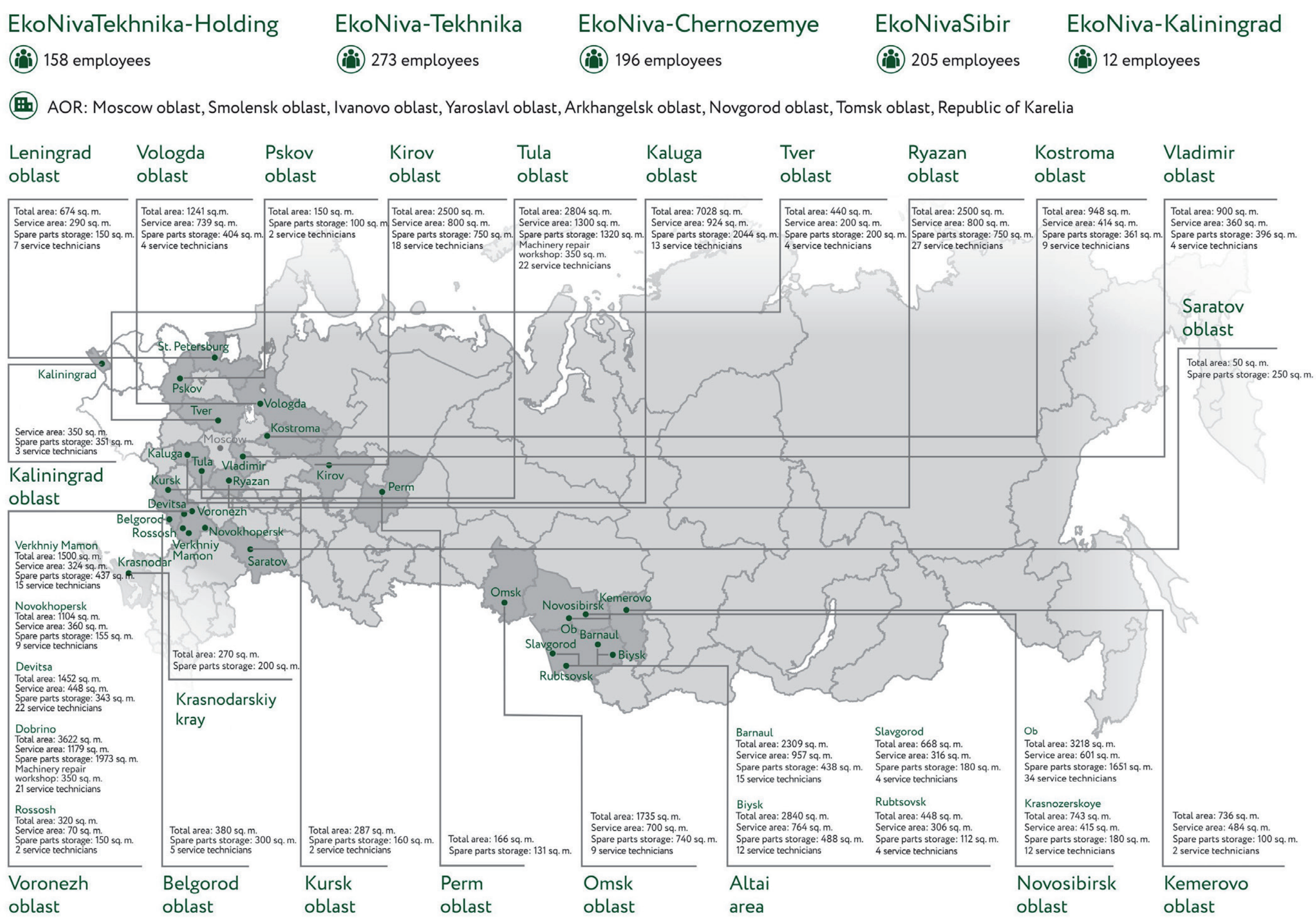
In the 2022/2023 financial year, Ekotechnika Group generated sales revenues of EUR 175 million and earnings before interest and taxes (EBIT) of EUR 19 million.

1.1 Business model of the Group

The business activities of the Ekotechnika Group, hereinafter referred to as "Ekotechnika" or "the Group", comprise trading of agricultural machinery, sale of spare parts and the provision of services, as well as the sale of products and services in the field of "smart farming". Since March 2022, the Group has also launched sales of road construction and municipal machinery and equipment (the brands UMG, Russia, MST, Turkey, LiuGong, China).

In addition, the Group continues to expand its product line. For example, in January 2023, the Group signed a dealership contract with the Russian manufacturer «First Experimental Design Bureau» for the sale of ultralight aircraft, designed primarily for agricultural work (field treatment, fertilizer spraying, aero-seeding, control and monitoring of fields and pastures, etc.).

The Group's sales market is Russia, where Ekotechnika meanwhile employs 844 people at 29 locations in the five regions of Central Russia, Central black earth region, Siberia, Northwest and Altai. In the Russian market, the Group's companies operate under the EkoNiva-Technika brand.



Last updated on 30 September 2023

The **New Machinery** segment remains a significant part of the Group's business, however, in the reporting period the revenue share was only 26.7% compared to 54.6% in the comparison period, while the core has moved to **Spare Parts** (43% up from 32.3%) and **Customer Service**.

In 2023 the product range of the **New Machinery** included agricultural equipment from manufacturers such as Grimme (Germany), Haybuster (USA), Poettinger (Austria), Fliegl (Germany), Gregoire Besson (France), Bednar (Czech Republic), Bressel (Germany), BVL (Germany), Einboeck (Austria), Basak (Turkey), ROC, (Italy), Jiangsu (China), LOVOL (China), and NAGRO (Russia).

The range of road-construction and municipal machinery and equipment that Ekotechnika started selling in March 2022 is represented by brands such as UMG (Russia), MST (Turkey) and LiuGong (China); the revenue-share however is still very small.

There is a growing demand for used tractors from Europe and the US, therefore Ekotechnika has started to sell **Used Tractors** more actively.

The Group's **Spare Parts** segment currently offers a comprehensive portfolio of spare parts at 29 locations. The spare parts warehouses are usually integrated into the company's service centers in strategic locations. They stock over 54,000 original spare parts from all brands of the machinery sector, which are transported directly and speedily to the customer's site by the company's fleet of service vehicles whenever required. The Group benefits from the constantly growing demand for spare parts. Gross profit margin in this business segment is much higher than for new machinery, which is typical for this industry.

Russian manufacturers, which can develop the production of analogues, are becoming a source of supplies for the Group.

The Group's **Customer Service** offers not only the installation, commissioning and regular maintenance of agricultural machinery and road construction machinery and equipment, but also repairs in the event of technical defects (including engine overhauls, remote maintenance and diagnostics, rehabilitation of holes by surfacing and boring) and the replacement of wearing parts.

Smart Farming is the Group's latest business. The Group provides clients with a service package called SmartEko. The SmartEko service package aims to introduce a differentiated approach to seeding, fertilizer application and the use of plant protection means. The package of services includes the following: technical audit, audit of technological maps (processing, fertilizers, seeding materials), creation of electronic borders of fields, field analysis (productivity zones from satellite images, slope maps, agrochemical analysis of soils), preparation of prescriptions for sowing/applying fertilizers, adjustment of machinery and equipment, phenological observations during the season, adjustment and calibration of yield mapping system, analysis of results with giving recommendations, cost effectiveness analysis for the farm.

The Company shows sales growth in the segment due to widening of the list of suppliers for Smart farming equipment and software. It's also actively exploring the new areas of the segment, such as irrigation equipment.

1.2 Objectives and strategies

There is a strong demand for state-of-the-art machines and innovative technologies in the Russian agricultural machinery and spare parts market. After the international market leaders suspended their operations in Russia, they are being replaced by Russian and Belorussian equipment, as well as equipment produced outside "unfriendly countries". Local manufacturers benefit from government subsidies, which leads to fierce competition. In many areas, however, Russian and Belorussian machines cannot compete with the technological standard of machines produced abroad, including China, Turkey and Brazil.
To add to this, customers' fleets retain a large proportion of machinery produced by the international market leaders, which needs timely repairs and maintenance.

Since 2023 Ekotechnika Group focuses on strengthening the Spare parts and Customer Service segments together with relying on its proven business model, i.e., the sale of imported agricultural machines. The Group finds it necessary to expand the business by both, further foreign suppliers as well as Russian manufacturers of agricultural machinery and road construction. Moreover, the Group has launched import substitutes program in respect of spare parts for Western agricultural brands, which are widely represented in customers' fleets. Further information on this can be found in 4.

The Group's major advantages are well-equipped service centers and experienced engineering personnel. Ekotechnika continuously invests in training and further education for its employees to ensure its customers always get the best possible service. Customers appreciate the close integration of its business segments, i.e., Machinery, Spare Parts and Customer Service. The wide range of services offered gives the Group an important competitive advantage and ensures that customers benefit from optimum support from a sole source. Well-equipped spare parts warehouses and the broad organization network are designed to provide farmers with fast and reliable on-site assistance.

Such factors as adding the new segments to the Group's portfolio, strengthening the Company's position by signing the new dealership agreements and removal of the restrictions in the geographical areas of responsibility have a positive impact on the opportunities of the business. This makes Ekotechnika more competitive and might increase sales and net profit of the company's traditional new machines and spare parts operations.

1.3 Control system

Corporate planning and control are primarily based on the following financial performance indicators: sales revenues, gross profit as well as earnings before interest and taxes (EBIT; operating result). The abovementioned indicators are monitored for the following key business segments: Machinery and equipment, both agricultural and road construction, Spare parts, Customer Service and Smart Farming. Sales revenues from Machinery and equipment sales is driven by the number of both new and trade-in machines. The New Machinery segment has fallen from 55% in 2022 to approx. 27% in 2023 financial year, whereas the share of trade-in machinery sales has increased. Moreover, the Ekotechnika Group aims to successively expand the high-margin and less volatile Spare Parts and Customer Service segments, which has been already presented by the results of 2023.

1.4 Research and development

The Company is extensively using the results of research and development, which was performed in Smart Farming during the previous periods. Nowadays, more emphasis is made on diversifying the Smart Farming product portfolio to be able to meet the rising demand after international leaders suspended their activities in Russia. The Group is also working with domestic production plants on substituting parts, which are no longer available. High quality samples form the portfolio of the new brand “Agroznak”.

2. ECONOMIC REPORT

2.1 Economic environment

Overall economic trend

According to the World Economic Outlook published by the International Monetary Fund (IMF) in October 2023, the global recovery from the COVID-19 pandemic and Russia-Ukraine conflict are uneven. Despite economic resilience earlier this year, with a reopening rebound and progress in reducing inflation from last year's peaks, economic activity still falls short of its prepandemic path, especially in emerging market and developing economies, and there are widening divergences among regions. Several forces are holding back the recovery. Some reflect the long-term consequences of the pandemic, the Russia-Ukraine conflict, and increasing geoeconomic fragmentation. Others are more cyclical in nature, including the effects of monetary policy tightening necessary to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events.

The baseline forecast is for global growth to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. Advanced economies are expected to slow from 2.6% in 2022 to 1.5% in 2023 and 1.4% in 2024 as policy tightening starts to bite. Emerging market and developing economies are projected to have a modest decline in growth from 4.1% in 2022 to 4.0% in both 2023 and 2024. In the group of emerging and developing countries, the Russian economy has shown a decline by 2.1% in 2022 and is expected to grow by 2.2% in 2023 and by 1.1% in 2024.[1]

Global inflation is forecast to decline steadily, from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, due to tighter monetary policy aided by lower international commodity prices. Core inflation is generally projected to decline more gradually, and inflation is not expected to return to target until 2025 in most cases.

While the Russian key interest rate remained at 7.5% from the beginning of the 2022/2023 financial year on 1 October 2022 until 21 July 2023, it gradually increased in three steps from then on and reached 13% on 18 September 2023. After the end of the reporting period, it increased to 15% on 30 October 2023 and to 16% on 18 December 2023.[2]

Inflation in Russia in the first half of the financial year 2022/2023 has fallen significantly from 12.6% in October 2022 to 2.3% in April 2023. But since May 2023 it has increased, reaching 6% by the end of the fiscal year in September 2023. After the end of the reporting period, it increased to 6.7% in October 2023.[3]

The RUB/EUR exchange rate stood at RUB 52.7379/EUR at the beginning of the financial year in October 2022 and at RUB 103.1631/EUR at the end of the financial year (30 September 2023). The average rate for the financial year was RUB 83.12/EUR (2022: RUB 77.4325/EUR). The exchange rate reached its low of RUB 52.7379/EUR on 03 October 2022, compared to the peak of RUB 110.6847/EUR on 15 August 2023.[4]

The RUB/USD exchange rate was RUB 55.2987/USD at the beginning of the financial year and RUB 97.4147/USD at the end of the financial year. The average exchange rate for the 2022/2023 financial year was RUB 77.5845/USD (2022: RUB 71.1157/USD). The exchange rate reached a low of RUB 55.2987/USD on 01 October 2022, compared to a high of RUB 101.0399/USD on 15 August 2023.[5]

Russian agricultural and farming equipment market

Agricultural machinery and spare parts which form the core of the Company's business, cover primarily the needs of customers processing the fields with grain, legumes, oilseeds and vegetables. Thus, the following factors are of paramount importance in determining the sustainability of the Group's business: changes in sown

[1] https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023
[2] https://www.cbr.ru/eng/hd_base/KeyRate/?UniDbQuery.Posted=True&UniDbQuery.From=01.10.2022&UniDbQuery.To=22.12.2023
[3] https://de.tradingeconomics.com/russia/inflation-cpi
[4] https://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.so=1&UniDbQuery.mode=1&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01239
[5] https://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.so=1&UniDbQuery.mode=1&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01235&UniDbQuery.From=01.10.2022&UniDbQuery.To=15.12.2023

areas, crop yield, demand for crops in Russia and abroad and government support of both agricultural producers and local agricultural equipment manufacturers.

In 2023 Russia failed to repeat the peak grain harvest of 2022, but it is expected to become the second in the entire history of recordings[6]: according to the regional bodies of the Ministry of Agriculture, by the 23rd of November 2023 grain harvest amounted to 146,3 mio tons, whereas it reached 155 mio tons at the same date in 2022, wheat harvest equaled to 94,7 mio tons in 2023 and 105,2 mio tons in 2022.[7] Grain yield has shown the negative result in 2023 in comparison with 2022 and decreased from 3,4 tons/ha to 3,2. Wheat and barley yield was even worse than the average grain figures and declined from 3,6 tons/ha to 3,3 and from 3,1 tons/ha to 2,8 respectively. On the contrary, the yield of corn and rise has risen from 5,9 tons/ha to 7,1 and from 5,6 tons/ha to 6,2 correspondingly.

Abnormally high grain yield of 2022 has led to excessive supply and lower prices, which resulted in cutting down the cultivated area in 2023. The most significant impact could be observed for winter crops, for which the cultivated area has decreased from 18,377 mio ha in 2022 to 17,775 mio ha in 2023 (winter wheat sown areas decreased from 16,693 mio ha in the previous year to 16,044 mio ha in 2023)[8]. Due to the persisting unfavorable grain prices, the plans of the Ministry of Agriculture to increase winter sowing are unlikely to be realized.[9]

Russia exports a significant proportion of its grain harvest abroad: according to the Institute for Agricultural Market Studies in 2023 grain export potential can reach 67 mio tons (i.e. more than 1/3 of total grain harvest), including 51 mio tons of wheat (i.e. more than half of total wheat crops).[10] Global demand for grain has exceeded the production over the past few years, see the IGC Grain market report as of 16th November 2023.[11] It means that Russia has stable global demand for grain. Traditionally it exports agricultural products to the East and African countries: to Egypt (11,9 mio tons of grain during agricultural season 2022-2023), Turkey (10,2 mio tons), Algeria (3,26 mio tons), Saudi Arabia (3,14 mio tons), Iran (3,14 mio tons).[12] A promising grain contract was signed with China[13], export of agricultural products to South Africa has skyrocketed by 90% during 10 months of 2023 with wheat being the core product.[14] Export capacity of Russian Federation has grown also given the launch of the first grain terminal in Vysotsk, Baltic sea.[15] To add to this, in September 2023 Russia has become one of the top-5 grain suppliers in EU for the first time in a year and a half.[16]

Grain export trends can be restrained though in the agricultural season 2023-2024 by the following factors:

- from December 1, 2023, to May 31, 2024, the export of durum wheat will be completely prohibited, the corresponding decree was signed by the Russian Prime Minister Mikhail Mishustin.[17] The measure is aimed at ensuring food security and retaining the consumer prices for grain processing products on the domestic market. Shortages are expected due to unfavorable weather conditions in the vast majority of durum wheat producing countries, with harvest forecast to fall to a 20-year minimum in the 2023/2024 agricultural year.[18]

- the Ministry of Agriculture and the Ministry of Economic Development proposed to establish a tariff quota for the export of basic grains (wheat, barley, rye, corn) to the states which are not members of the Eurasian Economic Union in the amount of 24 mio tons. The quota is proposed to be valid during the period February 15 to June 30, 2024.[19]

6 https://www.finam.ru/publications/item/eksport-pshenitsy-iz-rossii-zamedlyaetsya-iz-za-snizheniya-sprosa-20231114-1540/
7 https://www.interfax.ru/business/933099
8 https://www.interfax.ru/russia/912421
9 https://www.interfax.ru/russia/921034
10 https://www.interfax.ru/business/934029
11 https://www.igc.int/ru/gmr_summary.aspx
12 https://www.forbes.ru/prodovolstvennaya-bezopasnost/492604-rossia-postavila-rekord-po-eksportu-zerna-cto-budet-v-sleduusem-sezone
13 https://interfax.com/newsroom/top-stories/97487/
14 https://mcx.gov.ru/press-service/news/s-nachala-goda-rossiyskiy-eksport-v-yuar-vyros-na-90/
15 https://tass.ru/ekonomika/19227411
16 https://www.finam.ru/publications/item/rossiya-v-sentyabre-vpervye-za-poltora-goda-okazalas-v-top-5-postavshchikov-zerna-v-es-20231202-1136/
17 https://interfax.com/newsroom/top-stories/97498/
18 https://www.interfax.ru/business/929108
19 https://mcx.gov.ru/press-service/news/podkomissiya-po-tamozhenno-tarifnomu-regulirovaniyu-prinyala-ryad-resheniy-po-zashchite-vnutrennego-/

- geopolitical instability in the region and the incompleteness of decisions taken on the “grain deal” may put increased pressure on export grain prices, including wheat.[20]

The volume of grain storage in Russia remained high throughout the whole 2022/2023 financial year, and together with the new crops may reach 155 mio tons. Excessive supply may continue to make negative impact on prices. The cost of grain production increased in 2022/2023 due to higher prices on machinery and equipment, spare parts, fuel, and fertilizers.[21] Given all the above-mentioned factors, agricultural producers may face difficulties in finding the sources of finance for renovating the fleet and repairing and maintaining the existing machines.

Potential solutions may include diversifying the production and government support. For example, the contract with China for the nearest 12 years includes the portfolio of grain, legumes and oilseed in the total quantity of 70 mio tons; the first batches of export included barley and soybeans.[22] Global demand for peas, chickpeas and lentils is quite stable, importers may also be interested in oilseed flax, mustard, safflower, coriander.[23]

In 2023, 20 billion rubles were allocated from the federal budget to support grain producers. Additional financing in the amount of 10 billion rubles from the government reserve fund was approved at a meeting of the Cabinet of Ministers on November 30, 2023; it is expected to compensate for the costs of producers of wheat, rye, corn, and barley.[24]

In 2024, funding for the state program for the development of the agro-industrial complex may increase by 17,5%, and by September 2023 370,8 billion rubles have already been allocated for it. First, the amount is planned to be spent on subsidizing the loan rates for agricultural producers, which is important with the key rate having been raised to 16% in December 2023. Second, since Russian farmers are forced to operate at grain prices being close to the cost, part of the funds should go to reimburse grain transportation.[25] Additional support will be aimed at supporting small farmers, individual entrepreneurs, and peasant farms, all of them may be provided government grants to cover up to 60% of their capital expenditures.[26]

The strategy of development of the manufacturing industry in Russia assumes the share of agricultural machinery produced in-house to increase from 61% to 80% by 2035.[27] Over the 9 months of 2023 the farmers have been supplied 7,5% more machinery and equipment in monetary terms (which totals to 181,4 billion rubles), however in reality sales of agricultural tractors has dropped by 12% and equaled to 3500 machines.[28] Therefore, additional support measures may be required to maintain the pace of development of domestic agricultural machinery manufacturers gained in previous years.

The 1432 Program

Every manufacturer meeting the requirements of the program is currently eligible for a subsidy of at least 10-15% on the manufacturing costs and can therefore offer its machines and equipment at this additional discount. The budget for the Program was planned to be cut significantly from 8 billion rubles in 2022 to 2 billion in 2023. Self-propelled machines have been fully excluded from the Program. However, given the low prices on agricultural products, the market reacted with collapsed purchases of new machinery produced in Russia. In the middle of 2023, the Program got additional funding in the amount 3,2 billion rubles, in November 2023 the budget for the Program has been increased to the level of 2022. These measures will allow to supply local agricultural producers with 6 thousand Russian and Belorussian tractors.

20 https://www.forbes.ru/prodovolstvennaya-bezopasnost/492604-rossia-postavila-rekord-po-eksportu-zerna-cto-budet-v-sleduusem-sezone
21 https://www.forbes.ru/prodovolstvennaya-bezopasnost/492604-rossia-postavila-rekord-po-eksportu-zerna-cto-budet-v-sleduusem-sezone
22 https://www.agroinvestor.ru/markets/news/41514-rossiya-nachala-ispolnyat-dolgosrochnyy-kontrakt-na-postavku-zerna-v-kitay/
23 https://www.agroinvestor.ru/markets/article/41346-agrarii-zapolnyayut-nishi-posevy-ne-samykh-traditsionnykh-kultur-vnov-uvelichivayutsya/
24 https://www.interfax.ru/russia/934220
25 https://www.agroinvestor.ru/investments/news/41086-v-2024-godu-finansirovanie-gosprogrammy-razvitiya-apk-mozhet-uvelichitsya-na-17-5/
26 https://www.interfax.ru/russia/919348
27 https://www.agroinvestor.ru/markets/news/40881-dolya-otechestvennoy-selkhoztekhniki-k-2025-godu-dolzhna-vyrasti-do-80/
28 https://www.interfax.ru/russia/929851

Another innovation in the Program in 2023 is that the differentiated approach to compensating the costs to agricultural producers will be used. For example, Far Eastern farmers will be able to count on a discount of up to 20% due to increased logistics cost.[29]

The Rosagroleasing program

Rosagroleasing is the government leasing company for agricultural producers. It provides commercial leasing and leasing on preference conditions for certified local machinery and equipment manufacturers.

Preference conditions have been significantly amended since 2022 – and agricultural producers have lost the opportunity to lease the equipment from international leaders, as they ceased their activities in Russia, including the production lines.

In 2022-2023 Russian agricultural producers have bought 13,2 thousand machines for harvesting via Rosagroleasing. In monetary terms this is 37% higher than in 2020-2021. The figure comprises of 2,9 thousand tractors, 2,4 thousand combines and 4,2 thousand units of other equipment. It's worth mentioning that after the international market leaders left the country, the most popular purchases in 2023 were the Kirovets and Belarus tractors and combines produced by Bryanskselmash.[30]

Taking into account all the above-mentioned factors, the Group may find it difficult to compete with local manufacturers of agricultural machinery, equipment and spare parts; and low prices for agricultural products may negatively affect customers' purchasing power. Government measures to support agricultural producers, especially grain, and expanding opportunities for the export of agricultural products can have a positive impact on the Company's business. Increasing the number of customers via small farmers also represent new opportunities.

2.2 Business performance

General performance of the Group

Due to the aforementioned developments and overall conditions, Ekotechnika's sales have dropped in comparison with the prior year level and equaled to EUR 175.2 mio in 2022/2023 financial year, with the previous year figure EUR 237.5 mio. New machinery sales decreased by almost 2/3 year-on-year, decreasing from EUR 129.7 m to EUR 46.8 m. Sales of new tractors fell from 263 to 131 units. On the contrary, the trade-in and used machinery segment grew from EUR 7,3 mio to EUR 29,9 mio.

Spare parts segment hasn't shown sales dynamics in absolute terms in the reporting period, however the weight of the segment in total revenue increased from 38% to almost 49%, which is explained by the ongoing high demand for spare parts from brands that left Russia in 2022. Spare parts sales revenue totaled to EUR 85,8 mio in 2022/2023 financial year vs. EUR 89,5 mio in 2021/2022.

The Customer Service segment has shown a positive performance and focuses on the efficiency increase and better utilization of the existing and new service centers. The emphasis is being placed on customer satisfaction and the full integration of predictive maintenance. Predictive maintenance means that the machines independently report malfunctions, from which predictions about measures to be taken by the service teams are derived using algorithms.

Sales revenue in the Smart Farming segment increased by 22,5% in the reporting period due to diversifying the portfolio of brands by FJDynamics, AllyNav and others and equaled to EUR 2,4 mio. The Executive Board expects that the trend can be continued in 2023/2024 financial year both in terms of sales revenue growth and brand diversification.

[29] https://www.interfax.ru/russia/929851
[30] https://www.rosagroleasing.ru/company/smi/news/4566/

2.3 Business performance indicators

Financial performance indicators:
The management of the Group has determined the following significant financial performance indicators relevant for control:

- sales revenues
- gross profit
- earnings before interest and taxes (EBIT)
- number of machines sold.

Non-financial performance indicators:

Employees
Apart from technology, the Group's performance largely depends on its employees, who are always in direct contact with customers when selling machines and spare parts as well as when providing services and are therefore the company's ambassadors. For this reason, the management pays great attention to finding the right skilled labor and to retaining and continually developing the company's existing employees. This includes providing regular professional training and personal development seminars. The HR department is very active in this respect, as individual development plans and opportunities are created for each employee. In addition, employees visit the largest agricultural exhibitions (at which the company also exhibits) together with customer groups – as far as the situation currently allows. Through these efforts, it is ensured that the employees identify with the company and the products sold.

Ekotechnika is constantly working to improve employee satisfaction. In addition, the company makes heavy use of interns from various Russian agricultural universities.

In 2022/2023 financial year the Company has continued to attract and retain students from specialized universities and developed a mentoring tool. Over 113 interns completed the practical part on site in different Group locations, 12 of them continued their career path as the Company's employees.

Organizational structure
The management is actively working on measures to further automate the whole business process by implementing and optimizing ERP systems. Much attention was paid to spare parts sales forecast planning accuracy and customers' needs analytics, tools for studying customer behavior ("sales funnel") as well as automation of import purchase orders and logistics were implemented. Organizationally, the Company has gone through significant changes in this direction having initiated 2 new divisions (import purchases and logistics) and strengthening the team of analysts in the field.

The changes also affected warehouse management and spare parts movements, where the Company continues to work on implementing the role model on the basis of existing 1C modules. The decisions are aimed at increasing the transparency of operations with spare parts and improving the control of their security. Along with automation solutions, the composition of the warehouse managers and teams was also strengthened.

Exploring the new territories resulted in additional organizational changes: machinery, equipment and spare parts sales managers were hired in 2022/2023 financial year in Saratov, Krasnodar, Nizhny Novgorod, Orel, Penza and Saransk. Total headcount equaled to 844 employees at the reporting date September 30, 2023.

Customer satisfaction
Customer satisfaction plays a key role in corporate success. Ekotechnika has introduced a system for monitoring customer satisfaction in the 2020/21 financial year and continues to actively and systematically survey its customers. The results have a direct impact on the employee bonus. This also supports long-term customer retention and will help to steadily improve the spare parts and service business.

Logistics

In 2022/2023 financial year significant effort was made by the Company to find the new supply routes for machinery and spare parts. In the beginning of the financial year purchases of machinery and components from international leaders in agricultural machinery and equipment were made via the parent company of the Group. However, due to the rising risk of sanctions the Group was able to find the alternative supply chain. New suppliers and transportation companies tend to be more costly. In this context, the analysis of inventory levels and the optimization of the ordering process will play a significant role.

2.4 Results of operation, net assets and financial position

a) *Profit situation*

The rub/eur exchange rate in the reporting period was 83.12 rub/eur, which means that ruble was a bit weaker compared to the year before (2021/22: 77.4325 rub/eur). This means that a similar rub-amount would be 6.8% less in euro.

In the 2022/2023 financial year (30 September 2023), the Ekotechnika Group generated total revenues of EUR 175,151 thousand (2022: EUR 237,508 thousand), which is significantly lower than planned. The reasons for this are a significant slump in demand from Russian farmers for new machines due to various economic influences as well as a significant difficulty in the supply of spare parts.

Sales of new agricultural machinery accounted for 26.7% of total revenues and equaled to EUR 46,761 thousand (2022: 54.6% or EUR 129,654 thousand). The decline in sales revenues in this business segment was due to the drop in sales of tractors as well as combines and forage harvesters. A total of 131 new tractors and 15 new combines and forage harvesters were sold in the past financial year. In the previous year, 263 new tractors and 17 new combines and forage harvesters were sold.

Sales of used agricultural machinery rose significantly to EUR 29,875 thousand and accounted for 17.1% of total revenue (2022: 3.1% or EUR 7,341 thousand). A total of 54 used tractors (2022: 20 used tractors) and 14 used combines (2022: 21 used combines) were sold in the 2022/2023 fiscal year.

The biggest share of revenue, around 48.9% was generated by the **sale of spare parts, tires, and lubricants.** Total spare parts, tires, lubricants sales reached EUR 85,665 thousand in the reporting period, (2022:37.7% or EUR 89,594 thousand).

Revenues from customer services totaled EUR 8,571 thousand, up by EUR 755 thousand on the 2021/2022 financial year (EUR 7,816 thousand). The continuous increase in revenues from customer services is in line with management's assessment that the volume of services provided is one of the key competitive factors.

Revenue from intelligent farming solutions increased to EUR 2,388 thousand in the reporting period (2022: EUR 1,949 thousand).

Revenue from the sale of road construction and municipal equipment in the 2022/2023 financial year was EUR 1,646 thousand (2022: EUR 623 thousand).

TEUR	FY 2022/2023	FY 2021/2022	FY 2020/2021	FY 2019/2020	FY 2018/2019
Sale of agricultural spare parts, tires and lubricants	85,665	89,594	58,606	57,449	46,006
Sale of agricultural machinery and equipment	46,761	129,654	165,676	125,316	108,679
Sale of trade-in machinery	29,875	7,341	4,812	2,549	896
Revenue from rendering of services	8,571	7,816	4,857	4,540	3,838
Sale from precision farming equipment	2,388	1,949	2,818	1,336	852
Sales of construction and road equipment	1,646	623	-	-	-
Sale of forestry machinery	132	531	5,656	2,001	-
Sale of forestry spare parts	79	-	1,151	649	59
Sale of components of own production	34	-	-	-	-
Revenues	**175,151**	**237,508**	**243,576**	**193,840**	**160,330**

At EUR 118,803 thousand, the **purchase costs** of agricultural machinery and equipment as well as spare parts sold was below the previous year's EUR 168,905 thousand.

At EUR 56,348 thousand, **gross profit** (sales less purchase costs of agricultural machinery, equipment and spare parts sold) is below the previous year's level (2022: EUR 68,603 thousand; -18%).

Other operating income mainly includes reimbursements of warranty costs, income from materials surplus, rental income and gains on property, plant and equipment and amounted to EUR 1,263 thousand in the period under review compared to EUR 7,529 thousand in the 2021/2022 financial year. Other operating income decreased by 83.2%. The decrease in operating income was mainly due to exchange rate differences, which were EUR 4,046 thousand positive in 2021/2022 and switched to the negative in the 2022/2023 financial year, and resale of other goods, which went down to EUR 90 thousand from EUR 2,843 thousand in 2021/2022.

Payroll expenses declined slightly by -6.6% from EUR 20,554 thousand to EUR 19,204 thousand mainly due to a decline in staff bonuses.

Depreciation and amortization also declined slightly by 3,1% from EUR 4,008 thousand in the previous year to EUR 3,885 thousand in the 2022/2023 financial year.

Other operating expenses declined slightly by -3,5% from EUR 15,887 thousand to EUR 15,331 thousand in the 2022/2023 financial year.

At EUR 23,038 thousand, **EBITDA** (earnings before interest, taxes, depreciation, and amortization) declined significantly compared to the previous year (2022: EUR 39,880 thousand).

Same applies to **earnings before interest and taxes (EBIT)**, that amounted to EUR 19,153 thousand (2022: EUR 35,871 thousand).

The **net financial result** (financial expenses plus financial income) was EUR -5,760 thousand (2022: EUR -1,877 thousand).

Earnings before taxes (EBT) amounted to EUR 13,393 thousand (2022: EUR 33,944 thousand). After deduction of tax expenses of EUR 4,175 thousand (2022: EUR 7,639 thousand), **consolidated net income for the year** stood at EUR 9,218 thousand (2022: EUR 26,355 thousand).

b) Financial position

The finance department located at OOO EkoNivaTechnika-Holding, Russia, manages the Group's finances. While keeping finance costs to a minimum, it enables all companies in the Group to meet their liabilities as and when they fall due.

The main instruments for managing relations with suppliers are bank guarantees and increasing prepayments.

In the reporting period, operating cash flow before changes in working capital was EUR 26,453 thousand (2022: EUR 36,956 thousand).

The Group reported a negative cash flow in the amount of EUR 35,555 thousand (2022: EUR +3,001 thousand) on inventory. The increase in trade receivables and prepayments of EUR 11,779 thousand (2022: EUR +1,700 thousand), increase in other financial assets of EUR 9,953 thousand (2022: EUR +4,115 thousand) also had a negative impact on cash flow. The cash outflow from operating activities before interest and taxes thus amounted to EUR 29,421 thousand (2022: inflow of EUR 14,509 thousand).

After taxes paid in the amount of EUR 5,965 thousand (2022: EUR 6,605 thousand), interest paid in the amount of EUR 6,197 thousand (2022: EUR 2,870 thousand) and interest received in the amount of EUR 63 thousand (2022: EUR 209 thousand), **operating cash** outflow reached EUR 41,520 thousand (2022: EUR inflow 5,243 thousand).

Cash flow from investing activities amounted to EUR 3,245 thousand in the 2022/2023 financial year, compared to EUR -3,728 thousand in the previous year.

Cash flow from financing activities amounted to EUR 38,158 thousand in the reporting period (2022: EUR - 5,259 thousand).

As of 30 September 2023, cash and cash equivalents totaled EUR 2,067 thousand (2022: EUR 4,432 thousand).

c) Net assets position

The currency exchange rate as of 30 September 2023 was RUB/EUR 103.1631, compared to RUB/EUR 55.4064 as of 30 September 2022, which means that the euro equivalent of the ruble declined by around 46% over the corresponding period.

The weakening of the ruble against the euro has an impact on the balance sheet values. If the ruble figures of the balance sheet as of 30 September 2023 were converted into euros using the exchange rate of 30 September 2022, the values of the euro balance sheet would be approximately 86% higher than the figures now reported.

As of 30 September 2023, **total assets** amounted to EUR 159,779 thousand, decrease approx. 21,2% on the previous year (2022: EUR 202,667 thousand). Adjusted for the exchange rate effect of the weaker ruble, total assets would have increased to EUR 297,498 thousand (30 September 2022: EUR 202,667 thousand).

As of the reporting date, **non-current asset**s decreased to EUR 24,147 thousand by approx. 46,9% from EUR 45,465 thousand. Adjusted for the exchange rate effect of the weaker ruble, non-current assets remained with EUR 44,965 thousand roughly at the same level (30 September 2022: EUR 45,465 thousand). Property, plant and equipment amounted to EUR 23,019 thousand as of 30 September 2023 (30 September 2022: EUR 43,830 thousand). Adjusted for the exchange rate effect of the weaker ruble, property, plant and equipment decreased slightly to EUR 42,860 thousand (around -2%).

Total **current assets** amounted to EUR 135,632 thousand of the end of the 2022/2023 financial year. (2022: EUR 157,202 thousand). Adjusted for the exchange rate effect of the weaker ruble, total current assets would have increased by approximately 60,6%, to EUR 252,538 thousand (30 September 2022: EUR 157,202 thousand). Inventories decreased to EUR 59,681 thousand by approx. 1% in the reporting period, compared to EUR 60,588 thousand on the prior year reporting date. Adjusted for the exchange rate effect of the weaker ruble, Inventories would have increased to EUR 111,122 thousand (increase by approx. 83%). Trade receivables decreased to EUR 19,128 thousand by approx. 32% in the reporting period, compared to EUR 27,978 thousand on the prior year reporting date (adjusted for exchange rate effects: increase by approx. 27%). Short-term loans issued decreased to EUR 21,072 thousand by approx. 47% (30 September 2022: EUR 39,819 thousand; adjusted for exchange rate effects: decreased by approx. 1%), other financial assets significantly increased from EUR 2,156 thousand to EUR 11,924 thousand on 30 September 2023.

The Ekotechnika Group's **consolidated equity capital** amounted to EUR 68,504 thousand in the reporting year, down by approx. 34% on the previous year's EUR 104,192 thousand (adjusted for exchange rate effects: increase by approx. 22%). This is due to a significant change in the currency translation reserve of EUR 44,899 thousand, which used to be a positive figure of EUR 11,711 thousand on 30 September 2022 and switched to the negative one equaling of EUR 33,188 thousand at 30 September 2023. Income for the period of EUR 9,218 thousand as of 30 September 2023.

The equity ratio was 42.9% as of 30 September 2023 (2022: 51.4%).

Total liabilities amounted to EUR 91,275 thousand, a decrease of EUR 7,200 thousand on the previous year (30 September 2022: EUR 98,475 thousand). This amount includes EUR 1,543 thousand in **non-current liabilities** (30 September 2022: EUR 3,097 thousand), which mainly comprise lease liabilities of EUR 1,229 thousand (30 September 2022: EUR 2,415 thousand). Having in mind the currency impact described above, it means that the ruble liabilities as per the balance sheet date have been increased by more than 70%.

Current liabilities amounted to EUR 89,732 thousand as of the balance sheet date, which was about 6% below the prior year level (30 September 2022: EUR 95,378 thousand) adjusted for exchange rate effects: increased by approx. 75%. This is mainly due to a decrease in trade accounts payable from EUR 11,059 thousand on 30 September 2022 to EUR 6,042 thousand on 30 September 2023 (adjusted for exchange rate effects: increased by approx. 2%). By contrast, Other financial liabilities increased from EUR 7,647 thousand to EUR 13,613 thousand at the end of the reporting period. Advances received amounted to EUR 4,189 thousand, a decrease of EUR 10,881 thousand on the previous year (30 September 2022: EUR 15,070 thousand). Moreover, short-term borrowings increased from EUR 53,347 thousand to EUR 61,657 thousand at the end of the reporting period; adjusted by exchange rate difference, bank financing more than doubled.

On balance, despite all the difficulties and constraints, the management of Ekotechnika Group is satisfied with the operating performance in the past financial year.

3. OPPORTUNITY AND RISK REPORT

3.1 Opportunity report

The opportunities presented relate to all segments (Central Region, Voronezh Region, Siberia Region, Kaliningrad) to the same extent.

Management currently sees the following main opportunities (in descending order of materiality).

Performance of the global and Russian agricultural sectors:
The rising global population is the main driver of the positive global development in the agricultural sector. Demand for agricultural products is rising significantly in the Middle East and Africa due to the inability to independently grow sufficient crops. The long-term deal to supply the agricultural products to China is an indicator of demand in this region as well. Agricultural technology makes an important contribution to expanding production and achieving the necessary increase in efficiency.

Despite the impact of the sanctions imposed because of the Russia-Ukraine-conflict and the pandemic, the Russian agricultural industry has continued to grow. Government support mitigates the effects of the sanctions and other negative impacts. The external threats have indicated the rising need in developing the local production of agricultural machinery, spare parts, and customer service. The state's internal policy is also aimed at a more even distribution of residents in urban agglomerations and in rural area, which is expected to fill personnel gaps in agricultural sector: in Russia there is a rural mortgage program at a preferential rate and by 2024 about 11 million Russian citizens will improve their living conditions and receive new homes and infrastructure under the state program for integrated development of rural areas.[31]

Expansion of sales territories and product portfolios:
The expansion of sales territories has already resulted in first revenues and profit figures in 2022/2023 financial year, and the Group plans to continue exploring the new regions. Significant growth expectations lie in Spare parts and Customer Service segment, given the successful attempts to find the import-substituting spare parts manufacturers in Russia.

After the leading European and American manufacturers left the Russian market, the Company has started to explore new opportunities in China, Turkey and other countries where the world agricultural brands house their production (Lovol, TAFE, Agrifac, SOULUN, PVT, MST, Nardi, etc.). The Company has also widened the product portfolio and started to offer Russian agricultural machinery as well as road building and municipal equipment. Other means of meeting the customers' demand is to intensify the supplies of used machinery. Adding the smart farming equipment to the product portfolio also opens lucrative growth opportunities. This development is currently still in its beginnings in Russia.

Investment and export support in Russia:
For quite a time already, the Russian government has pursued the medium-term target of producing 60% to 95%[32] of all key agricultural commodities consumed in the country locally. The abovementioned import restrictions have added to the pressure. To support expansion, investment incentives are granted as subsidies for the acquisition and financing of agricultural machinery, however with the emphasis on local manufacturers. Additional measures are taken to reimburse the transportation costs for some exported products. These measures help agricultural producers remain solvent and therefore make a positive impact on the Group's sales activities. What is more, the Russian government is intensively addressing the question of how the country's exports can be increased; in this context, it has, among others, placed a special focus on the agricultural sector, which means that positive impulses can also be expected here.

31 https://specagro.ru/news/202301/po-programme-kompleksnogo-razvitiya-sela-k-2024-godu-uluchshat-usloviya-zhizni-11-mln
32 https://www.oecd-ilibrary.org/sites/ed982f42-en/index.html?itemId=/content/component/ed982f42-en

Development of smart farming technology:
Smart farming represents the employment of cutting-edge information and communication technology in agriculture. The purpose of smart farming is to create an optimal efficient balance between the cost and the produced goods volume using intelligent and effective specific analysis, planning and observation. Its significance will increase further in the future and cause an ultimate impact on customer satisfaction and long-lasting relationship with customers. The Russian Agricultural Bank estimates the global market potential of smart farming technologies at USD 240 billion by 2050.[33] The company's management sees particularly high chances to occupy a considerable market share in this sector and is therefore looking into smart farming requirements. The company was successful in filling the gap caused by the departure of John Deere with new partners, including from China; together with the new partners the Company works on the new generation of equipment. The pilot project which was started in the previous years together with the related party Ekosem-Agrar Group, has provided the Company with the valuable experience, as smart farming is particularly relevant for the development of large companies. In the meantime, a dedicated department for the Smart Farming operations analyzes the market in search of new solutions and opportunities to broaden the Ekotechnika Smart Farming portfolio. Management deems it important to switch the focus from selling the Smart Farming products to rendering Smart Farming Services.

3.2 Risk report

Risk management system
The main goals of the risk management system are a regular analysis of the potential risks and the development of risk-oriented thinking and behavior. The risk management system should be aimed at using the existing opportunities and enhancing the business activity success. The concept, structure and tasks of risk management have been determined by the management of Ekotechnika AG and documented within the current risk management guidelines. These parameters are constantly improved and adjusted pursuant to the changing legal requirements.

In the framework of the risk management process, Ekotechnika provides a clear definition, classification and evaluation of corporate risks and takes responsibility for them. The company uses the risk management system not only to identify the risks threatening its existence as a going concern but also the risks which do not threaten its existence but can have a significant negative effect on the Group's assets, its financial situation and business results. Since May 2022 the Group has used "RiskPro" – an automated risk management process on the basis of 1C platform. The tool is designed to record and approve risk profile, including monetary assessment of a risk, follow-up the actions planned to mitigate the risks, and generate the reports.

The Company has performed the risk management process for the 2022/2023 financial year in accordance with Group Policy Risk Management: the risks were identified and the actions to mitigate those risks were planned as of 30 September 2023 with the subsequent follow-up on a bi-annual basis (i.e., as of 31 March and 30 September 2024).

[33] https://www.rshb.ru/news/401393/

The evaluation of risks was based on their negative effect on the profit before tax of a certain company and the likelihood of the occurrence of the adverse event. Wherever it was necessary, management developed a list of measures aimed at the reduction of the potential significant risks identified during the risk management process. Besides, wherever it was possible, preventive monitoring was performed with the help of early warning indicators. The Executive Board receives the information on the risk status on a regular basis and passes this information on to the Supervisory Board. In case of occurrence of any unexpected risks or considerable change of the existing risks, an ad hoc report is generated and the Executive Board (and the Supervisory Board, if necessary) is immediately informed of the risk.

The risks presented affect all segments (Central Region, Voronezh Region, Siberia Region, Kaliningrad Region) to the same extent.

After the escalation of the Russia-Ukraine-Conflict in February 2022 there have been ongoing geopolitical tension and the situation remains highly unstable. The escalation of the geopolitical situation led to various consequences, which have a significant impact on Russian economy and the Company's business and risk situation.

The main risks and uncertainties of Ekotechnika Group are presented below (in descending order).

Financing opportunities and costs for customers and the Group:

In 2022/2023 financial year. Russia maintained an average high level of inflation: from April to September 2023, it increased from 2,5% to 6%. Subsequent to the reporting date, the inflation rate increased further to 6,7% in October 2023.[34] The Central Bank of Russia responded by raising the key rate: by September 18, 2023 the rate reached 13%. After the reporting date there were further increases to 15% on 30 October 2023 and to 16% on 18 December 2023.[35] The Company is focusing on increasing the Spare parts segment and is forced to invest significant funds in financing inventory even with its growing cost. To minimize the risk, the Company is making efforts to increase the accuracy of planning customer needs. What is more, the Company plans to divide the inventories into categories in terms of their turnover, with subsequent amendments in gross profit margins for each category. The measure is aimed at reducing the cost of inventory financing.

Rising cost of financing operating and investment activities together with increasing cost of production, including expenses on machinery and equipment, spare parts, fuel, fertilizers, etc, make negative impact on the Group's customers. However, the risk is partially mitigated by the government measures of support for agricultural producers.

Exchange rate trend:

The development of purchase structure of Ekotechnika AG and changes in the product portfolio require assessing the exchange rate of the Russian ruble to EUR and CNY. RUB was highly volatile during the 2022/2023 financial year, with the tendency to drop at the end of the period and after the reporting date. The exchange rate reached its low of RUB 52.7379/EUR on 03 October 2022, compared to the peak of RUB 110.6847/EUR on 15 August 2023.[36] The dynamics of the exchange rate RUB/CNY repeated the RUB/EUR trend. It's expected that the ruble's low exchange rate against EUR and CNY may continue in the coming financial year, which will have impacts on both, the profitability and the purchasing power of agricultural producers. Weaker ruble makes the imported equipment less competitive in comparison with locally manufactured, however, management understands that it is not possible for customers to replace all the machinery and equipment from international leaders by the domestic alternatives for quality reasons and offers optimal solutions in terms of price and quality ratios. Moreover, the Company enriched the portfolio with local brands of machinery and equipment.

34 https://de.tradingeconomics.com/russia/inflation-cpi
35 https://www.cbr.ru/eng/hd_base/KeyRate/?UniDbQuery.Posted=True&UniDbQuery.From=01.10.2022&UniDbQuery.To=15.12.2023
36 https://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.so=1&UniDbQuery.mode=1&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01239

Solvency of customers:
As farming operations, the customers of the Ekotechnika Group are to a certain extent dependent on government support in the form of direct subsidies and interest subsidies. In the reporting period, it became more difficult for the company's customers to finance the purchase of imported agricultural machinery due to the set of measures announced by the government was focused on Russian and Belorussian manufacturers. If this situation continues to deteriorate, it could have an impact on the Group's results of operations. The salespeople of Ekotechnika Group draw on their vast experience in assessing customer credit quality. They are closely involved in negotiating finance and share the responsibility for customers' bad debts via bonus arrangements.

Supply chain bottlenecks:
Major consequences of sanctions imposed on Russia since 2022 included import restrictions and limitations imposed on international payments for the companies which hold business activities in the Russian Federation. The Group has searched new supply opportunities in response to many international businesses suspending or ceasing their operations in Russia. The brand portfolio has been widened by the manufacturers outside the list of "unfriendly countries". Management is monitoring this situation and is responding where possible to minimize the supply chain risk.

Receivables from related companies:
As of the balance sheet date, the Ekotechnika Group had extensive trade receivables from companies in the EkosemAgrar Group. The Ekosem Group was one of Ekotechnika's largest customers for a number of years, which resulted in this position. The management is in regular exchange with the management of the Ekosem-Agrar Group in this regard and estimates the probability of a total default as exceptionally low. The Supervisory Board has approved the dunning plan for trade receivables of EkosemAgrar Group till 2025, which was strictly adhered to during the reporting period 2022/2023. If, contrary to this expectation, a total default was to occur, this could have a negative impact on the net assets and results of operations as well as the liquidity situation of the Group.

Risks to the Group's ability to continue as a going concern

Renewal of credit facilities:
As the Group depends on being able to generate adequate cash and cash equivalents from its operations to cover its liabilities, there is material uncertainty concerning the Group's ability to continue as a going concern. Based on the Group's current plans and taking into account the related uncertainty, management firmly believes that the Group will be able to secure sufficient financial resources to continue its operations in the foreseeable future as of the date of preparation of the consolidated financial statements for the 2022/2023 financial year. This also includes the refinancing of bank loans which are due for repayment in 2024 to the extent that these exceed the cash flow from operating activities. The reason for this ongoing refinancing is that the companies of the Group use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis, and the credit limits were extended in 2022/2023 financial year. Management expects that this will continue to be the case in the future. If, contrary to management expectations, the Group is no longer able to generate adequate liquidity from its operating activities or external financing, or if external financing can only be obtained on significantly worsened terms, the Group could face insolvency.

Management believes that the breach of covenants will not result in early repayment of the related borrowings (see Note 24 for further details).

Geopolitical environment and sanctions

Before the 2021/2022 financial year the product portfolio of Ekotechnika AG comprised of top agricultural machinery brands originating primarily from Western Europe, USA and Canada. These countries have imposed sanctions on operations with Russia, because of the Russia – Ukraine conflict, including restrictions on import of dual-use spare parts and significant limitations on international payments. Even though agricultural machinery was not on the sanction list, many western companies assessed the related risks as high and made the decision to leave the Russian market. Major suppliers of the Company terminated the dealership agreements. Moreover, the subsidiaries of Ekotechnika AG faced the significant risks of embargo on certain types of spare parts irrespective of their brand and penalties for breaching it. Management follows up the amendments to the sanction lists and requirements closely and are ready to adjust the Company's operations at any time.

This whole area of developments based on political decisions includes changes to be expected on the tax-side of business. Both, Germany and the Russian Federation, are tightening the tax rules for companies acting in the respective other country. As a consequence, there will be significantly more administrative work to be performed for all group-companies. Even worse, it might lead to significantly higher tax payments in both jurisdictions. Details are not clearly determined yet, but the management follows the discussions and will try to find ways to deal with it.

In summary, it can be said that the main risks today, as in the prior year, lie in the political and economic environment. As these factors are largely beyond the company's control, management is working hard to ensure that the company is able to respond appropriately to all types of changes.

4. FORECAST

The information on the future business performance presented in this chapter are management projections based on information such as market expectations, strategic decisions, regulatory framework conditions and exchange rate trends. A change in these and other parameters incorporated in the projections may result in adjustments or the non-occurrence of these projections.

Macroeconomic and industry-specific framework conditions

Global economic activity continues going through a broad-based slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, and geopolitical tension all over the world all weigh heavily in the outlook. According to IMF, the decrease of the worlds' GDP may reach 3,0% in 2023 after 3,5% in 2022.[37]

The IMF expects the global average inflation at 6,8% p.a. in 2023. In July 2023 annual inflation in Eurozone has reached 5,3% (in Germany – 6,2%, in Italy – 5,9%, in France – 4,3%), in USA – 3,2%, whereas the inflation target for US and European countries is 2%.

The Central Bank of Russia makes the macroeconomic forecast for inflation at in Russia at 7,5% in 2023.[38]

FAO food price composite index has decreased by 7,9% during the 8 months of 2023, including 19,4% fall on dairy, 15,1% - on grain and vegetable oils – by 13%. The major driver for such a decline was excessive supply of grain and oils. According to the World Bank forecast, in 2023, prices on grain market are eager to fall by 16%, on oil market – by 14%.

[37] https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya/prognoz_socialno_ekonomicheskogo_razvitiya_rf_na_2024_god_i_na_planovyy_period_2025_i_2026_godov.html

[38] https://cbr.ru/about_br/publ/ddkp/longread_4_44/#:~:text=%D0%A1%D0%BE%D0%B3%D0%BB%D0%B0%D1%81%D0%BD%D0%BE%20%D0%BE%D0%B1%D0%BD%D0%BE%D0%B2%D0%BB%D0%B5%D0%BD%D0%BD%D0%BE%D0%BC%D1%83%20%D0%BF%D1%80%D0%BE%D0%B3%D0%BD%D0%BE%D0%B7%D1%83%20%D0%91%D0%B0%D0%BD%D0%BA%D0%B0%20%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D0%B8,%D0%BD%D0%B0%D1%85%D0%BE%D0%B4%D0%B8%D1%82%D1%8C%D1%81%D1%8F%20%D0%B2%D0%B1%D0%BB%D0%B8%D0%B7%D0%B8%204%25%20%D0%B2%20%D0%B4%D0%B0%D0%BB%D1%8C%D0%BD%D0%B5%D0%B9%D1%88%D0%B5%D0%BC.

In light of recent global economic forecasts, our outlook for the upcoming year suggests a period marked by high volatility and uncertainty. This assessment comes combined with the Russian Central Bank's aggressive move to increase interest rates to 16% at the end of 2023, an effort that has yet to significantly strengthen the Ruble, which remains weak, hovering around the 100 RUB/EUR mark.

A key factor contributing to this unstable economic landscape is the skyrocketing borrowing costs, now at an alarming 22%, which are based on a Central Bank of Russia interest rate of 16%. This increase in the cost of capital is particularly impactful on the agricultural sector, which has also been facing reduced government subsidies. Consequently, we anticipate a noticeable downturn in investment activities within this sector. Specifically, the realm of grain production is facing a dire situation; the combination of low grain prices and high borrowing costs renders investment in this area not only unfeasible but also economically unsound at the current moment.

In contrast, there are sectors that might experience some growth, notably in meat and milk production. These industries are likely to benefit from the prevailing low grain prices, as they reduce the cost of livestock feed, thereby potentially boosting profitability in these sectors.

However, it is crucial to underline the overarching shadow of the current geopolitical climate, which is rife with uncertainties and complexities. This environment casts a pall over the prospects of long-term investments, rendering them particularly risky and generally unattractive under the present circumstances. The interplay of these economic and geopolitical factors paints a picture of a challenging year ahead, where cautious and strategic decision-making will be paramount.

Developments in the agricultural and farming equipment market

In its Agricultural Outlook 2021-2030, the Organization for Economic Co-operation and Development (OECD) projects net agricultural and fish production (excluding feed and seed inputs) to grow by 8% by 2030 compared to the base period average of 2018-20, with an expected growth of Western Europe by less than 1%, while Eastern European growth might reach 15% and Central Asia almost 30%. The rapid growth in Eastern Europe may be led by the Russian Federation and Ukraine at 12% and 22%, respectively. In the light of the current situation in Ukraine the growth trend may change there for the coming 2-3 years.

Performance of the Ekotechnika Group

The Group's business is highly dependent on the external geopolitical and macroeconomic factors, which makes it difficult to make projections for the 2023/2024 financial year. However, the external factors might have a positive influence on the Group's performance as well.

The management anticipates the possibility of stabilizing and aims to boost machinery sales after experiencing a notable decline in the recent reporting period. However, it's important to note that these projected sales levels are expected to remain well below those of earlier periods. The recent hike in the central bank's interest rate to 16% has made investments challenging and economically unfeasible, contributing to continued strain on the new machinery market.

Furthermore, the significant influx of imports from China is expected to persist, exerting additional pressure on the profit margins of various segments within the new machinery market. Another factor impacting the market is the sustained low grain prices, a situation likely to continue as long as the export fee remains in place. Moreover, the export of agricultural commodities is encountering numerous challenges. All these factors together suggest a continued challenging environment for the machinery market in the foreseeable future.

On the other hand, the spare parts division is expected to experience growth, as there is a clear demand for these parts. Additionally, the company possesses the capacity and potential to expand further in this area.

Based on the above, the management expects a revenue for the 2023/24 business year in a broad range of EUR 175 – 210 mio. The split between machinery and parts might be close to 50:50, which would mean a significant increase in machinery sales and a further moderate increase in parts.

Management currently expects EBIT to reach EUR 12 to 18 mio. Finance costs are not included in this figure, though, and may increase significantly compared to the previous period. The dynamics of the finance costs currently depend upon the very high interest rates in Russia.

The management team of the Ekotechnika Group regards the ongoing geopolitical tensions with significant concern, viewing them as a serious mid-term obstacle. While they attempt to maintain a cautiously optimistic stance towards the future, there's an underlying sense of uncertainty.
In response, they are urgently seeking to diversify their supplier base, establish new dealership agreements, and adapt to customer needs under challenging conditions. However, they are aware that the path to becoming a globally established agricultural technology firm hinges heavily on the resolution of these geopolitical issues, which currently casts a shadow over their long-term aspirations.

Walldorf, 6 March 2024

Stefan Duerr	Bjoerne Drechsler
Chairman of the Board	Member of the Executive Board

EKOTECHNIKA AG, Walldorf
Consolidated financial statement for the year ended 30 September 2023

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	09/30/2023 EUR'000	09/30/2022 EUR'000
Non-current assets:			
Intangible assets		62	148
Property, plant and equipment	15	23,019	43,830
Investment property	15	236	465
Long-term loans issued	16	107	57
Deferred tax assets	14	723	965
		24,147	**45,465**
Current assets:			
Inventories	17	59,681	60,588
Short-term loans issued	16	21,072	39,819
Trade receivables	18	19,128	27,978
Income tax receivable		1,061	679
Prepayments	18	19,521	19,214
Other financial assets	18	11,924	2,156
Other short-term assets	19	1,178	2,336
Cash and cash equivalents	20	2,067	4,432
		135,632	**157,202**
		159,779	**202,667**

LIABILITIES AND EQUITY

	Notes	09/30/2023 EUR'000	09/30/2022 EUR'000
Equity attributable to shareholders of parent company			
Share capital	21	3,140	3,140
Additional paid in capital	21	6,830	6,830
Foreign currency translation reserve		(33,188)	11,711
Retained earnings		82,490	56,138
Income for the period		9,213	26,352
		68,485	**104,171**
Non-controlling interests		19	21
		68,504	**104,192**
Non-current liabilities:			
Long-term trade accounts payable	25	291	382
Long-term lease liabilities	28	1,229	2,415
Deferred tax liabilities	14	23	300
		1,543	**3,097**
Current liabilities:			
Provisions	23	224	1,503
Short-term borrowings	24	61,657	53,347
Trade accounts payable	25	6,042	11,059
Income tax payable		-	688
Advances received	26	4,189	15,070
Other financial liabilities	27	13,613	7,647
Short-term lease liabilities	28	1,378	2,203
Other short-term liabilities	29	2,629	3,861
		89,732	**95,378**
		159,779	**202,667**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 EUR'000	2022 EUR'000
Revenues	8	175,151	237,508
Purchase cost of goods sold	9	(118,803)	(168,905)
Gross profit		**56,348**	**68,603**
Other operating income	10	1,263	7,529
Payroll expenses	11	(19,204)	(20,554)
Depreciation and amortization	15	(3,885)	(4,008)
Other operating expenses	12	(15,331)	(15,887)
(Loss)/Gain from impairment of financial assets		(38)	188
		(37,195)	**(32,732)**
Operating profit		**19,153**	**35,871**
Financial income	13	1,770	2,143
Financial expenses	13	(7,530)	(4,020)
		(5,760)	(1,877)
Income before tax		**13,393**	**33,994**
Income tax expense, total	14	(4,175)	(7,639)
Income for the period		**9,218**	**26,355**
Attributable to:			
Parent company's shareholders		9,213	26,352
Non-controlling interests		5	3
Other comprehensive (loss)/income for the period			
Items that may be classified subsequently to profit:			
Exchange differences on translation of foreign operations, net of tax		(44,906)	32,990
Attributable to:			
Parent company's shareholders		(44,899)	32,985
Non-controlling interests		(7)	5
Comprehensive (loss)/income for the period		**(35,688)**	**59,345**
Attributable to:			
Parent company's shareholders		(35,686)	59,337
Non-controlling interests		(2)	8
Earnings per share (basic and diluted)		**in EUR**	**in EUR**
Shares Series A	22	3.74	10.70
Shares Series B	22	2.16	6.17

Ekotechnika AG, Walldorf
CONSOLIDATED CASH FLOW STATEMENT

	Notes	2023 EUR'000	2022 EUR'000
Operating activities			
Income for the period		9,218	26,355
Amortization and depreciation of non-current assets	15	3,885	4,008
Gain on disposal of property, plant and equipment	10	(130)	(213)
Net foreign exchange loss/(gains), net	10	2,177	(4,046)
Interest expense	13	7,046	2,931
Interest expense on extended accounts payable	13	48	377
Interest income	13	(1,770)	(2,143)
Income taxes recognized in profit or loss	14	4,175	7,639
Loss/(Gain) from impairment of financial assets		38	(188)
Impairment of investment property	12	-	1,468
Provision of inventories to net realisable value	17	2,021	1,177
Other non-cash items		(255)	(409)
Operating cash flows before changes in working capital, provisions, income taxes and interests paid		**26,453**	**36,956**
Change in inventories		(35,555)	3,001
Change in trade receivables and prepayments		(11,779)	1,700
Change in other financial and short-term assets		(9,953)	4,115
Change in trade payables and advances received		(10,088)	(30,115)
Change in other financial and short-term liabilities		11,501	(1,148)
Operating cash flows before income taxes and interest paid		**(29,421)**	**14,509**
Income taxes paid		(5,965)	(6,605)
Interest paid		(6,197)	(2,870)
Interest received		63	209
Net cash (used in)/generated from operating activities		**(41,520)**	**5,243**
Investing activities			
Proceeds from disposal of property, plant and equipment		363	561
Acquisition of property, plant and equipment		(993)	(4,017)
Acquisition of intangible assets		(183)	(201)
Issuance of loans		(393)	(653)
Proceeds from settlement of loans issued		4,451	582
Net cash used in investing activities		**3,245**	**(3,728)**
Financing activities			
Proceeds from borrowings		140,041	75,381
Repayment of borrowings		(99,431)	(78,067)
Payment of lease liabilities		(2,452)	(2,573)
Net cash generated from/(used in) financing activities		**38,158**	**(5,259)**
Net decrease in cash and cash equivalents		(117)	(3,745)
Cash and cash equivalents at beginning of year		4,431	5,536
Effect of exchange rate fluctuations on cash and cash equivalents		(2,247)	2,641
Cash and cash equivalents at end of year		**2,067**	**4,432**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

TEUR	Share capital	Additional paid in capital	Foreign currency translation reserve
As of 1 October 2021	**3,140**	**6,830**	**(21,274)**
Reclassifications	-	-	-
Income for the period	-	-	-
Other comprehensive income	-	-	32,985
Total comprehensive income	**-**	**-**	32,985
As of 30 September 2022	**3,140**	**6,830**	**11,711**
Reclassifications	-	-	-
Income for the period	-	-	-
Other comprehensive loss	-	-	(44,899)
Total comprehensive income/(loss)	**-**	**-**	(44,899)
As of 30 September 2023	**3,140**	**6,830**	**(33,188)**

Retained earnings	Net profit	Non-controlling interests	Total equity
41,940	**14,198**	**13**	**44,847**
14,198	(14,198)	-	**-**
-	26,352	3	**26,355**
-	-	5	**32,990**
-	26,352	8	**59,345**
56,138	**26,352**	**21**	**104,192**
26,352	(26,352)	-	**-**
-	9,213	5	**9,218**
-	-	(7)	**(44,906)**
-	9,213	(2)	**(35,688)**
82,490	**9,213**	**19**	**68,504**

Ekotechnika AG, Walldorf
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ekotechnika AG (also referred to below as "the corporation" or "parent company") and its subsidiaries (the "Group") voluntarily issues consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union based on Section 315e of the German Commercial Code (HGB). The parent company and its subsidiaries are referred to below as the "Group".

The corporation is domiciled in the Federal Republic of Germany and its subsidiaries are domiciled in the Russian Federation. The parent company has its main business offices at Johann-Jakob-Astor-Str. 49, 69190 Walldorf, Germany. The parent company is listed in German Commercial register (HRB 723400, Amtsgericht Mannheim). On 13 November 2015, the parent company changed its legal form into joint stock company (AG). Since 17 December 2015, Ekotechnika AG shares are listed on the Duesseldorf Stock Exchange's primary market. Immediate parent of Ekotechnika AG is Ekotechnika-Holding GmbH. The ultimate controlling party is Stefan Duerr.

The business activities of the Group primarily comprise sale of agricultural machinery and equipment, sale of spare parts, provision of services and also the sale of products and services for precision farming equipment. With regard to changes in the product portfolio due to the changed geopolitical situation since February 2022, refer to Note 6 "Going concern" as well as the developments explained in the management report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. All standards and interpretations are mandatory applicable for the period beginning on 1 October 2022 have been adopted.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries as of 30 September 2023 and 2022.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss for the year and net assets of OOO "EkoNiva-Technika-Holding" attributable to shares not held by the parent company.

For legal reasons, the financial year of all Russian subsidiaries corresponds to the calendar year; for the purposes of issuing the consolidated financial statements, these subsidiaries compile financial statements as of and for the year ended 30 September. For the German parent company the financial year begins on 1 October of a given year and ends on 30 September of the following year.

2.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Goodwill is initially measured at the amount, being the excess of the aggregate of the consideration transferred, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date over fair value of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate of the consideration transferred, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date, the gain ("negative goodwill" or "bargain purchase") is recognized in profit or loss, after management reassesses whether it identified all the assets and the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent arrangements, but excludes acquisition-related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and other transaction costs associated with the acquisition are expensed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the combination at the lowest level at which the Group monitors goodwill but not higher than operating segment, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

As of 30 September 2023 and 30 September 2022 no goodwill recognized in these consolidated financial statements.

2.4 Foreign currencies

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency for all of the Group's Russian subsidiaries is Russian Ruble (RUB), which is the currency of the primary economic environment in which the subsidiaries operate.

Currency	As of 30 September 2023	Average rate for 2023	As of 30 September 2022	Average rate for 2022
RUB/EUR	103,1631	83,12	55,4064	77,4325

Period	Average rate	Period	Average rate
Three months ended 12/31/2022	63,6079	Three months ended 12/31/2021	83,0744
Three months ended 03/31/2023	78,1444	Three months ended 03/31/2022	96,4177
Three months ended 06/30/2023	88,2414	Three months ended 06/30/2022	70,7643
Three months ended 09/30/2023	102,4336	Three months ended 09/30/2022	59,8139

2.4.1 *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates of the Central Bank of Russia at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange of the Central Bank of Russia at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of exchange differences arising on monetary items that form part of the Group's net investment in foreign operations that are recognized initially in other comprehensive income (OCI) and reclassified from equity to profit or loss on disposal of the net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within 'Financial income' or 'Financial expenses'. Foreign exchange differences on translation of foreign operations are presented within 'Exchange differences on translation of foreign operations' and all other foreign exchange gains and losses are presented within 'Other operating income or expenses'.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Components of equity are translated at the applicable historic rate.

2.4.2 *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statement of comprehensive incomes are translated at exchange rates prevailing at month monthly average rate. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of the accumulated other comprehensive income relating to that particular foreign operation is "recycled", i.e. recognized in profit or loss.

2.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6 Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognized net of discounts, returns and value added taxes, other similar mandatory payments.

2.6.1 *Sales of agricultural machinery, spare parts, fuel, tires, precision farming equipment, construction and road equipment, forestry machinery and spare parts*

Sales are recognized when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognized based on the price specified in the contract, net of the volume discounts.

As a practical expedient no element of financing is deemed present as the sales are made with a credit term of one year or less.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.6.2 *Sales of after-sales services*

The Group provides after-sales services under fixed-price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labor hours spent relative to the total expected labor hours.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

2.6.3 *Interest income*

Interest income is recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortized costs, net of the expected credit losses provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.7 Lease liabilities and right-of-use assets

2.7.1 *Lease liabilities*

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

Extension and termination options are included in a number of lease contracts across the Group. These terms are used to maximize operational flexibility in terms of managing the assets used in the Group’s operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group’s incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of items with value of USD 5,000 or less.

2.7.2 *Right-of-use assets*

The Group leases various offices, warehouses, equipment and vehicles. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. (However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.)

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives.

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

• Land	3-47 years
• Buildings	3–5 years
• Machinery and equipment	3 years
• Transport vehicles	3-5 years

2.8 Taxation

2.8.1 *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.8.2 *Deferred taxes*

Deferred income tax is provided using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. This is based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change.

2.8.3 *Uncertain tax positions*

Uncertain tax position is an item, the tax treatment of which is either unclear or is a matter of unresolved dispute between the Group and the relevant tax authority. The Group adopted a ‘two-step’ approach to the measurement of uncertain tax positions, under which it applies ‘more likely than not’ (more than 50%) recognition threshold for a liability.

2.8.4 *Value added tax (VAT)*

Expenses and assets are recognized net of the amount of VAT, except:

- when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

- when receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.9 Intangible assets, research and development costs

Intangible assets that are not acquired in a business combination are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

All the Group intangible assets have finite useful lives. The Group intangible assets primarily represent software having useful life from one to five years.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Research and development costs

Research expenditure is recognized as an expense when it is incurred. Costs incurred as part of development projects (design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and the costs can be measured reliably. Other development expenditures are recognized as expenses at the time they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs with a limited useful life are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Minor repair and day-to-day maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Buildings	5 – 30 years
• Transport	1 – 15 years
• Equipment	1 – 15 years
• Office equipment and furniture	1 – 30 years
• Other fixed assets	1 – 15 years

The useful life for property, plant and equipment is reviewed at least at the end of each reporting period. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.11 Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation or both, and which is not occupied by the Group. Investment property is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Buildings	30 years

If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs of disposal. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Earned rental income is recorded in profit or loss for the year within Other operating income.

2.12 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The commencement date for capitalization is when

(a) the Group incurs expenditures for the qualifying asset;

(b) it incurs borrowing costs; and

(c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalization of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalized are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalized.

2.13 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets (including goodwill) are allocated. These budgets and forecast calculations generally cover a period of five years. For later periods, long-term growth rates are calculated and applied to project future cash flows after the fifth year; such growth rates cannot exceed average market rates. Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income.

2.14 Financial instruments

2.14.1 *Financial instruments – key measurement terms*

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost ("AC") is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

2.14.2 *Financial instruments – initial recognition*

Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognized for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognized when the Group becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loan from related parties and loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortized on a straight line basis over the term of the loan from related parties and loans to related parties. The differences are immediately recognized in profit or loss if the valuation uses only level 1 or level 2 inputs.

2.15 Financial assets

2.15.1 *Financial assets – classification and subsequent measurement – business model*

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

2.15.2 *Financial assets – classification and subsequent measurement – cash flow characteristics*

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

2.15.3 *Financial assets – reclassification*

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

2.15.4 Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognizes net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the ECL.

The Group applies simplified approach for impairment of trade receivable. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL.

2.15.5 Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

2.15.6 Financial assets – derecognition

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.15.7 Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognizes a modification gain or loss in profit or loss.

2.16 Financial liabilities

2.16.1 *Financial liabilities – measurement categories*

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

2.16.2 *Financial liabilities – derecognition*

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

2.17 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. Such a right of set-off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

2.19 Trade and other receivables

Trade and other receivables are recognized initially at fair value and are subsequently carried at AC using the effective interest method.

2.20 Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at AC using the effective interest method.

Under purchase contracts with some suppliers the Group has the right to initiate an extension of the payment period for a portion of accounts payable. Initially and upon extension the relevant payables classified as Trade accounts payable. Such payables become interest-bearing upon extension, interest expense arising due to extension classified as part of financial expenses in the consolidated statement of profit or loss and other comprehensive income and included in the cash flows from financing activities in the consolidated cash flow statement.

2.21 Loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

2.22 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- agricultural machinery, forestry machinery, trade-in machinery, precision farming equipment, construction and road equipment: Purchase cost on a cost of individual item;

- spare parts, tires, lubricants and other inventories: Purchase cost on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.23 Provisions

The Group's obligation to repair or replace faulty goods under the standard warranty terms is recognized as a provision.

A provision is recognized when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Group expects at least part of a liability to be reimbursed (e.g. under a warranty contract), the reimbursement is recognized as a separate asset, provided that the inflow of reimbursement is virtually certain. Expenses from the formation of a provision are reported in the consolidated statement of profit or loss and other comprehensive income separately from the reimbursement.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.24 Recognition of transactions between related parties

The Group recognizes transactions between related parties (other than business combinations) as follows:

- if, in accordance with IFRS, initial recognition is to be performed at fair value, the Group measures such transactions at fair value irrespective of the actual amount of consideration;
- in all other cases, the Group recognizes operations based on the value of the consideration in accordance with the transaction arrangement.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following amended standards did not have any material impact on the Group:

- 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)
- COVID-19 Lease Concessions – Amendments to IFRS 16 (issued on March 31, 2021 and effective for annual periods beginning on or after April 1, 2021)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted. These amendments are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)
- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17 as discussed below)
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)
- 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, the effective date subsequently modified to 1 January 2024 by the Amendments to IAS 1 as discussed below)
- Non-current Liabilities with Covenants – Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024)
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, the effective date subsequently modified to 1 January 2024 by the Amendments to IAS 1 as discussed below)

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after1 January 2023)

- Lease Liability in a Sale and Leaseback Amendments to IFRS 16 – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)

- Supplier Finance Arrangements – amendments to IAS 7 and IFRS 7 (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024)

- Lack of exchangeability – Amendments to IAS 21. The Effects of Changes in Foreign Exchange Rates (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025)

- Amendments to the IFRS for SMEs Accounting Standard (issued on 29 September 2023 and effective for annual periods beginning on or after 1 January 2023)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Indicators of impairment of property, plant and equipment

Property, plant and equipment are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and other factors. If an impairment test is required, the Group estimates the asset's recoverable amount. As of 30 September 2023, the management of the Group concluded that there were no indicators of impairment of property, plant and equipment (the same as in the previous year).

Indicators of impairment of investment property

Investment property are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business. During the 2022 financial year, property, plant and equipment in amount of EUR 1,904 thousand were reclassified as investment property due to change of business model for these fixed assets, which is an indicator of impairment. The valuation was carried out by an independent firm of valuators, OOO "Valuation and consulting", who hold a recognized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. As a result, an impairment loss of EUR 1,468 thousand was recognized. If the cost of comparable assets used in valuation had been 10% lower than management's estimates, the Group would need to recognize additional impairment in amount of EUR 47 thousand. As of 30 September 2023, the management of the Group concluded that there were no indicators of impairment of investment property.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Writing down of inventories to net realizable value

An assessment of obsolete and slow-moving inventories (except for agricultural machinery, trade-in machinery precision farming equipment) is based on their ageing as follows:

- less than 1 year – 0% of carrying amount;
- 1-2 years – 20% of carrying amount;
- 2-3 years – 50% of carrying amount;
- more than 3 years – 100% of carrying amount.

An assessment of net realizable value for agricultural machinery, trade-in machinery and precision farming equipment is based on analysis of expected selling prices.

Changes in write down of inventories are recognized within cost of goods and services sold in profit and loss. For more detail see Note 17.

Impairment of trade receivables and loans issued

The Group determines an allowance for impairment of accounts receivable and for loans issued at the end of the reporting period. The Group assesses whether objective evidence of impairment exists individually for receivables that are individually significant, or collectively for accounts receivable that are not individually significant. The Group assesses whether objective evidence of impairment exists individually for loans issued on an individual basis. The Group recognizes an impairment loss on an individual receivable and loans issued or a group of receivables if the loss expectation at initial recognition of the receivables or loans issued has not changed, but it could be estimated reliably, based on past history, that loss events have occurred after initial recognition, but before the reporting date. In certain cases, it may not be possible for the Group to identify a single, discrete event that caused the impairment; rather, the combined effect of several events may have caused the impairment. However, losses expected as a result of future events, no matter how likely, are not recognized. Details are disclosed in Note 16 and 18.

Taxes

A number of provisions of the current Russian tax, currency and customs legislation are vaguely formulated and are subject to varying interpretations (which may apply to past relations), selective and inconsistent application, and frequent and often unpredictable changes. Thus, management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional or federal authorities at any time in future. Recent events within Russia suggest that in practice the tax authorities may take a more assertive position in interpreting and applying various norms and regulations, performing tax audits and imposing additional tax requirements. As a result, it is possible that the Group's transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and interest may be assessed by the respective authorities.

On-site tax audits of the accuracy of tax calculation and payments conducted by the Russian tax authorities may cover three calendar years preceding the year in which the decision concerning conducting tax audit was made. Under certain circumstances the reviews might cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis and this leads to decrease of the amount of tax payable to the Russian budget, or increase of the amount of loss determined in accordance with Chapter 25 of the Russian Tax Code, unless otherwise is provided by the mutual agreement procedures in accordance with the international taxation treaty concluded by the Russian Federation. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Starting from 2015, more specific and detailed rules were put in place establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such legal entity's worldwide income will be taxed in Russia. The tax liabilities of the Group were determined on the assumption that foreign company Ekotechnika AG was not subject to applicable Russian taxes, because it was not Russian tax resident by way of application of the new tax residency rules. However, Russian tax authorities may challenge this interpretation of relevant legislation in regard to the foreign company of the Group. The impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Tax exposure items, which were identified by management at the end of the reporting period as those, that can be subject to different interpretations of the laws, approximated to EUR 6,616 thousand with respect of the corporate income tax as of 30 September 2023 (2022: EUR 10,007 thousand) and EUR 7,442 thousand with respect of value added tax (2022: EUR 12,207 thousand). Those are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; these obligations are not recorded as the Group's liabilities.

Warranty provision

As required by the dealership agreements with the manufacturers of agricultural machinery, the Group provides its customers with warranty, which is normally for one or two years. According to the dealership agreements, quality failures which fall under the warranty must be fixed by the Group without additional payment from its clients. Certain manufacturers of machinery shall reimburse the Group's expenses on removal of defects within the warranty period in size and at rates agreed by the parties. Based on this the Group concluded that it is a primarily obligor regarding the warranty, therefore, it recognizes warranty provision relating to agricultural machinery sold, for which warranty has not expired, as well as reimbursement asset relating to receivables from the manufacturer of agricultural machinery only to the extent when it is virtually certain to be received when the Group incurs warranty expenses. The warranty provision is recognized based on historical experience, including seasonality of sales, seasonality of actual warranty claims and warranty costs in the last several years. The warranty reimbursement assets are recognized based on the manufacturer's obligations as stated in the dealership agreement and historic experience with acceptance or rejection of reimbursement.

The Group has elected to present the expenses and related reimbursements on a gross basis; as a result, it presents warranty-related expenses, which are primarily spare parts and payroll, in other operating expenses and payroll costs, as appropriate. Reimbursements of warranty expenses are included into other operating income (in Note 10).

As of 30 September 2023, warranty provision amounted to EUR 224 thousand (2022: EUR 1,503 thousand). As of 30 September 2023, reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 89 thousand (2022: warranty reimbursement assets wasn`t recognized as it wasn`t virtually certain of being recovered).

6. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which envisages the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the year ended 30 September 2023 the Group reported net income of EUR 9,218 thousand (2022: EUR 26,355 thousand) and net cash used in operating activities of EUR 41,520 thousand (2022: net cash generated by operating activities of EUR 5,243 thousand). As of 30 September 2023, the Group's equity amounted to EUR 68,504 thousand (30 September 2022: EUR 104,192 thousand) and current assets exceed current liabilities by EUR 45,900 thousand (30 September 2022: EUR 61,824 thousand).

Renewal of credit facilities: As of 30 September 2023, the Group had short-term bank loans in the amount of EUR 61,657 thousand (30 September 2022: EUR 53,347 thousand). Because the Group may not generate adequate cash and cash equivalents from its operations to repay these short-term bank loans and, therefore, will depend on being able to secure financing, there is a major uncertainty concerning the Group's ability to continue as a going concern. Based on the Group's current plans and taking into account the related uncertainty and events described below, the management clearly believes as of the date of preparation of the consolidated financial statements for the year ended 30 September 2023 that the Group will be able to secure sufficient financial resources to continue its operations in the foreseeable future. This also includes the refinancing of bank loans which are due for repayment in 2024 to the extent that these exceed the cash flow from operating activities. The reason for this ongoing refinancing is that the Group's companies use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis. The management expects that this will continue to be the case in the future. As of 30 September 2023 the Group has unused balance of credit facilities in the amount of EUR 19,742 thousand

(30 September 2022: EUR 16,823 thousand). If, contrary to management expectations, the Group is no longer able to generate adequate liquidity from its operating activities or external financing, or if external financing can only be obtained on significantly worsened terms, this could result in the Group's entities insolvency.

Management believes that covenants breach (Note 24) will not result in early repayment of the related borrowings. Management holds negotiations with the banks and believes that the renewal of the Group's loans will be possible in the current market conditions, when they come due.

Subsequent to 30 September 2023 and as of the date of approval of these consolidated financial statements, the Group has serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 61,993 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 61,993 thousand (subsequent to 30 September 2022 and as of the date of approval of the consolidated financial statements for the year ended 30 September 2022: The Group serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 31,091 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 63,029 thousand). The current bank loans as per date of release for submission amounted to approximately EUR 61,993 thousand (per date of release for submission of the consolidated financial statements for the year ended 30 September 2022: EUR 85,196 thousand).

Before the 2021/2022 financial year the product portfolio of the Group comprised of top agricultural machinery brands originating primarily from Western Europe, USA and Canada. These countries have imposed sanctions on operations with Russia, because of the Russia - Ukraine conflict, including restrictions on import of dual-purpose spare parts and significant limitations on international payments. Even though agricultural machinery was not on the sanctions list, many western companies assessed the infrastructure risks as high and made the decision to leave the Russian market. Major suppliers of the Group terminated the dealership agreements. Moreover, the subsidiaries of Ekotechnika AG faced the significant risks of embargo on certain types of spare parts irrespective of their brand and penalties for breaching it. Management follows up on the amendments to the sanction lists and requirements closely and is ready to adjust the Group's operations. After the leading European and American manufacturers left the Russian market, the Group has started to explore new opportunities in China, Turkey and other countries where the world agricultural brands house their production. The Group has also widened the product portfolio and started to offer Russian agricultural machinery as well as road building and municipal equipment.

7. SUBSIDIARIES

These consolidated financial statements include assets, liabilities and operating results of the parent company and its subsidiaries, effective ownership interest and voting rights of which are presented below:

Designation	Domicile	Type of company	As of 30 September 2023	As of 30 September 2022
OOO "EkoNivaTechnika- Holding"	Moscow, Russia	Holding	99,99%	99,99%
OOO "EkoNiva-Chernozemie"	Voronezh, Russia	Agricultural machinery sales	99,99%	99,99%
OOO "EkoNivaSibir"	Novosibirsk, Russia	Agricultural machinery sales	99,99%	99,99%
OOO "EkoNiva-Technika"	Moscow, Russia	Agricultural machinery sales	99,99%	99,99%
OOO "EkoNiva-Kaliningrad"	Kaliningrad, Russia	Agricultural machinery sales	99,99%	99,99%

The equity interests above represent effective interests of the parent company in each respective subsidiary. The investment in OOO "EkoNiva-Technica Holding" constitutes a direct investment and all others are indirect investments.

8. REVENUES

Revenue comprises the following:

	2023 EUR'000	2022 EUR'000
Sale of agricultural spare parts, tires and lubricants	85,665	89,594
Sale of agricultural machinery and equipment	46,761	129,654
Sale of trade-in machinery	29,875	7,341
Revenue from rendering of services	8,571	7,816
Sale from precision farming equipment	2,388	1,949
Sale of construction and road equipment	1,646	623
Other sales	245	531
	175,151	**237,508**

9. PURCHASE COST OF GOODS SOLD

Purchase cost of goods sold comprise the following:

	2023 EUR'000	2022 EUR'000
Cost of agricultural spare parts, tires and lubricants	54,769	54,207
Cost of agricultural machinery and equipment	36,645	105,871
Cost of trade-in machinery	24,111	6,492
Cost of construction and road equipment	1,540	585
Cost of precision farming equipment	1,509	1,270
Cost of other products	229	480
	118,803	**168,905**

10. OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2023 EUR'000	2022 EUR'000
Changes in warranty reimbursement assets	318	(296)
Rent income	230	-
FOREX gain	-	4,046
Gain on disposal of property, plant and equipment	130	213
Income from resale of other goods	90	2,843
Reimbursement of marketing expenses	60	187
Other income	**435**	**536**
	1,263	**7,529**

11. PAYROLL EXPENSES

Personnel costs break down as follows:

	2023 EUR'000	2022 EUR'000
Wages and salaries	8,770	8,435
Bonuses	7,076	8,314
Social contributions	3,358	3,805
	19,204	**20,554**

Bonuses include monthly and quarterly bonuses, as well as an annual bonuses accrual. The average number of staff in the Group during the year ended 30 September 2023 was 807 employees (2022: 764). Of these 186 (2022: 176) work in administration, 329 (2022: 323) in customer service, and 292 (2022: 265) in the sales department.

12. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2023 EUR'000	2022 EUR'000
Expenses for transport vehicles	2,497	2,377
FOREX loss	2,177	-
Travel and representation expenses	2,109	1,801
Cost of workshops	1,259	1,081
Expenses for premises	1,204	1,064
Transportation expenses	1,115	1,851
Audit, consulting and legal fees	966	1,036
Marketing and advertising expenses	824	629
Office expenses	613	848
Other taxes	540	541
Other personnel expenses	425	344
Bank charges	337	259
Personnel insurance	326	407
Communication expenses	164	154
Expenses from resale of other goods	39	2,422
Impairment of investment property	-	1,468
Change in warranty provision	(53)	(548)
Other expenses	789	153
	15,331	**15,887**

13. FINANCIAL INCOME / FINANCIAL EXPENSES

Financial income comprises the following:

	2023 EUR'000	2022 EUR'000
Interest income	1,770	2,143
	1,770	**2,143**

Financial expenses comprise the following:

	2023 EUR'000	2022 EUR'000
Interest expenses	7,046	2,931
Interest expense on extended accounts payable	48	377
Other financial expenses	436	712
	7,530	**4,020**

14. INCOME TAX EXPENSE

14.1 Income taxes recognized in the consolidated statement of profit or loss and other comprehensive income

Income tax expense is constituted as follows:

	2023 EUR'000	2022 EUR'000
Current year income tax expense	4,700	8,445
Deferred income tax	(525)	(806)
Income tax expense	**4,175**	**7,639**

The tax rate of 20% applies for the Group's Russian subsidiaries in accordance with Russian tax legislation. The tax rate is applied in calculating the deferred tax assets and liabilities. The tax rate of 25% is applied for the Group's German company in accordance with German tax legislation.

14.2 Tax reconciliation

	2023 EUR'000	2022 EUR'000
Income before tax	13,393	33,994
Income tax at a tax rate of 25%	(3,348)	(8,499)
Influence of differences in tax rates of different countries	628	1,713
Effect of expenses that are not deductible in determining taxable profit	(1,455)	(853)
Total	**(4,175)**	**(7,639)**

14.3 Composition of deferred tax assets and liabilities

EUR'000	As of 1 October 2022	Change to profit and loss	Foreign currency translation	As of 30 September 2023
Property, plant and equipment	(874)	(206)	365	**(715)**
Investment property	(314)	-	145	**(169)**
Inventories	474	(13)	(217)	**244**
Short-term financial assets	73	16	(37)	**52**
Trade receivables	(103)	(275)	101	**(277)**
Prepayments	55	97	(44)	**108**
Other financial assets	(416)	187	156	**(73)**
Other short-term assets	35	(7)	(15)	**13**
Loss carry forward	137	(91)	(46)	**-**
Long-term lease liabilities	483	(17)	(220)	**246**
Provisions	301	(145)	(111)	**45**
Trade accounts payable	(880)	858	241	**219**
Advances received	(7)	-	3	**(4)**
Other short-term liabilities	36	(24)	(12)	**-**
Short-term lease liabilities	441	48	(213)	**276**
Other financial liabilities	1,224	97	(586)	**735**
Net deferred tax assets / (liabilities)	**665**	**525**	**(490)**	**700**

EUR'000	As of 1 October 2021	Change to profit and loss	Foreign currency translation	As of 30 September 2022
Property, plant and equipment	(531)	21	(364)	**(874)**
Investment property	-	(314)	-	**(314)**
Inventories	406	26	42	**474**
Short-term financial assets	73	(25)	25	**73**
Trade receivables	(58)	(9)	(36)	**(103)**
Prepayments	6	30	19	**55**
Other financial assets	(587)	315	(144)	**(416)**
Other short-term assets	(461)	540	(44)	**35**
Loss carry forward	-	125	12	**137**
Long-term lease liabilities	222	219	42	**483**
Provisions	469	(194)	26	**301**
Trade accounts payable	23	(597)	(306)	**(880)**
Advances received	(99)	94	(2)	**(7)**
Other short-term liabilities	(7)	30	13	**36**
Short-term lease liabilities	265	137	39	**441**
Other financial liabilities	708	408	108	**1,224**
Net deferred tax assets / (liabilities)	**429**	**806**	**(570)**	**665**

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, aggregate to EUR 51,065 thousand as of 30 September 2023 (2022: EUR 78,596 thousand), as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilized. The 10-year expiry period for tax loss carry-forwards no longer applies. The amendments also set limitation on utilization of tax loss carry forwards that will apply during the period from 2017 to 2024. The amount of losses that can be utilized each year during that period is limited to 50% of annual taxable profit.

As of 30 September 2023, the Group has loss carry-forwards amounting to EUR 2,429 thousand (2022: EUR 3,292 thousand) available for which no deferred tax asset has been recognized as it is not probable that those loss carryforwards can be used in foreseeable future.

15. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS

Property, plant and equipment and right-to-use comprise the following:

EUR'000	Land	Building	Advances for construction	Construc-tion in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Gross book value **as of 1 October 2021**	**1,722**	**27,928**	**1,423**	**260**	**6,072**	**2,884**	**1,770**	**292**	**42,351**
Lease modification	1	22	-	-	-	-	-	-	**23**
Additions	27	2,203	214	311	2,392	1,102	573	121	**6,943**
Disposals	(35)	(323)	(1,455)	(427)	(181)	(22)	(592)	(33)	**(3,070)**
Transfer to investment property	(35)	(3,106)	-	-	-	-	(2)	-	**(3,143)**
Transfer	-	-	(91)	51	-	40	-	-	**-**
Reclassification	11	(11)	-	-	(17)	27	-	(10)	**-**
Foreign currency translation	913	15,387	229	112	4,101	1,989	933	188	**23,852**
as of 30 September 2022	**2,604**	**42,100**	**320**	**307**	**12,367**	**6,020**	**2,682**	**558**	**66,958**
Lease modification	23	27	-	-	-	-	-	-	**50**
Additions	22	838	3	-	1,442	368	377	59	**3,109**
Disposals	(21)	(588)	-	(4)	(318)	(22)	(23)	(4)	**(980)**
Transfer	-	330	(213)	(131)	-	14	-	-	**-**
Reclassification	-	-	-	-	(16)	16	-	-	**-**
Foreign currency translation	(1,210)	(19,607)	(108)	(115)	(5,940)	(2,860)	(1,310)	(269)	**(31,419)**
as of 30 September 2023	**1,418**	**23,100**	**2**	**57**	**7,535**	**3,536**	**1,726**	**344**	**37,718**

EUR'000	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Accumulated depreciation **as of 1 October 2021**	**(28)**	**(7,096)**	**-**	**-**	**(3,602)**	**(1,638)**	**(934)**	**(149)**	**(13,447)**
Disposals	24	346	-	-	125	15	357	23	**890**
Transfer to investment property	-	1,238	-	-	-	-	-	1	**1,239**
Depreciation charge for the year	(23)	(1,836)	-	-	(1,239)	(336)	(303)	(47)	**(3,784)**
Reclassification	-	-	-	-	4	(4)	-	-	**-**
Foreign currency translation	(14)	(4,191)	-	-	(2,294)	(986)	(459)	(82)	**(8,026)**
as of 30 September 2022	**(41)**	**(11,539)**	**-**	**-**	**(7,006)**	**(2,949)**	**(1,338)**	**(255)**	**(23,128)**
Disposals	21	553	-	-	143	2	7	-	**726**
Depreciation charge for the year	(27)	(1,678)	-	-	(1,149)	(409)	(343)	(53)	**(3,659)**
Reclassification	-	-	-	-	9	(9)	-	-	**-**
Foreign currency translation	21	5,593	-	-	3,468	1,456	694	130	**11,362**
as of 30 September 2023	**(26)**	**(7,071)**	**-**	**-**	**(4,535)**	**(1,909)**	**(980)**	**(178)**	**(14,699)**

TEUR	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Net book value									
as of 30 September 2022	**2,563**	**30,561**	**320**	**307**	**5,361**	**3,071**	**1,344**	**303**	**43,830**
as of 30 September 2023	1,392	16,029	2	57	3,000	1,627	746	166	23,019

The Group recognized right-of-use assets as follows:

EUR'000	Land	Buildings	Transport	Equipment	Total
Gross book value					
as of 1 October 2021	**73**	**956**	**4,530**	**112**	**5,671**
Lease modification	1	22	-	-	**23**
Additions	27	679	2,183	-	**2,889**
Disposals	(36)	(294)	(10)	-	**(340)**
Transfer to own leased-out properties	-	-	(1,456)	(73)	**(1,529)**
Reclassification	11	(11)	-	-	**-**
Foreign currency translation	41	666	2,694	30	**3,431**
as of 30 September 2022	**117**	**2,018**	**7,941**	**69**	**10,145**
Lease modification	23	27	-	-	**50**
Additions	22	727	1,375	35	**2,159**
Disposals	(21)	(579)	(51)	-	**(651)**
Transfer to own leased-out properties	-	-	(1,936)	-	**(1,936)**
Foreign currency translation	(59)	(968)	(3,558)	(39)	**(4,624)**
as of 30 September 2023	**82**	**1,225**	**3,771**	**65**	**5,143**
Accumulated depreciation					
as of 1 October 2021	**(28)**	**(489)**	**(2,104)**	**(83)**	**(2,704)**
Disposals	24	276	6	-	**306**
Transfer to own leased-out properties	-	-	1,456	73	**1,529**
Reclassification	-	-	(10)	10	**-**
Depreciation charge for the year	(22)	(405)	(1,180)	(6)	**(1,613)**
Foreign currency translation	(15)	(312)	(1,012)	(15)	**(1,354)**
as of 30 September 2022	**(41)**	**(930)**	**(2,844)**	**(21)**	**(3,836)**
Disposals	21	568	-	-	**589**
Transfer to own leased-out properties	-	-	1,507	-	**1,507**
Depreciation charge for the year	(27)	(489)	(1,034)	(13)	**(1,563)**
Foreign currency translation	21	429	1,254	13	**1,717**
as of 30 September 2023	(26)	(422)	(1,117)	(21)	**(1,586)**
Net book value					
as of 30 September 2022	**76**	**1,088**	**5,097**	**48**	**6,309**
as of 30 September 2023	**56**	**803**	**2,654**	**44**	**3,557**

The Group recognized investment property as follows:

	EUR'000
Gross book value **as of 1 October 2021**	-
Transfer from property, plant and equipment	3,143
Foreign currency translation	**183**
as of 30 September 2022	**3,359**
Foreign currency translation	(1,555)
as of 30 September 2023	**1,804**
Accumulated depreciation and impairment **as of 1 October 2021**	-
Transfer from property, plant and equipment	(1,239)
Impairment of investment property	(1,468)
Foreign currency translation	(187)
as of 30 September 2023	**(2,894)**
Depreciation charge for the year	(18)
Foreign currency translation	1,344
as of 30 September 2023	**(1,568)**
Net book value **as of 30 September 2022**	**465**
as of 30 September 2023	**236**

During the 2023 financial year depreciation charge was EUR 3,677 thousand (2022: EUR 3,784 thousand) on property, plant and equipment and investment property.

During the 2023 financial year amortization charge was EUR 208 thousand (2022: EUR 224 thousand) on intangible assets.

As of 30 September 2023 and 2022 there were no commitments to acquire property, plant and equipment.

Assets pledged as security

The Group's property, plant and equipment with carrying amount of EUR 12,977 thousand as of 30 September 2023 (2022: EUR 20,230 thousand including investment properties of EUR 465 thousand) was pledged as a security for the Group's bank loans and borrowings. The Group does not have the right to sell these assets before having settled the related liabilities or having obtained a written permission from the banks.

16. LONG-TERM AND SHORT-TERM LOANS ISSUED

Type	Interest rate, %		Maturity	Level	09/30/2023	09/30/2022
	09/30/2023	09/30/2022			EUR'000	EUR'000
Long-term loans issued to employees				Level 2	107	57
Long-term loans issued					**107**	**57**
Short-term loans to related parties [34]	8.0% - 12.5%	8.0% - 12.5%	09/28/2024 - 09/30/2024	Level 2	22,021	41,156
Short-term loans to 3rd parties	3% - 11%	10% - 12%	04/30/2024 - 09/30/2024	Level 2	2,981	4,866
Short-term loans issued to employees				Level 2	45	40
Other				Level 2	15	57
Less: Provision for loan impairment					(3,990)	(6,300)
Short-term loans issued					**21,072**	**39,819**
Total					**21,179**	**39,876**

All loans issued are unsecured. The fair value of loans issued equals EUR 20,751 thousand as of 30 September 2023 (2022: EUR 40,172 thousand).

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans carried at amortized cost between the beginning and the end of the reporting period:

	Credit loss allowance			Gross carrying amount		
EUR'000	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
As of 1 October 2021	**(346)**	**(4,171)**	**(4,517)**	**24,921**	**4,171**	**29,092**
New originated	(162)	-	(162)	2,458	-	2,458
Transfer to credit-impaired (from Stage 1 to Stage 3)	26	(26)	-	(26)	26	-
Derecognized during the period	2	-	2	(582)	-	(582)
Changes in accrued interest	(39)	-	(39)	1,919	-	1,919
Foreign currency translation differences, net	(51)	(1,533)	(1,584)	11,755	1,533	13,288
Total movements with impact on credit loss allowance charge for the period	(224)	(1,559)	(1,783)	15,524	1,559	17,083
As of 1 October 2022	**(570)**	**(5,730)**	**(6,300)**	**40,445**	**5,730**	**46,175**
New originated	(97)	-	(97)	393	-	393
Transfer to credit-impaired (from Stage 1 to Stage 3)	22	(22)	-	(22)	22	-
Derecognized during the period	61	-	61	(4,451)	-	(4,451)
Changes in accrued interest	(14)	-	(14)	1,431	-	1,431
Foreign currency translation differences, net	316	2,044	2,360	(16,335)	(2,044)	(18,379)
Total movements with impact on credit loss allowance charge for the period	288	2,022	2,310	(18,984)	(2,022)	(21,006)
As of 30 September 2023	**(282)**	**(3,708)**	**(3,990)**	**21,461**	**3,708**	**25,169**

17. INVENTORIES

Inventories comprise the following:

	09/30/2023 EUR'000	09/30/2022 EUR'000
Agricultural spare parts, tires and lubricants	32,488	34,483
Agricultural machinery	21,630	19,839
Trade-in machinery	3,905	4,667
Precision farming equipment	1,041	1,467
Forestry spare parts	513	36
Other inventory	104	96
	59,681	**60,588**

During the 2023 financial year, EUR 2,021 thousand (2022: EUR 1,177 thousand) were recognized as expenses within purchase cost of goods sold related to recovery of inventories to net realizable value.

Inventories with carrying amount of EUR 24,293 thousand as of 30 September 2023 (2022: EUR 36,762 thousand) were pledged to secure the Group's bank loans and borrowings. The Group has an obligation to maintain the inventory balance at or above the pledged level.

18. TRADE RECEIVABLES, OTHER FINANCIAL ASSETS AND PREPAYMENTS

Trade receivables comprise the following:

	09/30/2023 EUR'000	09/30/2022 EUR'000
Trade receivables, gross	19,432	28,454
Allowance for credit losses	(304)	(476)
Trade receivables, net	**19,128**	**27,978**

The movement in the allowance for expected credit losses provision of trade receivables was as follows:

	EUR'000
As of 1 October 2021	**(466)**
New originated	(37)
Foreign currency translation	(355)
Derecognized during the period	382
As of 30 September 2022	**(476)**
New originated	(135)
Foreign currency translation	191
Derecognized during the period	116
As of 30 September 2023	**(304)**

Other financial assets comprise the following:

	09/30/2023 EUR'000	09/30/2022 EUR'000
Other financial assets, gross	11,926	2,163
Allowance for credit losses	(2)	(7)
Other financial assets, net	**11,924**	**2,156**

The credit loss allowance for trade receivables and other financial assets is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due:

	09/30/2023				09/30/2022			
Ageing of trade receivables and other financial assets	**Gross carrying amount EUR'000**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Net carrying amount EUR'000**	**Gross carrying amount EUR'000**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Net carrying amount EUR'000**
Neither past due nor impaired	5,723	(77)	-	5,646	8,266	(90)	-	8,176
Impaired								
Past due	25,635	(211)	(18)	25,406	22,351	(335)	(58)	21,958
Less than 6 months	16,402	(114)	(6)	16,282	10,205	(155)	-	10,050
From 6 to 12 months	3,881	(18)	-	3,863	3,602	(53)	(17)	3,532
More than 1 year	5,352	(79)	(12)	5,261	8,544	(127)	(41)	8,376
	31,358	**(288)**	**(18)**	**31,052**	**30,617**	**(425)**	**(58)**	**30,134**

The fair value of the receivables approximately corresponds to their carrying amount due to the short remaining term.

Prepayments amounting to EUR 19,521 thousand (30 September 2022: EUR 19,214 thousand) mainly represents prepayments to suppliers for agricultural machinery and spare parts.

19. OTHER SHORT-TERM ASSETS

Other short-term assets comprise the following:

	09/30/2023 EUR'000	**09/30/2022 EUR'000**
Other taxes receivable	1,084	2,289
Other current assets	94	47
	1,178	**2,336**

Other taxes receivable are primarily VAT receivable.

20. CASH ON HAND AND BANK BALANCES

Cash and cash equivalents comprise the following:

	09/30/2023 EUR'000	**09/30/2022 EUR'000**
Bank balances	1,449	2,838
Short-term deposits	572	-
Cash in transit	40	1,583
Cash on hand	6	11
	2,067	**4,432**

The table below discloses the credit quality of cash and cash equivalents balances:

	09/30/2023 EUR'000	09/30/2022 EUR'000
AAA to A-	2,067	4,432
Total cash and cash equivalents, excluding cash on hand	**2,067**	**4,432**

*The credit quality of banks according to rating agencies Fitch, ACRA.

21. SHARE CAPITAL AND CAPITAL RESERVES

Fully paid in share capital as of 30 September 2023 and 2022 is EUR 3,140 thousand consisting of 3,140,000 shares. The amount of additional paid in capital as of 30 September 2023 and 2022 is EUR 6,830 thousand. Additional paid in capital is the excess of the placement value over the par value of shares issued.

The foreign currency translation reserve is influenced by exchange difference arising from translation of the financial statements of Russian subsidiaries denominated in rubles into euro which is used for presentation of consolidated financial statements.

22. EARNINGS PER SHARE (EPS)

In the course of executing the debt to equity swap two types of shares were issued:

- Shares Series A are only the shares that were issued in 2015 due to the swap of the corporate bond into equity. Shares Series A are eligible to receive a preferred dividend in case the company decides to pay any dividends;
- Shares Series B are the ones that existed before the debt-to-equity swap plus those which were issued due to capital increase against cash contribution.

If there is a dividend:

- Step 1:
  26.47% of total dividend are given to Series A shareholders only;
- Step 2:
  the remaining amount is distributed to all Series A/B shareholders proportionally.

The following table reflects the income and share data used in the basic EPS computations:

	2023	2022
Income for the period, EUR'000	9,218	26,355
Weighted average number of shares	**3,140,000**	**3,140,000**
Shares Series A	1,539,000	1,539,000
Shares Series B	1,601,000	1,601,000
Earnings per share (basic and diluted), in EUR		
Shares Series A	3.74	10.70
Shares Series B	2.16	6.17

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

23. PROVISIONS

Provisions comprise the following:

EUR'000	Warranty reserve
As of 30 September 2021	**2,347**
Charge for the year	(548)
Foreign currency translation	1,112
Utilized	(1,408)
As of 30 September 2022	**1,503**
Charge for the year	(53)
Foreign currency translation	(698)
Utilized	(528)
As of 30 September 2023	**224**

24. BORROWINGS

The borrowings comprise the following:

		09/30/2023 EUR'000		09/30/2022 EUR'000	
	Level	GBV	FV	GBV	FV
Current bank loans	Level 2	61,657	61,657	53,347	53,347
		61,657	**61,657**	**53,347**	**53,347**

Reconciliation of opening and closing balances for borrowing and lease liabilities is presented below:

EUR'000	Borrowings	Lease	Total
Liabilities from financing activities as of 1 October 2021	**(37,355)**	**(2,384)**	**(39,739)**
Lease modification	-	(23)	**(23)**
Additions	-	(2,926)	**(2,926)**
Cash flows	5,146	2,573	**7,719**
Disposals	-	29	**29**
Foreign exchange adjustments	(18,573)	(1,521)	**(20,094)**
Interest expense	(2,565)	(366)	**(2,931)**
Liabilities from financing activities as of 30 September 2022	**(53,347)**	**(4,618)**	**(57,965)**
Lease modification	-	(50)	**(50)**
Additions	-	(2,116)	**(2,116)**
Cash flows	(34,286)	2,452	**(31,834)**
Disposals	-	21	**21**
Foreign exchange adjustments	32,534	2,192	**34,726**
Interest expense	(6,558)	(488)	**(7,046)**
Liabilities from financing activities as of 30 September 2023	**(61,657)**	**(2,607)**	**(64,264)**

As of 30 September 2023, borrowings in the amount of EUR 38,841 thousand (30 September 2022: 25,591 thousand) were secured with guarantees of the ultimate controlling party.

The Group's trade receivables of EUR 8,580 thousand as at September 30, 2023 (2022: 15,784 thousand) were pledged as collateral for the Group's bank borrowings.

The effective annual interest rates were as follows:

	Current loans and borrowings	
	09/30/2023	**09/30/2022**
RUB	5% - 17%	6.85% - 12.77%

Group's bank loan agreements contain covenants including the following:

- the Group is obliged to comply with certain ratios of loans and borrowings to EBITDA, calculated as profit before tax net of finance income, finance expenses and depreciation;
- the Group is obliged to comply with positive level of profitability;
- the Group is obliged to maintain a debt to revenue ratio;
- the Group is obliged to maintain the level of revenue compared to prior periods;
- the Group is obliged to maintain the turnover of accounts receivable at a specified level;
- the Group is limited in terms of the level of finance provided to other entities (inc. loans issued);
- cross default covenants in certain loan agreements specify that if the Group companies defaults on another loan, the loan which has a cross default clause will become payable even if there is no breach of covenant or default of payment on this loan.

The calculation of these covenants is based on the financial information prepared for the banks on the basis of Russian statutory financial statements of the Group's companies or IFRS consolidated financial statements in accordance with the loan agreements' requirements. If covenants are breached the lenders can increase interest rate or demand early repayment.

During the year ended 30 September 2023 the Group has not complied with some of the covenants relating to borrowings of EUR 61,657 thousand. As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants. Management of Ekotechnika AG does not expect that the banks will use this right. As of 30 September 2022 the Group has complied with all the covenants.

25. TRADE ACCOUNTS PAYABLE

Trade payables are comprised of trade payables due to third parties in the amount of EUR 5,210 thousand as of 30 September 2023 (30 September 2022: EUR 10,575 thousand) and due to related party in the amount of EUR 1,123 thousand (30 September 2022: EUR 866 thousand). Trade payables can be non-interest bearing and interest bearing. As of 30 September 2023, trade payable was not guaranteed by the ultimate controlling party (30 September 2022: in the amount of EUR 8,551 thousand were secured with guarantees of the ultimate controlling party). Fair value of the payables approximates their carrying amount due to the short remaining term.

26. ADVANCES RECEIVED

The advance received from the customer amounting to EUR 4,189 thousand (30 September 2022: EUR 15,070 thousand) represents a contract liability.

EUR 11,751 thousand (2022: EUR 7,710 thousand) of revenue was recognized in the current reporting period arising from contracts with customers as of 30 September 2022 (2022: as of 1 October 2021). All these contracts are for periods of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

27. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

	09/30/2023 EUR'000	09/30/2022 EUR'000
Employee benefit liabilities	4,490	7,058
Other financial liabilities	9,123	589
	13,613	**7,647**

The employee benefit liabilities represent wages and salary, bonuses to staff, unused vacation accruals and related social contributions.

28. LONG-TERM AND SHORT-TERM LEASE LIABILITIES

The Group recognized lease liabilities as follows:

	09/30/2023 EUR'000	09/30/2022 EUR'000
Long-term lease payable	1,229	2,415
Short-term lease payable	1,378	2,203
	2,607	**4,618**

Interest expense included in financial expenses of the 2023 financial year was EUR 488 thousand (2022: EUR 366 thousand).

During the 2023 financial year, expenses relating to short-term leases amounting to EUR 44 thousand (2022: EUR 42 thousand) and relating to leases of low-value assets amounting EUR 8 thousand (2022: 3 thousand) that are not shown as short-term leases were included in ‘Other operating expenses’.

29. OTHER SHORT-TERM LIABILITIES

Other current liabilities comprise the following:

	09/30/2023 EUR'000	09/30/2022 EUR'000
VAT payable	2,266	2,920
Other taxes payable	363	941
	2,629	**3,861**

30. OPERATING ENVIRONMENT

In 2023 financial year there remains significant geopolitical tension which was developing since the middle of 2022 financial year due to the conflict in Ukraine and the sanctions imposed on import in and export from Russia, including limitations for international payments. Many international businesses originating from European countries, USA, Canada and Japan have come to the decision to quit Russian market or suspend operations, including termination of dealership contracts.

The Russian government and the Central Bank took monetary measures to stabilize the situation: On 24 July 2023, the Bank of Russia raised the key rate from 7.5% to 8.5%, on 15 August 2023 – from 8.5% to 12%, on 18 September 2023 – from 12% to 13%, on 30 October – from 13% to 15% and 18 December 2023 – from 15% to 16%.

The Russian ruble was highly volatile in the 2023 financial year. On 30 September 2022 the exchange rate was 55.4064 RUB/EUR, it continued to decrease, reaching its minimum of 52.7379 RUB/EUR on 3 October 2022, and then it started to increase, reaching its peak of 110.6847 RUB/EUR on 15 August 2023. On 30 September 2023 the exchange rate was about 103.1631 RUB/EUR. The average rate for the financial year was 83.12 RUB/EUR (2022: 77.4325 RUB/EUR).

There is an expectation of further sanctions and limitations on business activity affecting companies operating in the Russian Federation, as well as further negative consequences for the Russian economy in general, but the full extent and scale of possible effects of these are unknown. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out. The future stability of the Russian economy is largely dependent upon resolution of the conflict and building closer relations with the new partners.

These factors could have an impact on the Group's net assets, financial position and results of operations. The management believes it has taken appropriate measures to support the sustainability of the Group's business development in the current circumstances. The future effects of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates could differ from actual results.

31. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables, lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade receivables, and cash and short-term deposits that arise directly from its operations. The Group is exposed to market risk, credit risk, foreign currency risk and liquidity risk. The Group's senior management oversees the management of these risks and ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The key risk associated with the financial instruments related to foreign currency risk primarily resulted from payables and receivables denominated in foreign currency. The Group did not use derivative instruments to hedge foreign currency risk due to immaturity of this market in the Russian Federation. The management is aimed to maintain a low level of financial instruments denominated in foreign currency to decrease the foreign currency risk.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

The sensitivity analyses in the following sections relate to the position as of 30 September 2023 and 2022.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.

31.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (i.e., when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries. The Group does not hedge its foreign currency risk.

The carrying amounts of the Group's financial assets and liabilities payable in currencies are as follows:

09/30/2023 EUR'000	Level	USD	RUB	EUR	CAD	CNY	AED	Total
Long-term loans issued	Level 2	-	107	-	-	-	-	**107**
Short-term loans issued	Level 2	-	16,840	4,232	-	-	-	**21,072**
Trade receivable	Level 2	254	16,278	532	2,064	-	-	**19,128**
Other financial assets	Level 2	-	375	11,549	-	-	-	**11,924**
Cash and cash equivalents	Level 1	42	1,838	183	-	4	-	**2,067**
Total monetary financial assets		**296**	**35,438**	**16,496**	**2,064**	**4**	**-**	**54,298**
Long-term lease liabilities	Level 2	-	1,229	-	-	-	-	**1,229**
Long-term trade accounts payable	Level 2	-	-	291	-	-	-	**291**
Short-term loans and credits	Level 2	-	61,657	-	-	-	-	**61,657**
Trade payables	Level 2	-	1,581	3,826	3	632	-	**6,042**
Short-term lease liabilities	Level 2	-	1,378	-	-	-	-	**1,378**
Other financial liabilities	Level 2	364	843	7,310	-	-	606	**9,123**
Total monetary financial liabilities		**364**	**66,688**	**11,427**	**3**	**632**	**606**	**79,720**
Net monetary position		**(68)**	**(31,250)**	**5,069**	**2,061**	**(628)**	**(606)**	**(25,422)**

09/30/2022 EUR'000	Level	USD	RUB	EUR	CAD	CNY	AED	Total
Long-term loans issued	Level 2	-	57	-	-	-	-	**57**
Short-term loans issued	Level 2	-	35,793	4,026	-	-	-	**39,819**
Trade receivable	Level 2	282	25,156	295	2,245	-	-	**27,978**
Other financial assets	Level 2	16	2,134	6	-	-	-	**2,156**
Cash and cash equivalents	Level 1	408	1,662	2,362	-	-	-	**4,432**
Total monetary financial assets		**706**	**64,802**	**6,689**	**2,245**	**-**	**-**	**74,442**
Long-term lease liabilities	Level 2	-	2,415	-	-	-	-	**2,415**
Long-term trade accounts payable	Level 2	-	-	382	-	-	-	**382**
Short-term loans and credits	Level 2	-	53,347	-	-	-	-	**53,347**
Trade payables	Level 2	7,089	985	2,982	3	-	-	**11,059**
Short-term lease liabilities	Level 2	-	2,203	-	-	-	-	**2,203**
Other financial liabilities	Level 2	5	350	234	-	-	-	**589**
Total monetary financial liabilities		**7,094**	**59,300**	**3,598**	**3**	**-**	**-**	**69,995**
Net monetary position		**(6,388)**	**5,502**	**3,091**	**2,242**	**-**	**-**	**4,447**

The Group is primarily exposed to risks from changes in the exchange rate between euro (EUR), Russian ruble (RUB), US dollar (USD), Canadian dollar (CAD), Chinese yuan (CNY) and UAE dirham (AED). The following tables show the sensitivity of the Group's earnings before income taxes to a generally possible change in the exchange rate of the US dollar, the euro and the Canadian dollar against the ruble, assuming that all other variables remain constant.

EUR/RUB	Change in EUR/RUB rate	Effect on loss before incometax EUR'000
2023	10.00%	507
	-15.00%	(760)
2022	10.00%	309
	-15.00%	(464)

CAD/RUB	Change in CAD/RUB rate	Effect on loss before income tax EUR'000
2023	10.00%	206
	-15.00%	(309)
2022	10.00%	224
	-15.00%	(336)

USD/RUB	Change in USD/RUB rate	Effect on loss before income tax EUR'000
2023	10.00%	(7)
	-15.00%	10
2022	10.00%	(639)
	-15.00%	958

CNY/RUB	Change in CNY/RUB rate	Effect on loss before income tax EUR'000
2023	10.00%	(63)
	-15.00%	94
2022	10.00%	-
	-15.00%	-

AED/RUB	Change in AED\ RUB rate	Effect on loss before income tax EUR'000
2023	10.00%	(61)
	-15.00%	91
2022	10.00%	-
	-15.00%	-

31.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of fluctuations in market interest rates to which the Group is exposed generally results from the variable-interest loans with interest rate calculated as Central Bank key rate plus margin, which had a balance of EUR 61,657 thousand as of 30 September 2023 (2022: EUR 52,999 thousand).

The Group's exposure to interest rate risk at the end of the reporting period is not representative of the typical exposure during the year. For the average exposure during 2023, if interest rates had been 200 basis points lower with all other variables held constant, profit for the year before income tax would have been EUR 1,233 thousand higher (if interest rates had been 200 basis points higher - profit for the year before income tax would have been EUR 1,233 thousand lower). For the average exposure during 2022, if interest rates had been 200 basis points lower with all other variables held constant, profit for the year before income tax would have been EUR 1,060 thousand higher (if interest rates had been 200 basis points higher - profit for the year before income tax would have been EUR 1,060 thousand lower).

31.3 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instruments or customer contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables), from its investing activities (primarily for loans issued) and cash at banks, including deposits. Maximum credit risk for assets listed above equals their carrying values. Maximum credit risk for guarantees issued equals total amount of liabilities the Group guaranteed.

Expected credit loss (ECL) measurement.

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. The Group's management estimates that 12-month and lifetime CCFs are materially the same. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which the Group has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;

- international rating agencies have classified the borrower in the default rating class;

- the borrower meets the unlikeliness-to-pay criteria listed below:

  - the borrower is deceased;
  - the borrower is insolvent;
  - the borrower is in breach of financial covenant(s);
  - it is becoming likely that the borrower will enter bankruptcy; and
  - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities, SICR is assessed on an individual basis by monitoring the triggers stated below. For other financial assets SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group's Management. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The level of ECL that is recognized in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognize interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognizes the cumulative changes in lifetime expected credit losses.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on an individual basis for the following types of loans: loans with unique credit risk characteristics, individually significant loans. The Group performs an assessment on a portfolio basis for corporate loans when no borrower-specific information is available. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers of the Group. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer, product type, credit risk rating, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Group Management.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Trade receivables risk concentration

As of 30 September 2023 the Group had eight customers that owed the Group more than EUR 1,000 thousand each and made up 64% of trade receivables balance (2022: eight customers owed more than EUR 1,000 thousand each accounted for 73% of trade receivables balance), five customers counting for 27% of the balance were related parties and three customers counting for 37% of the balance was third party (2022: seven customers counting for 64% of the balance were related parties and one customer counting for 9% of the balance was third party).

32. LIQUIDITY RISK MANAGEMENT

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The business of the Group requires financing to a great extent for the goods which it trades. This financing is generally needed only for a period of three to six months. The financial department of OOO “EkoNivaTechnika-Holding” in Russia provides central handling to secure liquidity at any time. There, all financing agreements and payment obligations converge, and liquid resources are allocated accordingly. The Group’s management is informed regularly of the situation regarding financing and payment obligations and makes key decisions outside of the daily business activities.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments.

As of 30 September 2023 EUR'000	On demand	Less than 3 months	Between 4 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Loans and borrowings	61,657	-	-	-	-
Trade payables	4,378	1,603	61	291	-
Lease liabilities	-	420	1,260	937	469
Other financial liabilities	2,776	6,347	-	-	-
Total	**68,811**	**8,370**	**1,321**	**1,228**	**469**

As of 30 September 2022 EUR'000	On demand	Less than 3 months	Between 4 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Loans and borrowings	-	11,313	44,783	-	-
Trade payables	4,181	6,817	60	382	-
Lease liabilities	-	681	2,043	1,868	943
Other financial liabilities	6	546	36	-	-
Total	**4,187**	**19,357**	**46,922**	**2,250**	**943**

Capital management

The Group manages its capital so as to ensure that all of the Group's companies are able to operate on a going concern basis and at the same time can service all liabilities in due time.

The capital structure of the Group comprises net debt (i.e. loans and borrowings as presented in Note 24, less cash and cash equivalents) as well as the equity of the Group (comprising paid registered capital, capital reserves, accumulated losses, additional paid-in capital).

	09/30/2023 EUR'000	09/30/2022 EUR'000
Loans and borrowings	(61,657)	(53,347)
Less: cash and cash equivalents	2,067	4,432
Net debt	**(59,590)**	**(48,915)**
Total capital	68,504	104,192
Capital and net debt	**8,914**	**55,277**

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2023 and 2022.

33. SEGMENT REPORTING

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units engage in sales and other activities in different regions of the Russian Federation and are managed separately because they require different marketing strategies.

The following summary describes the operations in each of the Group's reportable segments:

- the Central segment includes activities of subsidiaries in Central region of the Russian Federation and Kaliningrad region;
- the Blackearth Region segment includes activities of subsidiaries in Blackearth region of the Russian Federation;
- the Siberian segment includes activities of subsidiaries in Siberian region of the Russian Federation.

The Group aggregated certain operating segments with different characteristics into one group called "All other" for the management accounts and for the purpose of reporting in the consolidated financial statements.

The management reviews the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on results from operating activities and is measured consistently with profit or loss before income tax in the consolidated financial statements.

Transfer prices between operating segments are determined as cost of sale increased by minimal margin which is depended on different factors such as seasonality, fluctuation of exchange rates, terms of delivery and storage, terms and forms of financing, etc.

Information regarding the reportable segments is included in the tables below together with reconciliation to figures included in the IFRS consolidated financial statements.

Year ended 30 September 2023 EUR'000	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consoli-dated
Revenue	**100,304**	**56,669**	**56,647**	**16,047**	**(54,516)**	**175,151**
Sales of goods for resale – external	*67,461*	*48,092*	*46,106*	*202*	*4,719*	*166,580*
Sales (all) - Group companies	*29,554*	*6,795*	*6,885*	*15,845*	*(59,079)*	*-*
Revenue from rendering of services – external	*3,289*	*1,782*	*3,656*	*-*	*(156)*	*8,571*
Purchase cost of goods sold	**(74,956)**	**(41,275)**	**(40,396)**	**(15,102)**	**52,926**	**(118,803)**
Gross profit	**25,348**	**15,394**	**16,251**	**945**	**(1,590)**	**56,348**
Other operating income	842	574	454	11,361	(11,968)	1,263
Payroll expenses	(5,680)	(3,164)	(4,170)	(5,862)	(328)	(19,204)
Depreciation and amortization	(1,725)	(689)	(973)	(460)	(38)	(3,885)
Other operating expenses	(9,884)	(6,734)	(6,392)	(3,852)	11,531	(15,331)
(Loss)/Gain from impairment of financial assets	**(68)**	14	(35)	(32)	83	(38)
Results from operating activities assets	**8,833**	**5,395**	**5,135**	**2,100**	**(2,310)**	**19,153**

Year ended 30 September 2022 EUR'000	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consoli-dated
Revenue	**102,736**	**65,098**	**90,538**	**1,973**	**(22,837)**	**237,508**
Sales of goods for resale – external	*88,985*	*58,630*	*84,299*	*531*	*(2,753)*	*229,692*
Sales (all) - Group companies	*10,759*	*4,817*	*3,469*	*1,442*	*(20,487)*	*-*
Revenue from rendering of services – external	*2,992*	*1,651*	*2,770*	*-*	*403*	*7,816*
Purchase cost of goods sold	**(76,397)**	**(47,234)**	**(65,588)**	**(1,901)**	**22,215**	**(168,905)**
Gross profit	**26,339**	**17,864**	**24,950**	**72**	**(622)**	**68,603**
Other operating income	3,199	694	1,751	16,014	(14,129)	7,529
Payroll expenses	(5,223)	(2,902)	(4 322)	(7,311)	(797)	(20,554)
Depreciation and amortization	(1,734)	(703)	(1 031)	(468)	(72)	(4,008)
Other operating expenses	(9,723)	(7,331)	(8 646)	(5,234)	15,047	(15,887)
(Loss)/Gain from impairment of financial assets	30	66	202	(27)	(83)	188
Results from operating activities assets	**12,888**	**7,688**	**12,904**	**3,046**	**(656)**	**35,871**

	2023 EUR'000	2022 EUR'000
Result from operating activity	**19,153**	**35,871**
Financial income	1,770	2,143
Financial expenses	(7,530)	(4,020)
	13,393	**33,994**
Income tax expense, total	(4,175)	(7,639)
Income for the period	**9,218**	**26,355**

In the 2023 financial year two customers made 16% of Black Earth segment revenue and two customers made 14% of Siberian segment revenue, for other segments, there were no customers with a revenue share more than 5% (2022: one customer made 10% of Black Earth segment revenue, for other segments, there were no customers with a revenue share more than 5%).

34. BUSINESS ACTIVITIES WITH RELATED PARTIES

For the purposes of these consolidated financial statements, parties are considered to represent related companies if one party is able to control the other; if multiple parties are subject to the control of another; or if one party can exercise significant influence on the financial and business decisions of another. Considerations of all possible relationships between related companies are based on the actual substance of relationship and not merely its legal form.

In the course of the financial year, the Group companies conducted the following transactions with related companies and persons:

	Entities under common control		Parent company		Key management personnel		Total	
EUR '000	2023	2022	2023	2022	2023	2022	2023	2022
Sale of agricultural machinery	510	63	-	-	20	-	**530**	**63**
Sale of agricultural spare parts, tires and lubricants	9,322	8,978	-	-	-	-	**9,322**	**8,978**
Sale from intelligent farming	46	7	-	-	-	-	**46**	**7**
Sale of trade-in machinery	2	-	-	-	-	-	**2**	**-**
Revenue from rendering of services	408	415	-	-	-	-	**408**	**415**
Other income	73	82	-	-	-	-	**73**	**82**
Purchase of goods and services	(2,535)	(2,363)	-	-	-	-	**(2,535)**	**(2,363)**
Remuneration of key management	-	-	-	-	(1,550)	(1,705)	**(1,550)**	**(1,705)**
Other expenses of key management	-	-	-	-	(9)	-	**(9)**	**-**
Impairment of loans issued	-	-	(27)	(26)	-	-	**(27)**	**(26)**

Social contributions related to remuneration of key management personnel amounted to EUR 386 thousand (2022: EUR 437 thousand).

The following balances remained outstanding at the end of the reporting period:

EUR '000		Trade receivable, prepayments, other financial assets and other short-term assets	Trade accounts payable, other financial liabilities and other short-term liabilities, advances received
Entities under common control	09/30/2023	11,694	1,143
	09/30/2022	24,797	881
Associates	09/30/2023	1	4
	09/30/2022	-	-
Key management personnel	09/30/2023	38	471
	09/30/2022	30	316
Total	09/30/2023	**11,733**	**1,618**
	09/30/2022	**24,827**	**1,197**

The Group companies had the following balances and investing transactions with related companies:

EUR '000		Long-term loans granted	Short-term loans granted
Entities under common control	09/30/2023	-	20,403
	09/30/2022	-	39,272
Total	09/30/2023	-	**20,403**
	09/30/2022	-	**39,272**

EUR '000		Interest income	Interest expense
Entities under common control	09/30/2023	1,719	9
	09/30/2022	1,907	-
Parent company	09/30/2023	21	-
	09/30/2022	21	-
Key management personnel	09/30/2023	-	-
	09/30/2022	-	6
Total	09/30/2023	**1,740**	**9**
	09/30/2022	**1,928**	**6**

EUR '000		Short-term borrowings	Long-term borrowings
Entities under common control	09/30/2023	34	-
	09/30/2022	-	-
Total	09/30/2023	**34**	-
	09/30/2022	-	-

During the year ended 30 September 2023 EUR 90 thousand (2022: EUR 155 thousand) of loans were issued to the related parties, which is included into the line 'Issuance of loans' in the consolidated cash flow statement. During the year ended 30 September 2023 the Group received settlement of loans issued to related parties of EUR 4 230 thousand (2022: EUR 402 thousand), which is included into the line 'Proceeds from settlement of loans issued' in the consolidated cash flow statement.

35. PROPOSAL FOR THE APPROPRIATION OF INCOME FOR THE YEAR

The Executive Board and the Supervisory Board of Ekotechnika AG propose to the Annual General Meeting to carry forward in full the balance sheet profit of EUR 2,913,437.21 consisting of the net profit for the 2023 financial year of EUR 614,489.54 and the profit carried forward of EUR 2,298,947.67.

36. AUDITOR'S FEE

The fee for the annual audit (total remuneration plus expenses without VAT) recorded as an expense in the year ended 30 September 2023 was EUR 65 thousand (2022: EUR 65 thousand).

37. EVENTS AFTER THE REPORTING PERIOD

On 27 September 2023 the Executive Board of Ekotechnika AG, with the approval of the Supervisory Board, decided to withdraw the inclusion of the Ekotechnika AG shares in the Primary Market of the Düsseldorf Stock Exchange and to apply for a full delisting of its shares. The inclusion of the Ekotechnika AG shares in the Primary Market of the Düsseldorf Stock Exchange ended on 31 October 2023, and the subsequent inclusion of the shares in the Open Market of the Düsseldorf Stock Exchange is expected to end on 30 April 2024. Listing in Frankfurt and further regional stock exchanges ended as well on 31 October 2023.

The decision was taken against the background of the ongoing Russian-Ukraine conflict, which leads to an impossibility to use Western capital markets for Russia-based assets; the expense of maintaining the stock exchange listing is therefore no longer justified.

38. RELEASE

The Executive Board of Ekotechnika AG released the consolidated financial statements for submission to the Supervisory Board on 6 March 2024. The Supervisory Board has to examine the consolidated financial statements and declare whether the consolidated financial statements are approved.

Walldorf, 6 March 2024

Stefan Duerr	Bjoerne Drechsler
Chairman of the Board	Member of the Executive Board

INDEPENDENT AUDITOR'S REPORT

To Ekotechnika AG, Walldorf

Audit Opinions

We have audited the consolidated financial statements of Ekotechnika AG, Walldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 October 2022 to 30 September 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of Ekotechnika AG, Walldorf, for the financial year from 1 October 2022 to 30 September 2023.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to § 315e (1) German Commercial Code ("HGB") - and give a true and fair view of the financial position of the Group as at 30 September 2023 and of its financial performance for the financial year from 1 October 2022 to 30 September 2023 in accordance with these requirements and

- the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the audit Opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those requirements and principles are further described in the "Auditor's responsibility for the audit of the consolidated financial statements and the group management report" section of our auditor's report. We are independent from the Group entities in accordance with German commercial and professional regulations and have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Material uncertainty related to the going concern assumption

We refer to the information in the section "Going concern" in the notes to the consolidated financial statements as well as the information in the section "Risks threatening the existence of the company" of the group management report, in which the legal representatives describe that the continued existence of the group is dependent on the prolongation or refinancing of expiring bank loans, as well as the group being able to generate sufficient cash funds from its business activities to cover its liabilities.

Another major uncertainty is the impact of the Russia-Ukraine conflict and the sanctions imposed on Russia as a result of it, which mean import restrictions and limitations on international payments. As a result, major suppliers of the group have withdrawn from Russia. The company is responding with a modified product portfolio and an adapted business model.

The area of developments based on political decisions also includes the expected tax changes. Both Germany and the Russian Federation are tightening the tax regulations for companies operating in the other country. As a result, the administrative burden for all concerns will increase significantly. This could lead to a significant increase in tax payments in both countries. The management is monitoring the discussions and working to find a solution.

As described in the section "Going concern" in the notes to the consolidated financial statements and the section "Risks to the Group's ability to continue as a going concern" in the Group management report, these events and circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and that represents a going concern risk within the meaning of Section 322 (2) sentence 3 HGB. Our audit opinions have not been modified with regard to this matter.

Responsibility of the legal representatives and the supervisory board for the consolidated financial statements and the group management report

Legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of IFRSs as adopted by the EU, the requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, legal representatives are responsible for such internal control as they, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, legal representatives are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition they are responsible for accounting on going concern basis unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions made in the group management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 consolidated financial statements and group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, 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 audit opinions. The risk of not detecting material misstatements 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 controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the going concern basis of accounting used by legal representatives and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for direction, supervision and performance of the group audit. We remain solely responsible for audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with the law and the view of the group's position it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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 deficiencies in internal control that we identify during our audit.

Albstadt, 6 March 2024

Klaiber GmbH Auditing Company

Klaiber
German Public Auditor

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