EKOTECHNIKA

ANNUAL REPORT

from 1 October 2021 to 30 September 2022

Modern equipment for efficient farming

CONTENT

FOREWORD OF THE EXECUTIVE BOARD

STEFAN DUERR
Chairman of the Board

BJOERNE DRECHSLER
Board member

We succeeded in establishing supply relationships with numerous alternative producers - primarily from China, India, Russia and Turkey - during the fiscal year. We have also expanded our machinery portfolio.

Dear shareholders and business associates, dear employees,

Fiscal year 2021/2022 developed significantly differently than originally expected. The general conditions for the Russian agricultural market were good overall at the beginning of the year and the first five months of the fiscal year started with a new record order intake. However, on February 24, 2022, the armed conflict between Russia and Ukraine began. This presented our company with significant and unexpected challenges. Our main suppliers stopped deliveries to Russia - partly due to sanctions and partly voluntarily - and since global supply chains were already strained, these to Russia collapsed completely due to sanctions; the ruble exchange rate and financing interest rates reached unprecedented levels and payment transactions to Russia were severely restricted. Although the agricultural sector is not or only very little affected by the sanctions introduced, we are very much impacted by the current development. Our new machinery business has been significantly reduced for the foreseeable future. While there are still companies supplying to Russia, our major suppliers such as John Deere and JCB have completely stopped deliveries - as have all Western competitors selling self-propelled technology - and there is no telling when these will resume. However, we succeeded in establishing supply relationships with numerous alternative producers - primarily from China, India, Russia and Turkey - during the fiscal year. We have also expanded our machinery portfolio to include construction equipment. Finally, we have managed to expand our regional reach, among other things with new activities in Kaliningrad. Of course, we understand very well that the machine population and the corresponding brand name can only be realized over a few years, but as the Latin says - Sic parvis magna! Our great international experience and the very good organization in our Russian company help us in this necessary transformation. Last but not least, the significantly increased gross profit margin helps us to continue to operate profitably in the current environment.

The spare parts business, our business area which will have an even greater significance for our company in the future, is also currently proving very difficult. We are constantly working to find alternative suppliers and manufacturers, mainly in Asia and within Russia, to provide a stable supply of service and spare parts to our customers.Thanks to our high volume of business with spare parts and service, this offers a thoroughly realistic chance of maintaining a positive earnings situation without major adjustments to personnel and the company structure until the previous suppliers return or new brands and products are established. Our focus in recent years on the aftersales business (spare parts and service) is paying off here.

We hope that the conflict will soon come to an end, and that the focus will then turn to the currently already tight global food supply. This should also change the sentiment of our suppliers, and hopefully they will then resume working with Russia on a wide scale. Russia continues to play a prominent role in food security for our planet, which can only be bridged temporarily.

We assume that after the restrictions are lifted, there will be a strong backlog demand for investments in agricultural technology. However, a lot of trust has of course been lost with Western manufacturers, which could lead to lower market shares for them in the long term. We also see opportunities in terms of consolidating the dealer network. Until then, we are doing our best to steer the company flexibly through the very rapidly changing conditions. Once the situation has largely normalized, we then see ourselves as a globally positioned agricultural technology company with very diverse global supply relationships, an excellent infrastructure and a strong team very well placed to deal with the new geopolitical situation - and this in the world's largest agricultural country.

We thank you for your trust and look forward to your continued support in the future.

Yours sincerely,

Stefan Duerr

Bjoerne Drechsler

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
The financial year 2021/2022 was very challenging for Ekotechnika AG (hereinafter also referred to as "Ekotechnika" or **"Company"**) due to the current geopolitical situation. The new machinery sector was particularly affected by this: The withdrawal of the previous main supplier John Deere and other important suppliers from the Russian market posed major challenges for the management. The supply of spare parts was also significantly restricted. An extensive reorganization of the procurement system - among other things again to a large extent via Ekotechnika AG in Germany - and other adjustments were and are necessary. Dealing with compliance and sanctions issues in relation to imports to Russia also posed a major problem that required a rethink in the way procurement was handled. In addition to new routes for products already in the program, it was also necessary to identify completely new suppliers and establish business relationships with them.

Thanks to the intensive and solution-oriented work of the management and employees of the company, there has been no significant decline in the key figures economically. The Group's financing situation was also set up in a stable manner.

Cooperation between the Executive Board and the Supervisory Board

The supervisory board of Ekotechnika AG continuously monitored the executive board in the 2021/2022 financial year and closely advised it on the management of the company in this challenging crisis year. In doing so, we were always able to satisfy ourselves of the legality, appropriateness, and regularity of the executive board's work. The Executive Board fulfilled its duties to provide information and informed us regularly, promptly and comprehensively in written and verbal form about all issues of strategy, planning, business development, risk situation, risk development and compliance relevant to the Company and the Group. This also included timely information on deviations in actual performance from previously reported targets, deviations in business performance from planning, and the impact of the geopolitical situation on short-, medium- and long-term corporate performance. The company's observance of general compliance and in particular sanctions legislation; risk management; new suppliers and the development of inventories and order books; changes in the market situation and other issues associated with the changed political and economic situation were further important areas for action.

The members of the Supervisory Board had ample opportunity to discuss the reports and resolution proposals submitted by the Executive Board and to make many suggestions of their own. In particular, we intensively discussed all business transactions of importance to the Company on the basis of written and oral reports by the Executive Board and reviewed them for plausibility. The Supervisory Board dealt in detail with the Company's risk situation, liquidity planning and equity situation.

The Supervisory Board gave its approval to individual business transactions where this was required by law, the Articles of Association or the Rules of Procedure for the Executive Board.

The members of the Supervisory Board, and in particular the Chairwoman and Vice Chairman of the Supervisory Board, maintained a close and regular exchange of information and ideas with each other and with the Executive Board between the regular meetings of the Supervisory Board and kept themselves continuously informed about significant developments at the Company. Due to the very dynamic development, this took place much more frequently than in previous years.

There were no indications of conflicts of interest on the part of members of the Executive Board and Supervisory Board, which must be disclosed to the Supervisory Board without delay and about which the Annual General Meeting is to be informed.

The Executive Board and Supervisory Board continued to work together very constructively in the 2021/2022 financial year, thus securing the positive development of Ekotechnika AG despite very difficult external developments in connection with the Russia-Ukraine-Conflict.

Meetings of the Supervisory Board

In the reporting year, the Supervisory Board held two meetings in person and seven meetings by video conference; nine resolutions were passed by telephone and one separate resolution by video conference. The subjects of our regular plenary discussions were in each case the overall development of the company against the background of the geopolitical situation and with regard to strategic objectives, including the development of sales and profitability, the financial and earnings situation of the Ekotechnika Group, compliance with sanction requirements in procurement, and further delivery options/ maintenance of inventories. In addition, we dealt with the main projects as well as risks of the company in this time of crisis on an ad hoc basis.

All members of the Supervisory Board participated in the meetings. The Supervisory Board's work was characterized by an open and constructive exchange. In all meetings, we discussed the reports of the Executive Board and discussed the development of the company as well as strategic and compliance issues with it. We also discussed the overall economic conditions and the business development of Ekotechnika AG in the new economic and political situation. The members of the Executive Board took part in all the Supervisory Board meetings (in some cases by video participation). Only Mr. Stefan Duerr was excused from the meeting on April 1, 2022 due to an appointment that could not be postponed.

The subject of our first resolution by circulation in the 2021/2022 financial year on October 07, 2021 was the planning and agreement of the strategic corporate goals for the 2021/2022 financial year. Our first Supervisory Board meeting was held on December 5, 2021 as a presence meeting. The main topics discussed in detail were the financial situation of the Ekotechnika Group and preliminary IFRS figures for the 2020/2021 financial year, developments in the current 2021/2022 financial year, smart farming, and issues relating to cooperation with the Ekosem-Agrar Group.

The Supervisory Board's accounts meeting on January 24, 2022 was held by video conference due to the entry difficulties caused by the Corona pandemic. At the meeting we discussed the 2020/2021 consolidated financial statements in detail in the presence of the auditors from PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. We then approved the consolidated financial statements (IFRS) including the Group management report of the Company for fiscal year 2020/2021. The parent-company financial statements (German Accounting Principles / HGB) and the dependency report for fiscal year 2020/2021 were submitted to us in advance. The Supervisory Board members examined and approved the parent-company financial statements (HGB) for fiscal year 2020/2021 prepared by the Executive Board; these were thus adopted. We also examined the dependency report and adopted the Supervisory Board report for fiscal year 2020/2021. We also discussed the general business situation, the Smart Farming project and other issues. In a separate resolution by circular resolution, the Supervisory Board subsequently set the variable bonus for the Executive Board members on January 28, 2022.

On February 09 and 15, 2022, as well as on September 28, 2022, the Supervisory Board approved various resolutions of the Board of Directors on the opening of operating facilities in the Pskov, Vladimir and Kaliningrad regions due to growing demand.

The outbreak of the Russia-Ukraine conflict on February 24, 2022 presented the company with major challenges. As a result of this crisis situation, the Supervisory Board met several times in the following weeks at two-week intervals for extraordinary meetings by video conference (March 01 and 18, 2022, April 01, 2022). The topic of these meetings was in each case primarily the impact of the conflict on the economic and operational situation of the Group and possible strategies for maintaining the Company's operations.

The subsequent meeting was again held by way of a video conference on May 19, 2022. In addition to the detailed discussion of the current financial situation of the Ekotechnika Group and the effects of the Russia-Ukraine-Conflict (including agreements with the main suppliers, inventories/order bank, spare parts business, etc.), the main topics of discussion were the preliminary financials as of March 31, 2022 and the extension of the term of office of Executive Board member Bjoerne Drechsler. As a result, a separate resolution on the extension of Björne Drechsler's contract until February 28, 2026 was also adopted by way of a video conference on May 24, 2022.

The subject of our resolution by circular resolution on June 19, 2022 was the invitation to the Annual General Meeting 2022, including the agenda and the proposed resolutions of the Supervisory Board.

Due to the changed political situation and its effects, the previously agreed strategic corporate goals for the Executive Board for fiscal year 2021/2022 had to be adjusted. This was, among other things, the task of our next meeting by way of a video conference on June 28, 2022. In addition, we continued to deal with the financial situation of the Ekotechnika Group, preliminary management figures as of May 31, 2022, preliminary planning for the last three months of 2021/2022 and for the next fiscal year, and discussed mechanisms of executive board remuneration. Subsequently, on July 10, 2022, the corporate targets for the 2021/2022 fiscal year were redefined due to the external developments associated with the massive impact of the Russia-Ukraine-Conflict.

Our last ordinary Supervisory Board meeting in the 2021/2022 financial year took place as a presence meeting on July 29, 2022, following the Annual General Meeting in Wiesloch. The main topics were the financial situation of the Ekotechnika Group, the company's development and the management figures for the current fiscal year, as well as the preliminary planning for fiscal year 2022/2023. In addition, we again discussed the latest developments in the context of the Smart Farming project and in the areas of risk management and compliance of the company, particularly with regard to compliance with sanctions.

In the resolutions on August 25, 2022 and September 28, 2022, the invitation to the extraordinary shareholders' meeting on October 06, 2022, including the agenda and the resolution proposal of the Supervisory Board on the sole agenda item "Election of the auditor", as well as the temporary delegation of Supervisory Board member Wolfgang Bläsi to the Executive Board of Ekotechnika in connection with the performance of the shareholders' meeting were resolved.

Audit of annual and consolidated financial statements

The consolidated financial statements (IFRS) including the group management report of Ekotechnika AG for the 2021/2022 financial year were audited by Klaiber GmbH Wirtschaftsprüfungsgesellschaft (hereinafter also referred to as the **"auditor"**), the appointed auditor, and certified with an unqualified audit opinion with an explanatory note on going concern risks.

With regard to the stand-alone financial statements ((German Accounting Principles/HGB) of Ekotechnika AG for the financial year 2021/2022, the company, as a small corporation within the meaning of Section 267 (1) of the German Commercial Code (HGB), has made use of the exemption pursuant to Section 316 (1) sentence 1 of the German Commercial Code (HGB); the stand-alone financial statements have not been audited by an auditor.

The parent-company financial statements (HGB) and the consolidated financial statements (IFRS) including the Group management report for fiscal year 2021/2022 and the auditors' report on the consolidated financial statements were distributed to all members of the Supervisory Board in good time before the Supervisory Board meeting on February 14, 2023, so that they had sufficient opportunity to examine them.

The members of the Supervisory Board have examined the stand-alone financial statements prepared by the Executive Board.

The Supervisory Board discussed the consolidated financial statements for fiscal year 2021/2022, the Group management report and the results of the audit in detail in the presence of the auditors on February 14, 2023. At the meeting the auditors reported on the audit as a whole, the individual key audit areas and the main results of the audit. The auditors answered all the Supervisory Board's questions in detail. In addition, the auditors explained that there were no circumstances giving cause for concern about their impartiality.

The Supervisory Board agrees with the audit results of the auditor following its own comprehensive audit of the consolidated financial statements (IFRS) including the group management report of Ekotechnika AG for the financial year 2021/2022.

Following the conclusion of its audit, on February 14, 2023 the Supervisory Board approved the stand-alone financial statements of Ekotechnika AG for the 2021/2022 financial year prepared by the Executive Board, which are thus adopted in accordance with Section 172 sentence 1 AktG. Furthermore, on February 14, 2023, the supervisory board approved the audited consolidated financial statements (IFRS) including the group management report of Ekotechnika AG for the financial year 2021/2022.

On this basis, the Supervisory Board concurred with the Executive Board's proposal for the appropriation of net profit.

Dependency Report

The Executive Board submitted to the Supervisory Board the report on relations with affiliated companies (dependeny report) prepared in accordance with Section 312 of the German Stock Corporation Act (AktG). The Supervisory Board examined the dependeny report in accordance with § 314 AktG.

The Supervisory Board declares that, based on the final results of its own review of the dependeny report, it has no objections to the dependeny report and the final declaration of the Executive Board on relations with affiliated companies contained therein.

The Supervisory Board would like to express its sincere thanks to all employees of the Ekotechnika Group and the members of the Executive Board for their efforts and achievements and their extraordinary commitment in the challenging fiscal year 2021/2022.

We would also like to thank you, our shareholders, for continuing to accompany us on our journey in a spirit of trust.

Walldorf, February 2023

For the Supervisory Board

Ohly

Olga Ohly
Chairwoman of the Supervisory Board

EKOTECHNIKA AG, Walldorf
Group Management report as of 30 September 2022

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 new agricultural machinery such as tractors and combines.

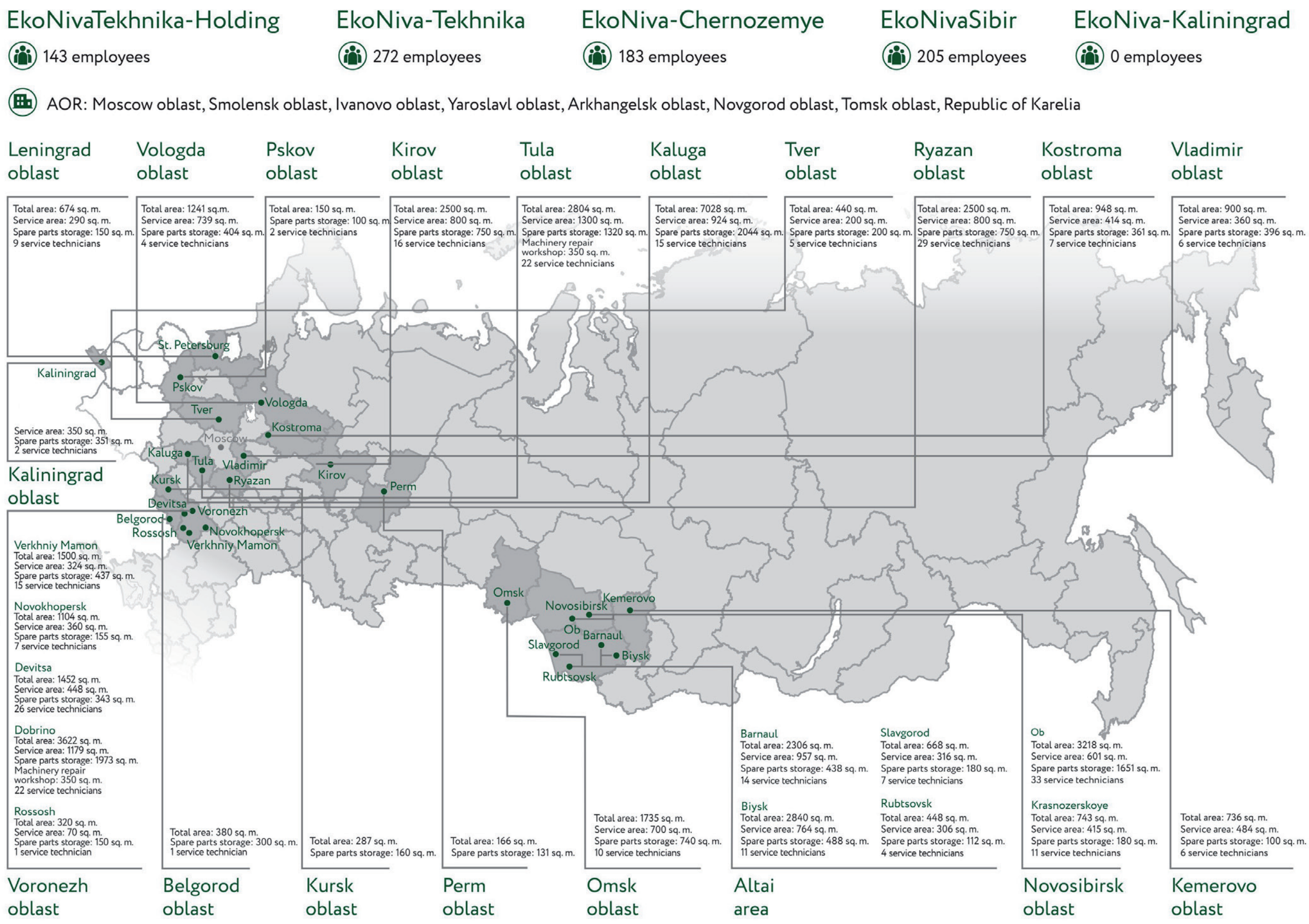
The main partner and principal supplier till 10th March 2022 was John Deere & Company, the world's leading manufacturer of agricultural machinery from Moline, Illinois, USA ("John Deere"). Starting from the 10th of March 2022 John Deere has suspended its supplies in Russia as a consequence of the escalation of the Russia-Ukraine-conflict, and Ekotechnika Group had to switch to other brands and suppliers, both from Russia and from abroad (China, India, Turkey, France, Italy, and other countries). This process has not yet finished and will have to continue for the time being.

In the 2021/2022 financial year, Ekotechnika Group generated sales revenues of EUR 238 million and earnings before interest and taxes (EBIT) of EUR 35.9 million.

1.1 Business model of the Group

The business activities of Ekotechnika Group, hereinafter referred to as "Ekotechnika", "the Group", or "the Company", comprise selling the agricultural machinery and spare parts as well as the provision of services. In addition, the Group is actively developing smart farming services and products, for which an immense potential is assumed to exist in Russia.

The Group's sales market is Russia, where Ekotechnika meanwhile employs 803 people at 27 locations in the five regions of Central Russia, Voronezh, Siberia, Northwest and Altai.
In the Russian market, the Group's companies operate under the EkoNiva-Technika brand.



Last updated on 30 September 2022

New machinery is Ekotechnika's core business. John Deere products accounted for 51% (2021: 68%) of new machinery sales in 2021/2022 financial year; the reduction in share of John Deere in total machinery sales caused by the stop of activities of the supplier. In 2022 the product portfolio also included telescopic loaders from JCB, UK and Kramer, Germany, tillage equipment from Väderstad, Sweden, Gregoire Besson, France and Bednar, Czech Republic, potato harvesting equipment from Grimme, Germany, agricultural trailers from Fliegl, Germany, fertilizer spreaders from Rausch, Germany and swath formers from ROC, Italy.

Before 24th February 2022 foreign suppliers either assembled their products on the territory of Russia or imported them via their Russian subsidiaries. Starting from March 2022 given the high level of uncertainty and infrastructure risks (mostly logistics and payments) major suppliers made the decision to cease their business activities on the Russian territory, and Ekotechnika used its available stock to meet the Clients' needs and subsequently started to source the new machinery all over the world.

Since March 2022 Ekotechnika has also launched sales of road construction and municipal machinery and equipment, including the brands UMG, Russia, and MST, Turkey. To add to this, the Group plans to widen the portfolio by the Russian manufacturers of agricultural equipment.

There is a rising need in used tractors from Europe and USA, therefore Ekotechnika actively explores this opportunity and is significantly expanding this line of business.

Ekotechnika's **Spare Parts** segment currently offers a comprehensive portfolio of spare parts at 27 locations. The spare parts warehouses are usually integrated into the company's service centers in strategic locations. They stock over 49,000 original spare parts from all brands of the new machinery sector, which are transported directly and speedily to the customer's site by the company's fleet of service vehicles whenever required. Thanks to optimized warehouse management, the inventory turnover rate has been optimized significantly over the past years and currently stands at 1.87. The constant increase in the number of state-of-the-art machines in the sales territory allows the Group to successfully expand this business segment and to benefit from the continuously growing demand for spare parts. Gross profit margins in the spare parts business are much higher than those for new machinery, which is typical for this industry.

Also in the spare parts business there have been disruptions in the light of the political development after February 2022. As a consequence, the group sources such parts in various countries outside Russia and also increased the share of parts that are purchased by the German mother company and exported to Russia then.

Ekotechnika's **Customer Service** operations offer not only regular maintenance of agricultural machinery but also repairs in the event of technical defects as well as the replacement of wear parts. Due to the typically long distances in Russia, much service work takes place directly at the customer's site. Similar to its spare parts operations, the Ekotechnika Group is also expanding the activities of its Customer Service segment. For instance, it has continued to offer engine overhauls and remote maintenance diagnostics to its clients.

Smart Farming is the Group's latest business segment. Meanwhile, this division comprises ten employees who are exclusively responsible for the further development of the Smart Farming business. It will make the company fit for the digitalization of agriculture and help it leverage the opportunities arising in this market. State-of-the-art technologies such as N-sensors, drones, yield maps, satellites and soil scanners allow the soil to be analyzed in detail. The data obtained this way makes it possible to adapt both the sowing and the fertilization to the specific type of soil, which helps save resources and cut costs. In the future, the focus will also increasingly be on offering services in the field of smart farming, rather than selling smart farming products.

1.2 Objectives and strategies

There is a strong demand for state-of-the-art machines and innovative technologies in the Russian agricultural machinery market. Local manufacturers benefit not only from favorable manufacturing conditions but also from government subsidies, which leads to fierce competition.

In many areas, however, Russian machines cannot compete with the technological standard of machines produced by international market leaders.

The Ekotechnika Group therefore relies on its proven business model, i.e., the sale of imported agricultural machines from renowned manufacturers, which are characterized by high quality, productivity, and durability. In the current circumstances where several suppliers stopped working in Russia and did not prolong existing dealer contracts, though 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 and municipal equipment. Further information on this can be found in 4. Forecast.

Ekotechnika's customers appreciate the close integration of the company's different business segments, i.e., New Machinery, Spare Parts, Customer Service and Smart Farming. 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. Ekotechnika continuously invests in training and further education for its employees to ensure its customers always get the best possible service. As digitalization progresses, continuous human resources development is becoming particularly important in the new Smart Farming segment.

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 of the company's traditional new machines and spare parts operations as well as lead to positive changes in the Smart Farming segment in the future.

1.3 Control system

Corporate planning and control is primarily based on the following financial performance indicators: number of machines sold, sales revenues, gross profit as well as earnings before interest and taxes (EBIT; operating result). For a dealer of international agricultural machinery and a supplier of spare parts and services, sales revenues primarily depend on the machines and spare parts sold and the services provided. The New Machinery segment currently accounts for approx. 55% of sales revenues. The Ekotechnika Group aims to successively expand the high-margin and less volatile Spare Parts, Customer Service and Smart Farming segments.

1.4 Research and development

In the 2017/2018 season, the company teamed up with John Deere to launch the "Lead Farms" project in the Voronezh region, in the context of which new smart farming technologies were tested on a total area of close to 1,000 hectares and, in the subsequent season, on close to 3,000 hectares under real-life conditions. In the 2019/2020 financial year, further tests and experiments were carried out at seven customers on a total area of 5,000 hectares. The focus was on wheat, maize, and soybeans. A wide variety of approaches was evaluated, especially in the areas of sowing intensity and fertilization standards, which led to numerous positive insights.
The results produce a significant increase in efficiency, especially in the sowing intensity for maize and soybeans. These were further validated in the 2020/2021 financial year, producing consistent results for four years in a row. During the reporting period, the tests were also extended to other regions and, in addition to the Voronezh region, tests were carried out for the first time in other regions (including Siberia and parts of the Central Region) in order to build up data for comparison. In the 2021/2022 financial year, using the data and experience obtained during the Lead Farms project, a service package for the company's customers called SmartEko was formed. The SmartEko service package is aimed at introducing a differentiated approach to seeding, fertilizing, crop protection product use on farms in the 2021/2022 financial year, the service package was sold to three customers on an area of about 2,500 ha. As a result of using the service packages, the farms received a significant economic effect. In the area of lean production, Ekotechnika is working intensively to optimize numerous production steps. Here, the main focus is on automatic steering and control systems and machine optimization.

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 2022, global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, the Russia-Ukraine conflict, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7 percent in 2023. In 2021, industrialized countries recorded economic growth of 5.2%. However, their GDP is forecast to fall by 2.4% in 2022 and to fall by 1.1% in 2023. Economic output in emerging markets and developing economies increased by 6.6% in 2021 but is expected to decline by 3.7% in 2022 and by 3.7% in 2023. In the group of emerging and developing countries, the Russian economy grew 4.7% in 2021 and is expected to contract by 3.4% in 2022 and by 2.3% in 2023.[1]

The first half of the 2021/2022 financial year was characterized by a significant increase in the key interest rate of the Russian Central Bank. While the Russian key interest rate remained at 6.75% from the beginning of the 2021/2022 financial year on 1 October 2021 until 25 October 2021, it gradually increased in four steps from then on and reached 20% on 28 February 2022. From 11 April 2022, the rate was gradually reduced in six steps and for now stopped at 7.5% from 19 September 2022.[2]

The Russian inflation rate increased from 8.13% to 16.7% between October 2021 and March 2022 in the wake of the economic sanctions. Since then, inflation has further increased to 17.8% in April 2022, but since May 2022 it has declined significantly, reaching 13.7% by the end of the fiscal year in September 2022. After the end of the reporting period, it declined to 12% in November 2022.[3]

The RUB/EUR exchange rate stood at RUB 84.3050/EUR at the beginning of the financial year in October 2021 and at RUB 55.4064/EUR at the end of the financial year (30 September 2022). The average rate for the financial year was RUB 77.4325/EUR (2021: RUB 89.1385/EUR). The exchange rate reached its low of RUB 53.858/EUR on 30 June 2022, compared to the peak of RUB 132.958/EUR on 11 March 2022.[4]

The RUB/USD exchange rate was RUB 72.6642/USD at the beginning of the financial year and RUB 57.413/USD at the end of the financial year. The average exchange rate for the 2021/2022 financial year was RUB 71.1157/USD (2021: RUB 74.5908/USD). The exchange rate reached a low of RUB 51.158/USD on 30 June 2022, compared to a high of RUB 120.3785/USD on 11 March 2022.[5]

Russian agricultural and farming equipment market

Agriculture is one of the fastest-growing sectors of the Russian economy, and this trend continued in 2022. Grain crops yield was about to reach 150 million tons, which is around 20% higher than during the previous season and higher than the maximum of the previous years. Wheat crops increased by appx. 25%, barley – by 30%. Sugar beet, potato, oil seeds (including soybeans) and rape have also shown positive trend and increased yield by 5.3%, 5%, 9.4% and 53% respectively[6]. Several Russian regions faced problems during harvesting due to the weather conditions, which partly led to problems with quality of harvest, however, overall, the land productivity has also risen.[7]

[1] https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022
[2] https://www.cbr.ru/eng/hd_base/KeyRate/?UniDbQuery.Posted=True&UniDbQuery.From=01.10.2021&UniDbQuery.To=NaN.NaN.NaN
[3] https://de.tradingeconomics.com/russia/inflation-cpi
[4] http://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&UniDbQuery.From=01.10.2021&UniDbQuery.To=30.09.2022
[5] http://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=01.10.2021&UniDbQuery.To=30.09.2022
[6] https://delprof.ru/press-center/experts-pubs/predvaritelnye-itogi-razvitiya-apk-v-2022-godu-i-vliyanie-na-otrasl-makroekonomicheskikh-faktorov-/?ysclid=lbq6wd8e6k919388030
[7] https://www.nsss-russia.ru/2022/10/25/itogi-uborochnoj-2022/?ysclid=lbq7cfz6t1579025507

By the end of 2022 harvesting season actual grain supply was 159% instead of planned 95%, which triggered lowering of its market price.

Sanctions imposed on the Russian economy contribute to the increased number of obstacles the agricultural producers face while exporting the crops, logistics and payment problems are among them. Grain growers can't easily freight the grain carriers, buy insurance or transfer cargo in the foreign seaports. In 2023 the Russian government together with the Central Bank are planning to work out the mechanism of payments in Russian ruble from the foreign grain customers, which however won't solve the same problems for other exporters of agricultural products.

Overall export of the agricultural products is on the safe side if compared to other industries, where the major customers originated from the Western countries. Russia exports agricultural products to the East and to Northern Africa. For example, the grain export typically goes to Egypt (2,761 ths tons of wheat in 2021-2022 FY), Turkey (3,664 ths tons), Iran (3,710 ths tons), Saudi Arabia (662 ths. Tons), Azerbaijan (620 ths tons), Bangladesh (410 ths. tons), Libya (164 ths, tons), Israel (287 ths, tons). China, Turkey, India, Egypt, and Uzbekistan are the major buyers of oil and fat products. Therefore, the trend on decreasing the export of agricultural products to the Western countries might not pose a significant problem.

The June 2022 FAO report[8] (Food and Agriculture Organization of UN) states that the world tends to fail to meet the needs in wheat in 2022-2023. UN Security Council representatives assumed that regions such as Africa, Asia and Latin America might encounter famine due to lack of grain and flour. However, for the time being both foreign and domestic experts state that the grain stock is sufficient to meet the demand, and it is sanctions and logistics restrictions which might complicate shipping the grain to customers.

Current economic crisis leads to the prominent level of inflation in the world's developed economies, energy gap and other negative consequences. Altogether these factors may intensify local economic crisis in Russia. Management assesses the negative scenario as a rather unlikely one.

Actual output of agricultural machinery in Russia equaled 155,6 billion rubles as of August 2022, which was 1.3% higher than in previous year. Ministry of Industry and Trade of the Russian Federation expects it to reach 230 billion rubles for the total year (+5% compared to 2021). Experts believe that the trend in the coming years will be highly dependent on the effectiveness and efficiency of the government support and incentives. The measures taken for the time being by the Russian government and exclusion of the agricultural products from the sanctions list contribute to the industry growth and help sell the agricultural machinery. At the same time large agricultural producers which invested historically vast amounts of money into the machinery and equipment have cut their investments significantly. As a result, the share of the Group's sale to its biggest customers has lowered in 2022. On the contrary, retail sales to small and mediumsize clients have boosted. The Board of Directors recognize this trend as a positive one, because it may result in better planning and higher gross profit margin of Ekotechnika Group.

Several foreign producers of agricultural machinery and equipment have suspended or ceased their business activities in Russia since March 2022. The major supplier of Ekotechnika Group - John Deere (USA) – has also stopped direct supplies of new machinery and spare parts, as well as navigation tools and support.

The most significant effect of the foreign suppliers leaving the Russian market considered the self-propelled machines. The supplies of tractors, and combines have fallen significantly. In the nearest future potato, sugar beet and other farmers may face the lack of machines, as there are no alternatives to the equipment of suppliers that left the country. However, there have been positive tendencies as well, for instance, import of agricultural trailers and adaptors increased by 16-18%.

[8] https://www.fao.org/home/en/

Overall, 2022 can be characterized by the decreasing quantity of sales transactions for tractors and combines (earlier they represented around 70% of total demand for agricultural machinery). Sales of non-all-wheel-drive tractors reduced by almost 7% if compared to the previous year. Sales of 40-100 horsepower tractors have risen by 15%, which occurred due to the increased supplies of the Chinese brands such as Foton, Zoomlion, YTO – strong ruble made the prices on these tractors attractive to customers. On the contrary, sales of all-wheel-drive tractors have significantly fallen (by 43%) as these machines have been supplied by the Western manufacturers, which decided to leave the Russian market. The segment of large all-wheel-drive tractors haven't been affected by the ceased business activities of European and American suppliers, the increase of 6% took place as the output of St. Petersburg tractor plant (Kirovets) grew up by 25%. Sales of combines dropped by almost 40%. The reason for that comes not only from Western brands leaving Russian market but from the huge proportion of import components for Russian and Belarus combine brands (appx 80%).[9]

Along with that, strong ruble makes the prices on imported machinery competitive.

Currently the agricultural machinery industry undergoes significant turbulence, as well as the entire world economy. Firstly, the problems arise due to broken supply chains. The share of the imported agricultural machinery and equipment reached 40% of the Clients' fleet, and they experience significant shortages of spare parts. The situation with the largest tractors and combines is even worse – Russian farmers lack almost 100% of the required machinery. They continue to get it from the stock available in the warehouses of the suppliers, including Ekotechnika Group, or via other import channels.

The 1432 program

The 1432 program was introduced in 2013 within the "State program for the development of agriculture and regulation of agricultural products, raw materials and food markets 2030"[10], and was originally scheduled to run until 2020. The aim of this program is to support local manufacturers of agricultural equipment.[11] The program was prolonged in 2022. Due to the sanctions imposed on the Russian economy, it has included special conditions.[12]

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 at this additional discount. The program remains subject to further changes, and it is difficult to predict both the volume and the duration.

The budget for 1432 Program in 2023 equals to 2 billion rubles (in 2022 – 8 billion rubles, 2020 and 2021 – 14 billion each year, 2017 – 15,7 billion rubles).[13]

Additionally, the government supported the agrobusiness with 153 billion rubles in 2022, which are paid to support the operational farming business. In addition to this, 30 billion have been allocated to subsidizing the interest rates during the sowing campaign, 26 billion – to finance the interest for the so-called systemically important agricultural companies, 12 billion have been issued to Rosagroleasing to cover the farmers' demand for agricultural machinery, 2 billion have been invested into the supply chain and transportation and 5 billion rubles supported establishing breeding centers in Russia.[14]

The Rosagroleasing program

Russian government extensively supports both experienced farmers and newcomers, offering them many types of financing, the main aim of which is to provide stability for the whole agricultural industry. Reimbursement of expenses on the interest on loans and special leasing programs are among them.

9 https://tehnoradar.ru/blog/article/spros-na-selhoztehniku-po-itogam-polugodiya-2022-g?ysclid=lbq9uortig946882813
10 http://pravo.gov.ru/proxy/ips/?docbody=&nd=102158516&ysclid=lbq47bzy8e896339681
11 http://government.ru/docs/all/85654
12 http://government.ru/docs/all/140279/
13 https://www.megaresearch.ru/new_reality/v-yanvare-avguste-2022-goda-proizvodstvo-selhoztehniki-v-rf-uvelichilos-na-1-3
14 https://fomag.ru/news-streem/gospodderzhka-apk-rf-v-2022-g-mozhet-prevysit-0-5-trln-rub-minselkhoz/?ysclid=lbq4p9nyy4455258642

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

The preference leasing program includes more than 22 000 positions of agricultural machinery and equipment for all kinds of agricultural production, from more than 450 suppliers.[15]

During 2022 the clients of Rosagroleasing could combine the preference leasing program and other support for the agricultural producers, which was available in their region. The conditions of the leasing program make the local manufacturers much more competitive and include the cost of less than 3% p.a., without advance payments and the total term up to 8 years.[16]

The management board expect that the program shall be prolonged. The leasing portfolio of Rosagroleasing reached 91,6 billion rubles as of 30th of June 2022 and may continue to grow up to 200 billion in 2024.[17]

2.2 Business performance

General performance of the Group

Due to the aforementioned developments and overall conditions, Ekotechnika's sales remained slightly below the prior year level and equaled to EUR 238 million in 2021/2022 financial year, with the previous year figure EUR 244 million. The tractor segment contracted by approx. 30%, while sales declined from 403 to 283 machines. Sales of combines and forage harvesters decreased from 109 to 38 machines. On the contrary, sales of telehandlers have shown an upward trend, rising from 176 to 244 machines. Sales of cultivators also increased from 125 to 187 machines. Other trailed implements sales showed an upward trend as well. This segment was addressed particularly intensively in the past financial year, as the Executive Board believes that many opportunities for profitable growth will arise in this segment in the coming years.

This shows the importance of a diversified product portfolio. For this reason, management continues to actively work on shaping and expanding the product range towards special and novel applications

Decline of the share of sales of new machinery is connected primarily with John Deere leaving the Russian market. During 2022 sales revenue from John Deere machinery has fallen by 46%. JCB and Väderstad have ceased their activities in Russia which resulted in the decrease of sales revenue by 9% and 2% respectively.

On the contrary, the spare parts segment has shown a positive trend in the reporting period. It is explained by the increased demand for original spare parts of the brands which left Russia in 2022, increased prices, and strengthening relations with the key customers. The spare parts business also benefits from the centralized IT tool for procurement and stock management.

The Customer Service segment has also 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 dropped by more than 30% in the reporting period due to John Deere ceasing its activities in Russia. The Executive Board expects supply bottlenecks to continue in the current financial year. But at the same time expects a positive effect from the newly introduced service products.

[15] https://mcx.gov.ru/docs/35013/
[16] https://mcx.gov.ru/docs/35013/
[17] https://www.rosagroleasing.ru/smi/news/4448/

2.3 Business performance indicators

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

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

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.

The company has started its own training center with trainers who are permanently working to improve the qualifications of all departments, as well as external trainers being hired for specialized trainings and assessments to gain a better understanding of the education needs. Moreover, around 100 interns completed the practical part on site in the companies.

Organizational structure
The management is actively working on measures to further automate the whole business process by implementing and further optimizing ERP systems. In particular, the newly introduced electronic document exchange has led to efficiency increases. The Group has launched "RiskPro" – an automated risk management process on the basis of 1C platform. Another important aspect is the CRM system, which is applied to the entire sales process, as well as a mobile app for coordinating after-sales employees. The management intends to increase the number of employees directly involved in sales without increasing the administrative effort. The increase in productivity should enable the company to boost sales without increasing the number of non-operational employees. The number of employees on the reporting date was 803. In addition, the aim is to standardize the structures and processes of the various regional companies and to eliminate unnecessary hierarchy levels.

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 is now actively and systematically surveying 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
The logistics and merchandise management system, which has already been successfully developed over the past years, faces now certain restrictions. In particular, the terms of delivery have been extended, international carriage has complicated due to sanctions and the cost has risen significantly. 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

In the 2021/2022 financial year (30 September 2022), the Ekotechnika Group generated **total revenues** of EUR 237,508 thousand (2021: EUR 243,576 thousand), which was within the increased forecast revenue range of EUR 230 million to EUR 240 million. Sales of agricultural machinery accounted for 54.6% of total revenues and totaled EUR 129,654 thousand (2021: 68% or EUR 165,676 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 283 tractors (planned: 376) and 38 combines and forage harvesters (planned: 120) were sold in the past financial year. In the previous year, 403 tractors and 109 combines and forage harvesters were sold.

	FY 2021/2022 Quantity	FY 2020/2021 Quantity
Tractors > 160 hp	283	403
Combines and chippers	38	109

At 37.7%, spare parts, tires, lubricants sales made the second biggest contribution to total revenues. Total spare parts, tires, lubricants sales reached EUR 89,594 thousand in the reporting period, which exceeded the previous year’s EUR 58,606 thousand (24.1% of 2021 revenues) by almost 53%. Revenues from customer services totaled EUR 7,816 thousand, up by EUR 2,959 thousand on the 2020/2021 financial year (EUR 4,857 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 decreased to EUR 1,949 thousand in the reporting period (2021: EUR 2,818 thousand).

EUR'000	FY 2021/2022	FY 2020/2021	FY 2019/2020	FY 2018/2019	FY 2017/2018
Sale of agricultural machinery and equipment	129,654	165,676	125,316	108,679	113,736
Sale of agricultural spare parts, tires and lubricants	89,594	58,606	57,448	46,006	44,422
Revenue from after-sales services	7,816	4,857	4,540	3,838	3,445
Sale of trade-in machinery	7,341	4,812	2,549	896	1,131
Sale from smart farming solutions	1,949	2,818	1,336	852	932
Sales of construction and road equipment	623	-	-	-	-
Sale of forestry machinery	531	5,656	2,001	-	-
Sale of forestry spare parts	-	1,151	650	59	-
Revenues	**237,508**	**243,576**	**193,840**	**160,330**	**163,666**

At EUR 168,905 thousand, the **purchase costs** of agricultural machinery and equipment as well as spare parts sold was below the previous year's EUR 199,865 thousand.

At EUR 68,603 thousand, **gross profit** (sales less purchase costs of agricultural machinery, equipment and spare parts sold) clearly exceeded the previous year's level (2021: EUR 43,711 thousand; +56.9%), which was at the upper end of the increased forecast gross profit range of EUR 63 million to EUR 69 million.

Other operating income comprises reimbursements of warranty costs and of marketing expenses and amounted to EUR 7,529 thousand in the reporting period, compared to EUR 7,269 thousand in the 2020/2021 financial year. The main positions in other operating income were forex gains in the amount of EUR 4,046 thousand and gains from resale of other goods (EUR 2,843 thousand).

Payroll expenses picked up by approx. 45% from EUR 14,151 thousand to EUR 20,554 thousand mainly due to an increase in staff bonuses due to higher profits, general salaries due to inflation and headcount.

Depreciation and amortization also increased significantly by 29% from EUR 3,107 thousand in the previous year to EUR 4,008 thousand in the 2021/2022 financial year, a consequence of investments in the new sales regions.

Other operating expenses increased from EUR 11,776 thousand in the 2020/2021 financial year to EUR 15,887 thousand. This results from the increased expenses for transport vehicles (EUR 2,377 thousand)., expenses from resale of other goods (EUR 2,422 thousand), as well as Impairment of non-current assets (EUR 1,468 thousand).

At EUR 39,880 thousand, **EBITDA** (earnings before interest, taxes, depreciation, and amortization) increased compared to the previous year (2021: EUR 24,432 thousand). **Earnings before interest and taxes** (EBIT) reached EUR 35,871 thousand, which was also significantly above the previous year (2021: EUR 21,325 thousand), which was within the increased forecast EBIT range of EUR 33 million to EUR 37 million.

The **net financial result** (financial expenses plus financial income) of EUR -1,877 thousand improved slightly compared to prior year's level (2021: EUR -2,537 thousand).

Earnings before taxes (EBT) amounted to EUR 33,944 thousand (2021: EUR 18,788 thousand). After deduction of tax expenses of EUR 7,639 thousand (2021: EUR 4,590 thousand), **consolidated net income for the year** stood at EUR 26,355 thousand (2021: EUR 14,198 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 letters of credit and bank guarantees.

In the reporting period, operating cash flow before changes in working capital was EUR 36,956 thousand (2021: EUR 20,392 thousand). Operating cash flow after changes in working capital stood at EUR 14,509 thousand (2021: EUR 17,277 thousand).

After taxes paid in the amount of EUR 6,605 thousand (2021: EUR 3,990 thousand), interest paid in the amount of EUR 2,870 thousand (2021: EUR 2,861 thousand) and interest received in the amount of EUR 209 thousand (2021: EUR 309 thousand), **operating cash flow** stood at EUR 5,243 thousand (2021: EUR 10,735 thousand).

Cash flow from investing activities amounted to EUR -3,728 thousand in the 2021/2022 financial year, compared to EUR -7,784 thousand in the previous year.

Cash flow from financing activities amounted to EUR -5,259 thousand in the reporting period (2021: EUR -2,965 thousand).

As of 30 September 2022, cash and cash equivalents totaled EUR 4,432 thousand (2021: EUR 5,536 thousand).

c) Net assets position

As of 30 September 2022, **total assets** amounted to EUR 202,667 thousand, up by approx. 38.5% on the previous year (2021: EUR 146,324 thousand). The appreciation of the ruble against the euro (30 September 2022: 55.4064 RUB/EUR; 30 September 2021: 84.8755 RUB/EUR) affects the balance sheet values significantly. If the ruble figures of the balance sheet as of 30 September 2022 were converted into euros using the exchange rate of 30 September 2021, the values of the euro balance sheet would be approximately 35% lower than the figures now reported. Without this impact, the total balance sheet would have been slightly reduced.

As of the reporting date, **non-current assets** increased by approx. 53.9% from EUR 29,546 thousand to EUR 45,465 thousand. Adjusted for exchange rate effects, non-current assets increased by roughly 0.5%. Property, plant and equipment amounted to EUR 43,830 thousand as of 30 September 2022 (30 September 2021: EUR 28,904 thousand). The amount of non-current loans issued decreased to EUR 57 thousand in the reporting period, compared to EUR 66 thousand on the prior year reporting date. Deferred tax assets amounted to EUR 965 thousand on 30 September 2022, while they stood at EUR 460 thousand on 30 September 2021.

Total **current assets** increased by approx. 35% from EUR 116,778 thousand to EUR 157,202 thousand as of the end of the 2021/2022 financial year. Inventories increased from EUR 43,429 thousand by approx. 39% to EUR 60,588 thousand on 30 September 2022, trade receivables decreased to EUR 27,978 thousand by approx. 8% in the reporting period, compared to EUR 30,653 thousand on the prior year reporting date. At EUR 39,819 thousand, short-term loans issued increased by approx. 62% (30 September 2021: EUR 24,509 thousand; adjusted for exchange rate effects: increase by approx. 6%).

The Ekotechnika Group's **consolidated equity capital** amounted to EUR 104,192 thousand in the reporting year, up by approx. 132% on the previous year's EUR 44,847 thousand (adjusted for exchange rate effects: increase by approx. 51%). This is due to a significant change in the currency translation reserve of EUR 32,985 thousand, which used to be a negative figure of EUR 21,274 thousand on 30 September 2021 and switched to the positive one equaling of EUR 11,711 thousand at 30 September 2022. Income for the period of EUR 26,352 thousand as of 30 September 2022. At 51.4%, the equity ratio increased significantly compared to the level recorded at the end of the 2020/2021 financial year (30 September 2021: 30.6%).

Total liabilities amounted to EUR 98,475 thousand, a decrease of EUR 3,002 thousand on the previous year (30 September 2021: EUR 101,477 thousand). This amount includes EUR 3,097 thousand in **non-current liabilities** (30 September 2021: EUR 1,116 thousand), which mainly comprise lease liabilities of EUR 2,415 thousand (30 September 2021: EUR 1,085 thousand). Having in mind the currency impact described above, it means that the ruble liabilities as per the balance sheet date have been reduced significantly.

Current liabilities amounted to EUR 95,378 thousand as of the balance sheet date, which was about 5% below the prior year level (30 September 2021: EUR 100,361 thousand). This is mainly due to a decrease in trade accounts payable from EUR 42,030 thousand on 30 September 2021 to EUR 11,059 thousand on 30 September 2022. By contrast, advances received increased from EUR 9,169 thousand to EUR 15,070 thousand at the end of the reporting period. Other financial liabilities increased by about 39% to EUR 7,647 thousand (30. September 2021: EUR 5,474 thousand). Moreover, short-term borrowings increased from EUR 37,355 thousand to EUR 53,347 thousand at the end of the reporting period.

On balance, despite all the difficulties and constraints, the management of Ekotechnika Group is satisfied with the operating performance in the past financial year. Development of the new territories goes at a good pace. Significant decline in sales of new machinery have been overcompensated by the spare parts and customer service segments.

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 and changing eating habits due to rising prosperity or the imitation of Western lifestyles are the main drivers of the positive global development in the agricultural sector. Finally, energy production from raw material crops also contributes to an ongoing increase in demand. 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 mitigate 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.

Expansion of sales territories and product portfolios:

The expansion of sales territories opens interesting growth prospects, as it permits more consistent pricing – especially for services and spare parts – and enables the company to use existing structures more effectively and to leverage further synergies. 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 up 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%[18] 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 and primary agricultural production is exempted from income tax. These measures significantly bolster 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.

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.[19] 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 is filling the gap caused by the departure of John Deere with new partners, including from China. The pilot project which was started in the previous years together with the related party Ekosem-Agrar Group, has provided the

[18] https://www.oecd-ilibrary.org/sites/ed982f42-en/index.html?itemId=/content/component/ed982f42-en (retrieved on 14 December 2021)
[19] https://www.rshb.ru/news/401393/ (retrieved on 14 December 2021)

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.

Furthermore, a partnership with Cognitive Pilot was formed to establish a nationwide service network for smart farming equipment in Russia in the financial year 2019/2020. Here, the Ekotechnika service team is in charge of consulting, sales, installation of software and hardware, maintenance and technical support for the "Cognitive Agro Pilot" system in 35 regions of Russia. Another essential part of the partnership is the development of new smart farming solutions and products using Cognitive Pilot's autonomous driving and control system.

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.

Besides, since May 2022 the Group has launched "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 2021/2022 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 2021 with the subsequent follow-up on a bi-annual basis (i.e., as of 31 March and 30 September 2022).

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 tensions and the situation remains highly unstable. The escalation of the geopolitical situation led to various consequences, which have a significant impact on the Company's business and risk situation. There is an expectation of further limitations on business activity affecting companies operating in the Russian Federation, as well as further negative consequences for the Russian economy in general.

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

Supply chain bottlenecks:

Operating environment has changed dramatically since February 2022. Major consequences of the imposed sanctions on Russia included import restrictions and limitations imposed on international payments for the companies which held business activities in the Russian Federation. Many international businesses responded by suspending or ceasing their operations in Russia, including John Deere, JCB and other significant suppliers of the group, which means that supplies and logistics has become an inherent risk of the business. Management is monitoring this situation and is responding where possible, particularly with the expansion of the supplier portfolio in order to reduce dependence on individual producers.

Loss of major clients and reputational damage

Before the 2021/2022 financial year one of the major advantages Ekotechnika AG could offer its clients was high-quality service and rapid delivery of spare parts for the machinery, which was vital for seasonal activities of the farms and tight agrotechnical terms. For the time being significant delays of supplies pose a threat to the Company's reputation, as Ekotechnika AG might miss the supply terms and the clients may prefer to find other means of meeting their repairs and maintenance needs. To add to this, more comprehensive logistics and increased import tariffs may raise the cost of machinery and spare parts. All these risks could lead to a significant decline in sales.

Financing opportunities and costs for customers and the Group:

The Russian government and the Central Bank responded to sanctions via monetary measures: during the 2022 financial year the key rate has increased drastically in February 2022 to 20% with the subsequent decrease to 7.50%[20] in September 2022; foreign currency operations have been restricted. The measures resulted in acceleration of inflation in Russia and decline in the Russian equity market. In November 2022 the Ministry of Finance and the Central Bank in Russia opted for the QE[21] measures. Moreover, in December 2022 EU leaders agreed on the price cap for Russian oil, the decision was designed to decrease the government budget. On the one hand, all these external factors indicate the high probability of further increase of cost of financing in the foreseeable future for both the Company and its Clients in Russia. On the other hand, the Company's clients indicated that it has become easier to attract financing by the end of 2022.

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 2021/2022 financial year, dropping to the minimum of 132.9581 RUB/EUR on 11 March 2022, and then reaching its peak of 53.8580 RUB/EUR[22]. The dynamics of the exchange rate RUB/CNY repeated the RUB/EUR trend. Volatility and prominent level of uncertainty of the exchange rates are expected to continue due to the political instability. On the one hand, a stronger ruble makes the imported equipment more competitive in comparison with locally manufactured equipment, but reduces the competitive advantage of Ekotechnika's customers, as the main agricultural input costs are recorded in rubles, making customers' production more expensive. This results in lower margins and less purchasing power for the farming operations. A weaker ruble, in turn, makes imported equipment less competitive with locally manufactured equipment, but increases the margin for end customers' operations.

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 easier for the company's customers to finance the purchase of agricultural machinery due to the set of measures announced by the government as a consequence of the development[23].

[20] https://cbr.ru/eng/key-indicators/
[21] Quantitative easing (QE) is a monetary policy action whereby a central bank purchases government bonds or other financial assets in order to inject monetary reserves into the economy to stimulate economic activity.
[22] https://cbr.ru/eng/currency_base/daily/
[23] https://mcx.gov.ru/upload/iblock/669/669637318581d53c0d9bfc25804d94e8.pdf

However, management of Ekotechnika AG recognize several risks. First, it is possible that the Russian government could increase subsidies promoting production and sale of local machinery or even raise barriers to the sale of imported machinery and spare parts. If this situation continues to deteriorate, it could have an impact on the Group's results of operations. Second, due to the rising inflation and lowering margins of the agricultural producers in Russia their solvency has been challenged by the lenders. 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. Moreover, management has switched to receiving payments from customers in advance.

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 EkosemAgrar 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. 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.

Coronavirus pandemic:
On 12 March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In January 2022 it continued by the spread of Omicron variant. In response to the pandemic, Russian authorities implemented numerous measures to contain the spread and impact of the coronavirus, such as travel bans and restrictions, quarantine, emergency shelter orders and restrictions on business activities, including closures. These measures have severely restricted economic activity in Russia and have had an adverse impact on enterprises and market participants as well as on the Russian and global economy. Management has taken the necessary measures to ensure the sustainability of the Group's operations and to support its customers and employees. Considering the measures initiated and the Group's current operating and financial results as well as the information currently available to the public, the management does not expect the coronavirus pandemic to have a significant adverse impact on the Group's financial position and financial performance in the short term. The Group's management will continue to closely monitor the pandemic, including the increasing COVID-19 rate in China after the reporting date, and take measures to mitigate the risks to employees and the Group as a whole.

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 2021/2022 financial year. This also includes the refinancing of bank loans which are due for repayment in 2023 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. Management expects that this will continue to be the case in 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.

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-purpose spare parts and significant limitations on international payments. Even though agricultural machinery was not on the sanction list, many western companies assessed the infrastructure 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.

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 change.

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 is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, geopolitical tension all over the world, and lingering COVID-19 pandemic all weigh heavily in the outlook. Global growth is forecast to slow from 3.2% in 2022 to 2.7% in 2023. According to IMF, the decrease of the worlds' GDP may reach 2.7% in 2023 after 3.2% in 2022.[24] Inflation was rather high in 2021, however it peaked in 2022. For instance, in USA the annual inflation increased to 8,5%, Eurozone has shown the ceiling of 8,9%, in Italy inflation equaled to 7,9%, in France – to 6,1% and in Germany – 7,5%. In developing economies, the inflation rate varied between 5% to 11% (except for Turkey with inflation rate of 43,5%.[25]

In Russia inflation reached 11,97% in 2022.[26]

Despite the reduction in inflation growth in the April-August 2022 period, the FAO Food Price Index (FFPI) increased by 2.4% in the eight months of 2022, with increases of 10.9% for dairy products, 10.6% for meat products, and 4.6% for grains.

Developments in the agricultural and farming equipment market

The management of Ekotechnika Group assume that the demand for agricultural machines will remain high in 2023 as Russian farmers have a continued need to invest in new machinery. This trend may be supported by the growing prices on agricultural products all over the world. However, in the short term, supply is limited due to the imposed sanctions and the demand is not fully met.

The international grain council (IGC) expect that the world grain crops in 2022/2023 may be lower than the planned figures by 24 million tons and equal to 2,256 billion tons of grain. Even though that might be 33 million tons lower than during the previous year, such a yield may become the second largest at all the time.

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

24 https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya/prognoz_socialno_ekonomicheskogo_razvitiya_rossiyskoy_federacii_na_2023_god_i_na_planovyy_period_2024_i_2025_godov.html?ysclid=lbqgx2x035860273383
25 https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya/prognoz_socialno_ekonomicheskogo_razvitiya_rossiyskoy_federacii_na_2023_god_i_na_planovyy_period_2024_i_2025_godov.html?ysclid=lbqgx2x035860273383
26 https://www.statbureau.org/ru/russia/inflation?ysclid=lbqhahvt37731085489

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.

In addition, the Russian Ministry of Agriculture launched the program to increase total land for agricultural use in Russia by 12 million hectares by 2030.[27] The budget of the program is 1 411 billion rubles. The increase in grain and oilseed harvests that can be achieved in this way is intended to serve the goal of increasing agricultural exports.

The Russian Ministry of Agriculture has also planned to start land rehabilitation and reclamation program in 2022. It can drive the development of land for agricultural use and may become the major means of increasing the volume of agricultural products.

The Center for Industry Expertise of Russian Agricultural Bank Rosselkhoz and the National Research University of the Higher School of Economics in Moscow, made a study on global trends in rural development until 2050, according to which the gradual automation of agriculture and the increasing use of robot technologies is an inevitable part of changes the international and Russian agricultural markets are undergoing. The global robotics market may grow up to USD 25 billion by 2025, at a CAGR of 26% (2017: USD 4.1 billion). The global smart farming market may reach USD 10.2 billion by 2025 and as much as USD 240 billion by 2050. According to the study, the growing demand for organic and locally produced food is another important growth trend, with Russia having enormous potential in the area. In addition, urban citizens started to move back to the rural area, which is especially typical for Krasnodar, Voronezh, Leningrad and Moscow Oblast.[28]

Performance of the Ekotechnika Group

The Group's business is highly dependent on the external geopolitical, macroeconomic factors and pandemic, which makes it difficult to make projections for the 2022/2023 financial year. However, the external factors might have had the positive influence on the Group's performance as well.

The management expect that gross profit margin raises in 2022/23 up to 40% for spare parts and to 15% for new machinery; and they also believe that the share of imported spare parts for the previously sold machinery and equipment may grow. The risk of complicated and long delivery remains high, and the Company hasn't yet fully compensated the shortages which occurred due to John Deere and JCB leaving Russia. However, the Group has already found new suppliers which continue business operations in and with Russia and has planned sales of 185 tractors, including 160 of Lovol brand (China), 13 John Deere and 12 JCB machines, 9 John Deere combines.

Moreover, the spare parts business may benefit from large manufacturers leaving the country. In particular, the Company sees the potential in Russian alternatives for foreign spare parts. Together with that, the Group also expands to the new territories and has recently opened the branch in Kaliningrad.

The Company continues to render a high-quality service and complex solutions to its customers. Moreover, the management are constantly in search of new responses to the arising threats to business continuity and made the decision to enrich the product portfolio with the road construction and municipal equipment as well as with used machinery. There are plans to sell thirty-one road construction machines of UMG and MST brands. Management also presumes that Ekotechnika Group will continue as a going concern and may earn positive EBIT figures even in the situation of sales limited just to spare parts and providing service to its customers.

[27] https://www.topagrar.com/panorama/news/moskau-will-12-mio-ha-ackerland-urbar-machen-12501641.html (retrieved on 29 November 2021)
[28] https://www.rshb.ru/news/401393/ (retrieved on 29 November 2021)

Despite the progressing conflict in Ukraine and ceased business activities of John Deere in Russia, the Group has shown increased EBIT in 2022. The major reasons are the stock of new machinery and spare parts available to the Clients in the Company’s warehouses in March 2022, and an increasing margin.

All the above-mentioned factors make the management of Ekotechnika AG believe that 230 million EUR of sales revenue and 24 million EUR EBIT look realistic in 2022/2023 financial year, with the RUB/EUR, RUB/USD and RUB/CNY exchange rate being the major uncertainty and, therefore, risk.

The management of Ekotechnika Group consider the current geopolitical tension as mid-term but temporary circumstances and continue to look positively into the future. They are going to strengthen the relations with new suppliers, come up with new dealership agreements and respond to the customers’ demand in an agile manner. Once the situation has largely normalized, we then see ourselves as a globally positioned agricultural technology company with very diverse global supply relationships, an excellent infrastructure and a strong team very well placed to deal with the new geopolitical situation - and this in the world's largest agricultural country.

Walldorf, 10 February 2023

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 2022

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	09/30/2022 EUR'000	09/30/2021 EUR'000
Non-current assets :			
Intangible assets		148	116
Property, plant and equipment	15	43,830	28,904
Investment property	15	465	-
Long-term loans issued	16	57	66
Deferred tax assets	14	965	460
		45,465	**29,546**
Current assets:			
Inventories	17	60,588	43,429
Short-term loans issued	16	39,819	24,509
Trade receivables	18	27,978	30,653
Income tax receivable		679	1,038
Prepayments	18	19,214	4,116
Other financial assets	18	2,156	3,893
Other short-term assets	19	2,336	3,604
Cash and cash equivalents	20	4,432	5,536
		157,202	**116,778**
		202,667	**146,324**

LIABILITIES AND EQUITY

	Notes	09/30/2022 EUR'000	09/30/2021 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	21	11,711	(21,274)
Retained earnings		56,138	41,940
Income for the period		26,352	14,198
		104,171	**44,834**
Non-controlling interests		21	13
		104,192	**44,847**
Non-current liabilities:			
Long-term trade accounts payable	25	382	-
Long-term lease liabilities	28	2,415	1,085
Deferred tax liabilities	14	300	31
		3,097	**1,116**
Current liabilities:			
Provisions	23	1,503	2,347
Short-term borrowings	24	53,347	37,355
Trade accounts payable	25	11,059	42,030
Income tax payable		688	55
Advances received	26	15,070	9,169
Other financial liabilities	27	7,647	5,474
Short-term lease liabilities	28	2,203	1,299
Other short-term liabilities	29	3,861	2,632
		95,378	**100,361**
		202,667	**146,324**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	10/01/2021-09/30/2022 EUR'000	10/01/2020-09/30/2021 EUR'000
Revenues	8	237,508	243,576
Purchase cost of goods sold	9	(168,905)	(199,865)
Gross profit		**68,603**	**43,711**
Other operating income	10	7,529	7,269
Payroll expenses	11	(20,554)	(14,151)
Depreciation and amortization	15	(4,008)	(3,107)
Other operating expenses	12	(15,887)	(11,776)
Gain/(Loss) from impairment of financial assets		188	(621)
		(32,732)	**(22,387)**
Operating profit		**35,871**	**21,325**
Financial income	13	2,143	1,779
Financial expenses	13	(4,020)	(4,316)
		(1,877)	(2,537)
Income before tax		**33,994**	**18,788**
Income tax expense, total	14	(7,639)	(4,590)
Income for the period		**26,355**	**14,198**
Attributable to:			
Parent company's shareholders		26,352	14,198
Non-controlling interests		3	-
Other comprehensive income/(loss) for the period			
Items that may be classified subsequently to profit:			
Exchange differences on translation of foreign operations, net of tax		32,990	3,061
Attributable to:			
Parent company's shareholders		32,985	3,063
Non-controlling interests		5	(2)
Comprehensive income for the period		**59,345**	**17,259**
Attributable to:			
Parent company's shareholders		59,337	17,261
Non-controlling interests		8	(2)
Earnings per share (basic and diluted)		**in EUR**	**in EUR**
Shares Series A	22	10.70	5.77
Shares Series B	22	6.17	3.32

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	10/01/2021-09/30/2022 EUR'000	10/01/2020-09/30/2021 EUR'000
Operating activities			
Income for the period		26,355	14,198
Amortization and depreciation of non-current assets	15	4,008	3,107
(Gain)/Loss on disposal of property, plant and equipment		(213)	165
Net foreign exchange gains, net	10	(4,046)	(3,375)
Gain on disposal of subsidiary	30	-	(956)
Interest expense	13	2,931	2,444
Interest expense on extended accounts payable	13	377	792
Interest income	13	(2,143)	(1,779)
Income taxes recognized in profit or loss	14	7,639	4,590
(Gain)/Loss from impairment of financial assets		(188)	621
Impairment of investment property	12	1,468	-
Other non-cash items		768	585
Operating cash flows before changes in working capital, provisions, income taxes and interests paid		**36,956**	**20,392**
Change in inventories		3,001	(1,262)
Change in trade receivables and prepayments		1,700	(10,930)
Change in other financial and short-term assets		4,115	210
Change in trade payables and advances received		(30,115)	9,604
Change in other financial and short-term liabilities		(1,148)	(737)
Cash flows before income taxes and interest paid		**14,509**	**17,277**
Income taxes paid		(6,605)	(3,990)
Interest paid		(2,870)	(2,861)
Interest received		209	309
Net cash generated from operating activities		**5,243**	**10,735**
Investing activities			
Proceeds from disposal of property, plant and equipment		561	35
Proceeds from disposal of subsidiary less cash and cash equivalents in disposed subsidiary	30	-	154
Acquisition of property, plant and equipment		(4,017)	(7,180)
Acquisition of intangible assets		(201)	(235)
Issuance of loans		(653)	(2,425)
Proceeds from settlement of loans issued		582	1,867
Net cash used in investing activities		**(3,728)**	**(7,784)**
Financing activities			
Proceeds from borrowings		75,381	49,403
Repayment of borrowings		(78,067)	(50,486)
Payment of lease liabilities		(2,573)	(1,882)
Net cash used in financing activities		**(5,259)**	**(2,965)**
Net decrease in cash and cash equivalents		(3,745)	(14)
Cash and cash equivalents at beginning of year		5,536	4,849
Effect of exchange rate fluctuations on cash and cash equivalents		2,641	701
Cash and cash equivalents at end of year		**4,432**	**5,536**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Additional paid in capital	Foreign currency translation reserve
As of 1 October 2020	**3,140**	**6,830**	**(24,337)**
Reclassifications	-	-	-
Income for the period	-	-	-
Other comprehensive income/(loss)	-	-	3,063
Total comprehensive income/(loss)	**-**	**-**	**3,063**
As of 30 September 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**

Retained earnings	Net profit	Non-controlling interests	Total equity
40,201	**1,739**	**15**	**27,588**
1,739	(1,739)	-	-
-	14,198	-	14,198
-	-	(2)	3,061
-	**14,198**	**(2)**	**17,259**
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**

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 Group has leading positions in the area of farm machinery supplies and servicing; it is one of the largest dealers of John Deere in the Russian Federation and overall in Europe. It is also the official representative of such manufacturers of agricultural machines as Vaderstad, JCB, Lemken, Poettinger, Kverneland and BVL. With regard to changes in the product portfolio due to the changed geopolitical situation since February 2022, we 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 2021 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 2022 and 2021.

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 2022 and 30 September 2021 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 2022	Average rate for 2022	As of 30 September 2021	Average rate for 2021
RUB/EUR	55,4064	77,4325	84,8755	89,1385

Period	Average rate	Period	Average rate
Three months ended 12/31/2021	83,0744	Three months ended 12/31/2020	90,8140
Three months ended 03/31/2022	96,4177	Three months ended 03/31/2021	89,7047
Three months ended 06/30/2022	70,7643	Three months ended 06/30/2021	89,3912
Three months ended 09/30/2022	59,8139	Three months ended 09/30/2021	86,6591

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 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 quarterly 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 and 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%) recog-ni-tion 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 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 statement of 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	2 – 30 years
• Transport	1 – 15 years
• Equipment	1 – 15 years
• Office equipment and furniture	1 – 30 years
• Other fixed assets	1 – 10 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 statement of 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 statement of 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 statement of 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 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 and precision farming 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 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:

- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021)
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 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 2022 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:

- 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)
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)
- 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).

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 d4ecided 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 2022, 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.

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 and 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.

As of 30 September 2021, the Group has the contracted option to return unused spare parts bought from John Deere with discount of 20%, so as of 30 September 2021 the impairment on such spare parts was accrued in an amount of 20% of carrying amount of these spare parts agreed from 1 to 3 years. However, due to termination of the contract impairment of spare parts purchased from John Deere is accrued on a general basis as of 30 September 2022 (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 10,007 thousand with respect of the corporate income tax as of 30 September 2022 (2021: EUR 5,016 thousand) and EUR 12,207 thousand with respect of value added tax (2021: EUR 6,545 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 year. 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 2022, warranty provision amounted to EUR 1,503 thousand (2021: EUR 2,347 thousand). As of 30 September 2022, warranty reimbursement assets wasn`t recognized as it wasn`t virtually certain of being recovered (2021: reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 2,788 thousand).

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 2022 the Group reported net income of EUR 26,355 thousand (2021: EUR 14,198 thousand) and net cash generated by operating activities of EUR 5,243 thousand (2021: EUR 10,735 thousand). As of 30 September 2022, the Group's equity amounted to EUR 104,192 thousand (30 September 2021: EUR 44,847 thousand) and current assets exceed current liabilities by EUR 61,824 thousand (30 September 2021: EUR 16,417 thousand).

Renewal of credit facilities: As of 30 September 2022, the Group had short-term bank loans in the amount of EUR 53,347 thousand (30 September 2021: EUR 37,355 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 2022 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 2023 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. 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 Company's insolvency.

Subsequent to 30 September 2022 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 31.091 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 63.029 thousand (subsequent to 30 September 2021 and as of the date of approval of the consolidated financial statements for the year ended 30 September 2021: The Group serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 39,618 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 20,263 thousand). The current bank loans as per date of release for submission amounted to approximately EUR 85.196 thousand (per date of release for submission of the consolidated financial statements for the year ended 30 September 2021: EUR 18,655 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 the amendments to the sanction lists and requirements closely and are 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 2022	As of 30 September 2021
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, Russland	Agricultural machinery sales	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:

	2022 EUR'000	2021 EUR'000
Sale of agricultural machinery and equipment	129,654	165,676
Sale of agricultural spare parts, tires and lubricants	89,594	58,606
Revenue from rendering of services	7,816	4,857
Sale of trade-in machinery	7,341	4,812
Sale from precision farming equipment	1,949	2,818
Sales of construction and road equipment	623	-
Sale of forestry machinery	531	5,656
Sale of forestry spare parts	-	1,151
	237,508	**243,576**

9. PURCHASE COST OF GOODS SOLD

Purchase cost of goods sold comprise the following:

	2022 EUR'000	2021 EUR'000
Cost of agricultural machinery and equipment	105,871	146,225
Cost of agricultural spare parts, tires and lubricants	54,207	42,474
Cost of trade-in machinery	6,492	4,501
Cost of precision farming equipment	1,270	2,103
Cost of construction and road equipment	585	-
Cost of forestry machinery	480	4,286
Cost of forestry spare parts	-	276
	168,905	**199,865**

10. OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2022 EUR'000	2021 EUR'000
FOREX gain	4,046	3,375
Income from resale of other goods	2,843	-
Gain on disposal of property, plant and equipment	213	-
Reimbursement of marketing expenses	187	433
Changes in warranty reimbursement assets	(296)	1,993
Gain on disposal of subsidiary	-	956
Other income	**536**	**512**
	7,529	**7,269**

11. PAYROLL EXPENSES

Personnel costs break down as follows:

	2022 EUR'000	2021 EUR'000
Wages and salaries	8,435	5,857
Bonuses	8,314	5,525
Social contributions	3,805	2,769
	20,554	**14,151**

The average number of staff in the Group during the year ended 30 September 2022 was 764 employees (2021: 736). Of these 176 (2021: 182) work in administration, 323 (2021: 298) in customer service, and 265 (2021: 256) in the sales department.

12. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2022 EUR'000	2021 EUR'000
Expenses for transport vehicles	2,377	1,656
Expenses from resale of other goods	2,422	-
Travel and representation expenses	1,801	1,122
Transportation expenses	1,851	1,562
Impairment of investment property	1,468	-
Cost of workshops	1,081	744
Expenses for premises	1,064	961
Audit, consulting and legal fees	1,036	1,130
Office expenses	848	289
Marketing and advertising expenses	629	610
Other taxes	541	499
Bank charges	259	224
Change in warranty provision	(548)	1,875
Other expenses	1,058	1,104
	15,887	**11,776**

The research and development costs incurred in the current and previous reporting periods were insignificant.

13. FINANCIAL INCOME / FINANCIAL EXPENSES

Financial income comprises the following:

	2022 EUR'000	2021 EUR'000
Interest income	2,143	1,779
	2,143	**1,779**

Financial expenses comprise the following:

	2022 EUR'000	2021 EUR'000
Interest expenses	2,931	2,444
Interest expense on extended accounts payable	377	792
Bank charges	574	582
Other financial expenses	138	498
	4,020	**4,316**

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:

	2022 EUR'000	2021 EUR'000
Current year income tax expense	8,445	4,269
Deferred income tax expenses	(806)	321
Income tax expense	**7,639**	**4,590**

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

	2022 EUR'000	2022 EUR'000
Income before tax	33,994	18,788
Income tax at a tax rate of 25%	(8,499)	(4,697)
Influence of differences in tax rates of different countries	1,713	980
Effect of expenses that are not deductible in determining taxable profit	(853)	(873)
Total	**(7,639)**	**(4,590)**

14.3 Composition of deferred tax assets and liabilities

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**

EUR'000	As of 1 October 2020	Change to profit and loss	Foreign currency translation	Disposal of subsidiary	As of 30 September 2021
Property, plant and equipment	(409)	47	(43)	(126)	**(531)**
Inventories	502	170	41	(307)	**406**
Short-term financial assets	17	52	4	-	**73**
Trade receivables	(197)	(341)	(11)	491	**(58)**
Prepayments	27	(22)	1	-	**6**
Other financial assets	(560)	25	(52)	-	**(587)**
Other short-term assets	(202)	(268)	(31)	40	**(461)**
Long-term lease liabilities	268	(84)	22	16	**222**
Provisions	341	91	37	-	**469**
Trade accounts payable	15	6	2	-	**23**
Advances received	(63)	(60)	(7)	31	**(99)**
Other financial liabilities	(43)	38	(2)	-	**(7)**
Short-term lease liabilities	193	63	21	(12)	**265**
Other short-term liabilities	425	230	55	(2)	**708**
Loss carry forward	256	(268)	12	-	**-**
Net deferred tax assets / (liabilities)	**570**	**(321)**	**49**	**131**	**429**

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, aggregate to EUR 78,596 thousand as of 30 September 2022 (2021: EUR 27,783 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 2022, the Group has loss carry-forwards amounting to EUR 3,292 thousand (2021: EUR 3,097 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	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
***Gross book value as of* 1 October 2020**	**1,547**	**18,170**	**1,404**	**2,565**	**4,360**	**2,048**	**990**	**187**	**31,271**
Lease modification	3	41	-	-	-	-	-	-	**44**
Additions	105	4,591	433	602	1 739	582	727	103	**8,892**
Disposals	(15)	(79)	(133)	(86)	(283)	(22)	(26)	(16)	**(640)**
Disposal of subsidiary	(68)	(199)	(3)	-	(224)	(56)	(49)	(5)	**(604)**
Transfer	-	3 277	(438)	(2,945)	-	106	-	-	**-**
Reclassification	-	-	-		-	(3)	-	3	**-**
Foreign currency translation	150	2,127	130	247	480	229	128	20	**3,388**
as of 30 September 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**

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 2020**	**(12)**	**(5,339)**	-	-	**(2,733)**	**(1,320)**	**(555)**	**(117)**	**(10,076)**
Lease modification	6	134	-	-	265	15	9	15	**444**
Disposals	19	69			35	12	13	-	**148**
Depreciation charge for the year	(39)	(1,391)			(877)	(212)	(333)	(32)	**(2,884)**
Reclassification	-	-			-	3	-	(3)	-
Foreign currency translation	2	(596)	-	-	(292)	(136)	(68)	(12)	**(1,079)**
as of 30 September 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)**

EUR'000	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 2021	**1,694**	**20,832**	**1,423**	**260**	**2,470**	**1,246**	**836**	**143**	**28,904**
as of 30 September 2022	**2,563**	**30,561**	**320**	**307**	**5,361**	**3,071**	**1,344**	**303**	**43,830**

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

EUR'000	Land	Buildings	Transpor	Equipment	Total
Gross book value					
as of 1 October 2020	**64**	**937**	**2,786**	**76**	**3,863**
Lease modification	3	41	-	-	**44**
Additions	83	125	1,640	28	**1,876**
Disposals	(15)	(70)	(60)	-	**(145)**
Disposal of subsidiary	(68)	(164)	(174)	-	**(406)**
Foreign currency translation	6	87	338	8	**439**
as of 30 September 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**
Accumulated depreciation					
as of 1 October 2020	**(12)**	**(255)**	**(684)**	**(51)**	**(714)**
Disposals	6	70	-	-	**24**
Disposal of subsidiary	19	67	52	-	**52**
Additions	(39)	(336)	(828)	(30)	**(1,203)**
Foreign currency translation	(2)	(35)	298	9	**361**
as of 30 September 2021	**(28)**	**(489)**	**(1,162)**	**(51)**	**(1,480)**
Disposals	24	276	6	-	**306**
Transfer to own leased-out properties	-	-	1,456	73	**1,529**
Reclassification	-	-	(10)	10	**-**
Additions	(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)**
Net book value					
as of 30 September 2021	**45**	**467**	**2,426**	**29**	**2,967**
as of 30 September 2022	**76**	**1,088**	**5,097**	**48**	**6,309**

The Group recognized investment property as follows:

	EUR'000
Gross book value **as of 30 September 2021**	-
Transfer from property, plant and equipment	3,143
Foreign currency translation	183
as of 30 September 2022	**3,359**
Accumulated depreciation and impairment **as of 30 September 2021**	-
Transfer from property, plant and equipment	(1,239)
Impairment of investment property	(1,468)
Foreign currency translation	(187)
As of 30 September 2022	**(2,894)**
Net book value ***as of 30 September 2021***	-
as of 30 September 2022	**465**

The investment property operating lease agreement was concluded on 1 October 2022.

During the 2022 financial year depreciation charge was EUR 3,784 thousand (2021: EUR 2,884 thousand) on property, plant and equipment.

During the 2022 financial year amortization charge was EUR 224 thousand (2021: EUR 223 thousand) on intangible assets.

As of 30 September 2022 and 2021 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 20,230 thousand including investment properties of EUR 465 thousand as of 30 September 2022 (2021: EUR 14,004 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, % 09/30/2022	Interest rate, % 09/30/2021	Maturity	Level	09/30/2022 EUR'000	09/30/2021 EUR'000
Long-term loans issued to employees				Level 2	57	66
Long-term loans issued					**57**	**66**
Short-term loans to related parties [35]	8.5% - 12.5%	8.5% - 12.5%	01/31/2023 - 09/29/2023	Level 2	41,156	25,919
Short-term loans to 3rd parties	10% - 12%	10% - 12%	12/31/2022 - 09/30/2023	Level 2	4,866	2,944
Short-term loans issued to employees				Level 2	40	163
Other					57	-
Less: Provision for loan impairment					(6,300)	(4,517)
Short-term loans issued					**39,819**	**24,509**
Total					**39,876**	**24,575**

All loans issued are unsecured. The fair value of loans issued equals EUR 40,172 thousand as of 30 September 2022 (2021: EUR 24,604 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 ipaired)	Total	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
As of 1 October 2020	**(163)**	**(3,655)**	**(3,818)**	**21,718**	**3,655**	**25,373**
New originated	(455)	-	(455)	2,425	-	2,425
Transfer to credit-impaired (from Stage 1 to Stage 3)	264	(264)	-	(264)	264	-
Derecognized during the period	17	-	17	(1,971)	-	(1,971)
Changes in accrued interest	-	-	-	1,244	-	1,244
Foreign currency translation differences, net	(19)	(252)	(271)	1,769	252	2,021
Total movements with impact on credit loss allowance charge for the period	(183)	(516)	(699)	3,203	516	3,719
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 30 September 2022	**(570)**	**(5,730)**	**(6,300)**	**40,445**	**5,730**	**46,175**

17. INVENTORIES

Inventories comprise the following:

	09/30/2022 EUR'000	09/30/2021 EUR'000
Agricultural spare parts, tires and lubricants	34,483	20,690
Agricultural machinery	19,839	20,389
Trade-in machinery	4,667	1,323
Precision farming equipment	1,467	952
Forestry spare parts	36	-
Other inventory	96	75
	60,588	**43,429**

During the 2022 financial year, EUR 1,177 thousand (2021: EUR 711 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 36,762 thousand as of 30 September 2022 (2021: EUR 6,580 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:

	09/30/2022 EUR'000	09/30/2021 EUR'000
Trade receivables, gross	28,454	31,119
Allowance for credit losses	(476)	(466)
Trade receivables, net	**27,978**	**30,653**

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

	EUR'000
As of 1 October 2020	**(425)**
New originated	(121)
Foreign currency translation	33
Derecognized during the period	47
As of 30 September 2021	**(466)**
New originated	(37)
Foreign currency translation	(355)
Derecognized during the period	382
As of 30 September 2022	**(476)**

Other financial assets comprise the following:

	09/30/2022 EUR'000	09/30/2021 EUR'000
Other financial assets, gross	2,163	3,939
Allowance for credit losses	(7)	(46)
Other financial assets, net	**2,156**	**3,893**

Other financial assets mainly consist of bonuses from suppliers.

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:

	09/30/2022				09/30/2021			
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 13 (lifetime ECL for credit im-paired)**	**Net carrying amount EUR'000**
Neither past due nor impaired	8,266	(90)	-	8,176	14,978	(171)	-	14,807
Impaired								
Past due	22,351	(335)	(58)	21,958	20,080	(301)	(40)	19,739
Less than 6 months	10,205	(155)	-	10,050	5,930	(93)	(24)	5,813
From 6 to 12 months	3,602	(53)	(17)	3,532	5,440	(81)	(9)	5,350
More than 1 year	8,544	(127)	(41)	8,376	8,710	(127)	(7)	8,576
	30,617	**(425)**	**(58)**	**30,134**	**35,058**	**(472)**	**(40)**	**35,546**

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

Prepayments amounting to EUR 19,214 thousand (30 September 2021: EUR 4,116 thousand) mainly represents prepayments to suppliers for agricultural machinery and spare parts.

19. OTHER SHORT-TERM ASSETS

Other short-term assets comprise the following:

	09/30/2022 EUR'000	**09/30/2021 EUR'000**
Other taxes receivable	2,289	EUR'000
Other current assets	47	2,860
	2,336	**3,604**

Other taxes receivable are primarily VAT receivable. As of 30 September 2021 other current assets mainly consist of assets for reimbursement of warranty provision in the amount of EUR 2,788 thousand.

20. CASH ON HAND AND BANK BALANCES

Cash and cash equivalents comprise the following:

	09/30/2022 EUR'000	**09/30/2021 EUR'000**
Bank balances	2,838	933
Short-term deposits	-	4,595
Cash in transit	1,583	1
Cash on hand	11	7
	4,432	**5,536**

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

	09/30/2022 EUR'000	09/30/2022 EUR'000
AAA to AA-	4,432	5,528
Total cash and cash equivalents, excluding cash on hand	**4,432**	**5,528**

**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 2022 and 2021 is EUR 3,140 thousand consisting of 3,140,000 shares. The amount of additional paid in capital as of 30 September 2022 and 2021 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:

	2022	2021
Income for the period, EUR'000	26,355	14,198
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	10.70	5.77
Shares Series B	6.17	3.32

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 2020	**1,707**
Charge for the year	1,875
Foreign currency translation	187
Utilized	(1,422)
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**

24. BORROWINGS

The borrowings comprise the following:

		30 September 2022 EUR'000		30 September 2021 EUR'000	
	Level	GBV	FV	GBV	FV
Current bank loans	Level 2	53,347	53,347	37,355	37,355
		53,347	**53,347**	**37,355**	**37,355**

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 2020	**(35,256)**	**(2,156)**	**(37,412)**
Lease modification	-	(44)	**(44)**
Additions	-	(1,712)	**(1,712)**
Cash flows	3,193	1,882	**5,075**
Disposal of subsidiary	265	282	**547**
Foreign exchange adjustments	(3,354)	(395)	**(3,749)**
Interest expense	(2,203)	(241)	**(2,444)**
Liabilities from financing activities as of 30 September 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)**

As of 30 September 2022 borrowings in the amount of EUR 25,591 thousand (30 September 2021: 25,636 thousand) were secured with guarantees of the ultimate controlling party.

The effective annual interest rates were as follows:

	Current loans and borrowings	
	30 September 2022	**30 September 2021**
RUB	6.85% -12.77%	5.9% - 11.06%

Covenants under the Group's bank loan agreements are as follows:

- 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 comply with certain level of EBITDA;
- 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. As of 30 September 2022 the Group has complied with all the covenants. During the year ended 30 September 2021 the Group has complied with all the covenants, except for the covenants relating to borrowings of EUR 37,355 thousand. During the 2022 financial year these borrowings were refinanced.

25. TRADE ACCOUNTS PAYABLE

Trade payables are comprised of trade payables due to third parties in the amount of EUR 10,575 thousand as of 30 September 2022 (30 September 2021: EUR 42,015 thousand) and due to related party in the amount of EUR 866 thousand (30 September 2021: EUR 15 thousand). Trade payables can be non-interest bearing and interest bearing. As of 30 September 2022 trade payables in the amount of EUR 8,551 thousand were secured with guarantees of the ultimate controlling party (30 September 2021: EUR 28,964 thousand). 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 15,070 thousand (30 September 2021: EUR 9,169 thousand) represents a contract liability.

EUR 7,710 thousand (2021: EUR 4,170 thousand) of revenue was recognized in the current reporting period arising from contracts with customers as of 30 September 2021 (2021: as of 1 October 2020). 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:

	09/30/2022 EUR'000	09/30/2021 EUR'000
Employee benefit liabilities	7,058	4,471
Other financial liabilities	589	1,003
	7,647	**5,474**

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:

	09/30/2022 EUR'000	09/30/2021 EUR'000
Long-term lease payable	2,415	1,085
Short-term lease payable	2,203	1,299
	4,618	**2,384**

Interest expense included in financial expenses of the 2022 financial year was EUR 366 thousand (2021: EUR 241 thousand).

During the 2022 financial year, expenses relating to short-term leases amounting to EUR 42 thousand (2021: EUR 110 thousand) and relating to leases of low-value assets amounting EUR 3 thousand (2021: 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:

	09/30/2022 EUR'000	09/30/2021 EUR'000
VAT payable	2,920	2,283
Other taxes payable	941	349
	3,861	**2,632**

30. DISPOSAL OF SUBSIDIARY

Management approved a plan to sell OOO "Ambitech" on 30 June 2021.

On 9 August 2021 the Group disposed 100% of the share capital in OOO "Ambitech". The details of the disposed assets and liabilities and disposal consideration are as follows:

EUR'000	08/09/2021
Property, plant and equipment	452
Inventories	4,410
Trade receivables	2,691
Cash and cash equivalents	204
Other assets	1,393
Trade accounts payable	(8,332)
Borrowings	(265)
Lease liabilities	(282)
Other liabilities	(869)
Carrying amount of disposed net assets	**(598)**

EUR'000	08/09/2021
Total disposal consideration	**358**
Less: cash and cash equivalents in disposed subsidiary	(204)
Cash inflow on disposal	**154**

The Group has recorded a gain from disposal of the subsidiary of EUR 956 thousand within 'Other operating income'.

EUR'000	08/09/2021
Consideration for disposal of the subsidiary	**358**
Carrying amount of disposed net assets	(598)
Gain on disposal of subsidiary	**956**

31. OPERATING ENVIRONMENT

In the first half of 2022 financial year the Russian economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. The main customers of the Group are operating in the agricultural sector which has not been significantly affected by the spread of the Coronavirus infection, and the Group did not have massive restrictions in its activities.

In the middle of 2022 financial year operating environment has changed dramatically 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: during the 2022 financial year the key rate has increased drastically in February 2022 to 20% with the subsequent decrease to 7.50% in September 2022; foreign currency operations have been restricted. The measures resulted in acceleration of inflation in Russia and decline in the Russian equity market.

The Russian ruble was highly volatile in the 2022 financial year. On 30 September 2021 the exchange rate was about 84.8755 RUB/EUR, it continued to growth, reaching its peak of 132.9581 RUB/EUR on 11 March 2022, and then it started to drop, reaching its peak of 53.8580 RUB/EUR on 30 June 2022. On 30 September 2022 the exchange rate was about 55.4064 RUB/EUR The average rate for the financial year was 77.4325 RUB/EUR (2021: 89.1385 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 expec-tations and estimates could differ from actual results.

32. 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 2022 and 2021.

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.

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:

30 September 2022 **EUR'000**	**Level**	**USD**	**RUB**	**EUR**	**CAD**	**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**

30 September 2021 **EUR'000**	**Level**	**USD**	**RUB**	**EUR**	**CAD**	**Total**
Long-term loans issued	Level 2	-	66	-	-	**66**
Short-term loans issued	Level 2	-	20,861	3,648	-	**24,509**
Trade receivable	Level 2	473	23,931	2,334	3,915	**30,653**
Other financial assets	Level 2	95	3,791	7	-	**3,893**
Cash and cash equivalents	Level 1	2	5,514	19	1	**5,536**
Total monetary financial assets		**570**	**54,163**	**6,008**	**3,916**	**64,657**
Long-term lease liabilities	Level 2	-	1,085	-	-	**1,085**
Short-term loans and credits	Level 2	-	37,355	-	-	**37,355**
Trade payables	Level 2	15,381	7,698	18 949	2	**42,030**
Short-term lease liabilities	Level 2	-	1,299	-	-	**1,299**
Other financial liabilities	Level 2	9	614	380	-	**1,003**
Total monetary financial liabilities		**15,390**	**48,051**	**19,329**	**2**	**82,772**
Net monetary position		**(14,820)**	**6,112**	**(13,321)**	**3,914**	**(18,115)**

The Group is primarily exposed to risks from changes in the exchange rate between euro (EUR), Russian ruble (RUB), US dollar (USD) and Canadian dollar (CAD). 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 USD/ RUB rate	Effect on loss before income tax EUR'000
2022	10.00%	(309)
	-15.00%	464
2021	10.00%	(1,332)
	-15.00%	1,998

USD/RUB	Change in EUR/ RUB rate	Effect on loss before income tax EUR'000
2022	10.00%	(639)
	-15.00%	958
2021	10.00%	(1,482)
	-15.00%	2,223

CAD/RUB	Change in CAD/ RUB rate	Effect on loss before income tax EUR'000
2022	10.00%	224
	-15.00%	(336)
2021	10.00%	391
	-15.00%	(587)

32.5 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 52,999 thousand as of 30 September 2022 (2021: 0).

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 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).

32.6 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 2022 the Group had eight customers that owed the Group more than EUR 1,000 thousand each and made up 73% of trade receivables balance (2021: six customers owed more than EUR 1,000 thousand each accounted for 55% of trade receivables balance), seven customers counting for 64% of the balance were related parties and one customer counting for 9% of the balance was third party (2021: five customers counting for 42% of the balance were related parties and one customer counting for 13% of the balance was third party).

33. 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 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**

As of 30 September 2021 EUR'000	On demand	Less than 3 months	Between 4 months and 1 year	Between 1 and 2 yearse	Between 2 and 5 years
Loans and borrowings	37,355	-	-	-	-
Trade payables	1,992	38,952	1,086	-	-
Lease liabilities	-	355	1,064	844	422
Other financial liabilities	53	950	1	-	-
Total	**39,400**	**40,257**	**2,151**	**844**	**422**

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).

	09/30/2022 EUR'000	09/30/2021 EUR'000
Loans and borrowings	(53,347)	(37,355)
Less: cash and cash equivalents	4,432	5,536
Net debt	**(48,915)**	**(31,819)**
Total capital	104,192	44,847
Capital and net debt	**55,277**	**13,028**

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2022 and 2021.

34. 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;
- 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 2022 EUR'000	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
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 from impairment of financial assets	30	66	202	(27)	(83)	188
Results from operating activities	**12,888**	**7,688**	**12,904**	**3,046**	**(656)**	**35,871**

Year ended 30 September 2021 EUR'000	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
Revenue	**105,227**	**68,800**	**87,691**	**687**	**(18,829)**	**243,576**
Sales of goods for resale - external	*98,968*	*64,098*	*76,051*	*-*	*(398)*	*238,719*
Sales (all) - Group companies	*4,163*	*3,681*	*9,892*	*687*	*(18,423)*	*-*
Revenue from rendering of services – external	*2,096*	*1,021*	*1,748*	*-*	*(8)*	*4,857*
Purchase cost of goods sold	**(87,446)**	**(57,599)**	**(72,933)**	**(667)**	**18,780**	**(199,865)**
Gross profit	**17,781**	**11,201**	**14,758**	**20**	**(49)**	**43,711**
Other operating income	3,295	1,656	2,580	8,233	(8,495)	7,269
Payroll expenses	(4,251)	(2,310)	(3,224)	(4,366)	-	(14,151)
Depreciation and amortization	(1,442)	(528)	(870)	(340)	73	(3,107)
Other operating expenses	(6,841)	(4,440)	(5,746)	(2,715)	7,966	(11,776)
Loss from impairment of financial assets	(154)	(64)	(198)	(205)	-	(621)
Results from operating activities	**8,388**	**5,515**	**7,300**	**627**	**(505)**	**21,325**

	2022 EUR'000	2021 EUR'000
Result from operating activity	**35,871**	**21,325**
Financial income	2,143	1,779
Financial expenses	(4,020)	(4,316)
	33,994	**18,788**
Income tax expense, total	(7,639)	(4,590)
Income for the period	**26,355**	**14,198**

In the 2022 financial year one customer made 10% of Black Earth segment revenue, for other segments, there were no customers with a revenue share more than 5%. (2021: one customer made 15% of Black Earth segment, one customer made 17% of revenue of Central segment, two main customers made 14% of Siberian segment).

35. 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	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Sale of agricultural machinery	63	206	-	-	-	-	**63**	**206**
Sale of agricultural spare parts, tires and lubricants	8,978	5,166	-	-	-	-	**8,978**	**5,166**
Sale from intelligent farming	7	84	-	-	-	-	**7**	**84**
Revenue from rendering of services	415	255	-	-	-	-	**415**	**255**
Other income	82	83	-	-	-	-	**82**	**83**
Purchase of goods and services	(2,363)	(813)	-	-	-	-	**(2,363)**	**(813)**
Remuneration of key management	-	-	-	-	(1,705)	(1,282)	**(1,705)**	**(1,282)**
Other expenses of key management	-	-	-	-	-	(7)	**-**	**(7)**
Impairment of loans issued	-	-	(26)	(264)	-	-	**(26)**	**(264)**

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
Entities under common control	09/30/2022	24.797	881
	09/30/2021	18.310	28
Key management personnel	09/30/2022	30	316
	09/30/2021	-	316
Total	09/30/2022	**24.827**	**1.197**
	09/30/2021	**18.310**	**344**

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

EUR '000		Long-term loans granted	Short-term loans granted
Entities under common control	09/30/2022	-	39,272
	09/30/2021	-	24,286
Key management personnel	09/30/2022	-	-
	09/30/2021	-	114
Total	09/30/2022	**-**	**39,272**
	09/30/2021	**-**	**24,400**

EUR '000		Interest income	Interest expense
Entities under common control	09/30/2022	1,907	-
	09/30/2021	1,673	-
Parent company	09/30/2022	21	-
	09/30/2021	16	-
Key management personnel	09/30/2022	-	6
	09/30/2021	-	5
Total	09/30/2022	**1,928**	**6**
	09/30/2021	**1,689**	**5**

During the year ended 30 September 2022 EUR 155 thousand (2021: EUR 2,076 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 2022 the Group received settlement of loans issued to related parties of EUR 402 thousand (2021: EUR 1,518 thousand), which is included into the line 'Proceeds from settlement of loans issued' in the consolidated cash flow statement.

36. 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 2,298,947.67 consisting of the net loss for the 2022 financial year of EUR 236,354.51 and the profit carried forward of EUR 2,535,302.18.

37. 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 2022 was EUR 65 thousand (2021: EUR 50 thousand).

38. RELEASE

The Executive Board of Ekotechnika AG released the consolidated financial statements for submission to the Supervisory Board on 10 February 2023. The Supervisory Board has to examine the consolidated financial statements and declare whether the consolidated financial statements are approved.

Walldorf, 10 February 2023

Stefan Dürr	Bjoerne Drechsler
Vorstandsvorsitzender	Vorstandsmitglied

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 2022, 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 2021 to 30 September 2022, 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 2021 to 30 September 2022.

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 2022 and of its financial performance for the financial year from 1 October 2021 to 30 September 2022 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.

As described in section "Going concern" in the notes to the consolidated financial statements and section "Risks threatening the existence of the company" of the group management report, these events and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern within the meaning of § 322 (2) sentence 3 HGB. Our audit opinion is not modified with respect to this matter.

Other information

The legal representatives are responsible for the other information.

The other information comprises the annual report which is expected to be made available to us after the date of the auditor's report - without further cross-references to external information -, with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit, we have a responsibility to read the other information referred to above and, in doing so, assess whether the other information

- is materially inconsistent with the consolidated financial statements, the content of the audited group management report disclosures or our knowledge obtained in the audit; or

- otherwise appears to be materially misrepresented

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 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.

- Evaluatethe 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, supervisionand 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, 10 February 2023

Klaiber GmbH Auditing Company

Klaiber
German Public Auditor

EKOTECHNIKA

Contact:
Ekotechnika AG
Johann-Jakob-Astor-Str. 49
69190 Walldorf
T: +49 (0) 6227 3 58 59 60
E: info@ekotechnika.de
I: www.ekotechnika.de