EKOTECHNIKA AG, WALLDORF

GROUP MANAGEMENT REPORT
AS OF 30 SEPTEMBER 2024

1 Background of the Group

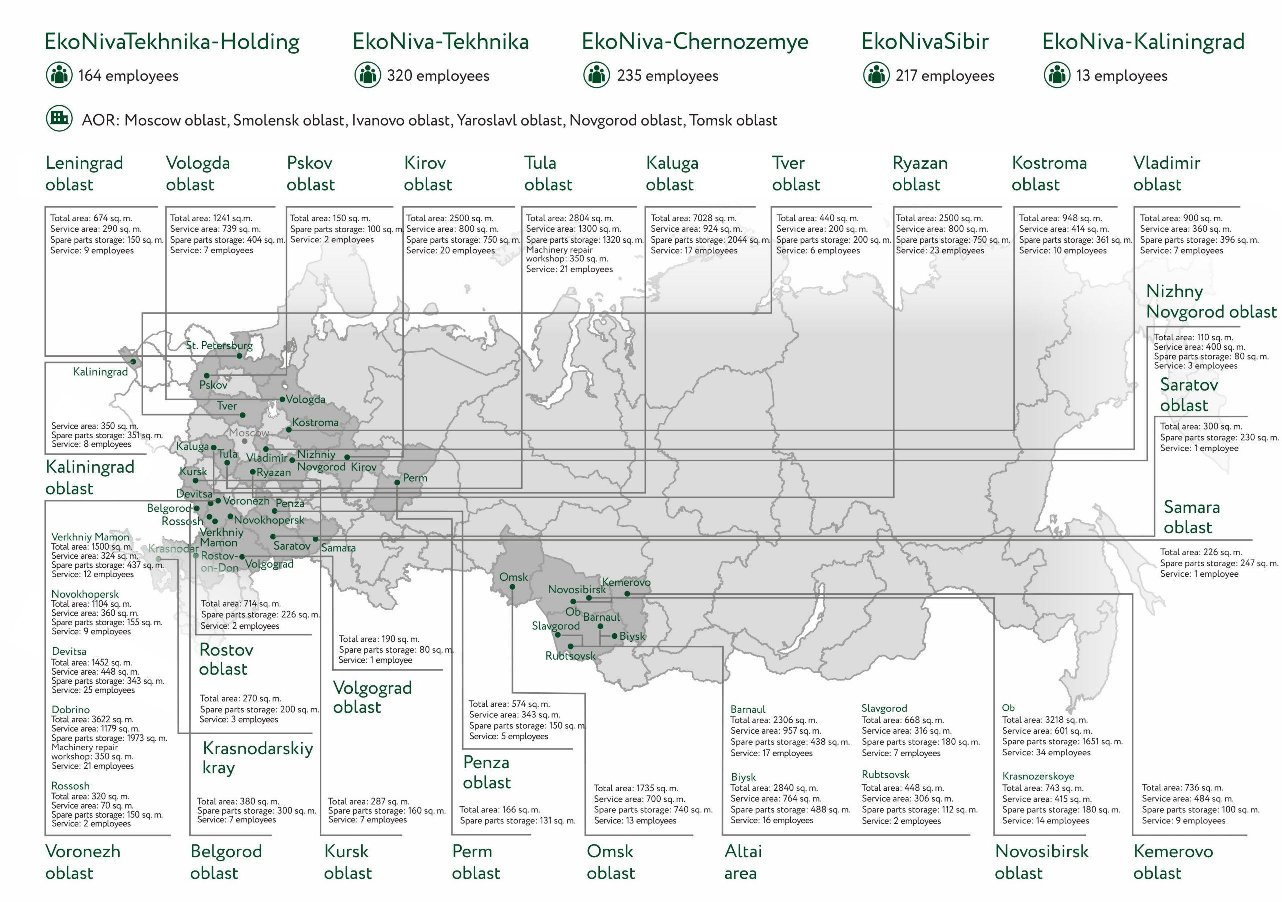
Ekotechnika AG, headquartered in Walldorf, is the German holding company of the EkoNiva-Technika Group, the largest distributor of international agricultural machinery in Russia. Ekotechnika's main business lies in selling agricultural machinery such as tractors, combines and spare parts for agricultural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

In the 2023/2024 financial year, Ekotechnika Group generated sales revenues of EUR 172 million and earnings before interest and taxes (EBIT) of EUR 13 million.

1.1. Business model of the Group

The business activities of the Ekotechnika Group, hereinafter referred to as "Ekotechnika" or "the Group", comprise trading of agricultural, road and municipal machinery, sale of spare parts and the provision of services, as well as the sale of products and services in the field of "smart farming".

The Group's sales market is Russia, where Ekotechnika meanwhile employs 949 people at 34 locations in the five regions of Central Russia, Blacksoil region, Siberia, Northwest and Altai. In the Russian market, the Group's companies operate under the EkoNiva-Technika brand.



Last updated on 30 September 2024

The **New Machinery** segment remains a significant part of the Group's business, however, in the reporting period the revenue share was only 35.67% compared to 26.7% in the comparison period, while the core has moved to **Spare Parts** (42.3% compared to 43%) and **Customer Service**.

In 2024 the product range of the **New Machinery** included equipment from manufacturers such as LOVOL (China), LiuGong (China), SANY (China), UMG (Russia), Bednar (Czech Republic), MST (Turkey), Gregoire Besson (France), Kramer (Germany), Poettinger (Austria), NAGRO (Russia), Grimme (Germany), BONUM (Russia), BVL (Germany), Kirovets (Russia), Haybuster (USA), Polymia (Russia), Einboeck (Austria), Tecnoma (France), ROC (Italy), Geringhoff (Germany), Fliegl (Germany), Suolun (China), Basak (Turkey), Hardi (Denmark), Bressel (Germany), ZOOMLION (China), Jiangsu (China).

The range of road-construction and municipal machinery and equipment that Ekotechnika started selling in March 2022 is represented by brands such as UMG (Russia), AUTOCRAN (Russia), XGMA (China), MST (Turkey), LiuGong (China); the revenue-share is small, but the segment shows satisfactory growth rates.

There is still a demand for **Used Tractors**, though not as active as previously. The main suppliers are: Euro Noliker Kft, Toebbe Schwerlast Ost GmbH.

The Group’s **Spare Parts** segment currently offers a comprehensive portfolio of spare parts at 34 locations. The spare parts warehouses are usually integrated into the company’s service centers in strategic locations. They stock over 62,000 original spare parts from all brands of the machinery sector, which are transported directly and quickly to the customer’s site by the company’s fleet of service vehicles whenever required. The Group benefits from the constantly growing demand for spare parts. Gross profit margin in this business segment is much higher than for new machinery, which is typical for this industry.

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

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

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

1.2 Objectives and strategies

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

The removal of the restrictions in the geographical areas of responsibility have a positive impact on the opportunities of the business, and the Company’s objectives have included expanding the business to new regions. The process has been started in 2023 and continued in 2024 financial year: the Group has launched 5 new service centers with warehouses (in Nizhny Novgorod, Samara, Penza, Rostov-on-don region and in Volgograd). In all the locations of presence Ekotechnika Group focuses on strengthening the Spare parts and Customer Service segments together with relying on its proven business model, i.e., the sale of imported agricultural machines. The Group finds it necessary to expand the business by both, further foreign suppliers as well as Russian manufacturers of agricultural machinery and road construction. The Group is continuing the import substitutes program in respect of spare parts for Western agricultural brands, which are widely represented in customers’ fleets.

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

All the above-mentioned factors (adding the new segments to the Group's portfolio, strengthening the Company's position by signing the new dealership agreements and expanding into the new territories) make Ekotechnika more resistant to the changes in the business environment and might increase sales and net profit of the company's traditional new machines and spare parts operations.

1.3 Control system

Corporate planning and control are primarily based on the following financial performance indicators: sales revenues, gross profit as well as earnings before interest and taxes (EBIT; operating result). The abovementioned indicators are monitored for the following key business segments: Machinery and equipment, both agricultural and road construction, Spare parts, Customer Service and Smart Farming. Sales revenues from Machinery and equipment sales is driven by the number of both new and trade-in machines. The New Machinery segment has risen from 27% in 2023 to approx. 36% in 2024 financial year, whereas the share of trade-in machinery sales has fallen. The Ekotechnika Group aims to continue expanding the high-margin and less volatile Spare Parts and Customer Service segments, which have formed approx. 54% of sales revenue in 2023 and remained almost the same – 53% - in 2024.

1.4. Research and development

The Company is extensively using the results of research and development, which was performed in Smart Farming during the previous periods. However, nowadays more emphasis is made on domestic production of spare parts which may substitute for the ones no longer available or being too expensive in Russia. High quality samples form the portfolio of the new brand "Agroznak". During the 2024 financial year the portfolio has grown to 682 SKUs. For all of them the cost of production turned out to be 17-30% lower than the cost of original spare parts, fuels and lubricants.

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 2024, risks to the global outlook are tilted to the down-side amid elevated policy uncertainty. Sudden eruptions in financial market volatility could tighten financial conditions and weigh on investment and growth, especially in developing economies in which large near-term external financing needs may trigger capital outflows and debt distress. Further disruptions to the disinflation process, potentially triggered by new spikes in commodity prices amid persistent geopolitical tensions, could prevent central banks from easing monetary policy, which would pose significant challenges to fiscal policy and financial stability. Deeper- or longer-than-expected contraction in China's property sector, especially if it leads to financial instability, could weaken consumer sentiment and generate negative global spillovers given China's large footprint in global trade. An intensification of protectionist policies would exacerbate trade tensions, reduce market efficiency, and further disrupt supply chains. Rising social tensions could prompt social unrest, hurting consumer and investor confidence and potentially delaying the passage and implementation of necessary structural reforms.

The latest expectation for global growth five years from now—at 3.1 percent — remains mediocre compared with the pre-pandemic average. The baseline forecast is for global growth to slow from 3.3% in 2023 to 3.2% in 2024 and 3.2% in 2025. Advanced economies are expected to grow from 1,7% in 2023 to 1.8% in 2024 and in 2025 due to persistent structural headwinds—such as population aging and weak productivity. Emerging market and developing economies are projected to have a modest decline in growth from 4.4% in 2023 to 4.2% in both 2024 and 2025. In the group of emerging and developing countries, the Russian economy has shown stable results of 3,6% growth in 2023 and 2024 and an expected decline to 1,3% growth figure in 2025.[1]

Global headline inflation is expected to fall from an annual average of 6.7 percent in 2023 to 5.8 percent in 2024 and 4.3 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies.

Inflation in Russia in the first half of the financial year 2023/2024 has risen moderately from 6.7% in October 2023 to 7.8% in April 2024. But since May 2024 it has increased significantly, reaching almost 9% by the end of the fiscal year in September 2024. After the end of the reporting period, it remained at the level of 8.5% in October 2024.[2]

The Central Bank in Russia has gradually increased the key interest rate in response to the rising inflation from 13% as of the 1st of October 2023 to 19% on 30th September 2024. The October-session of the Central Bank has resulted in increasing the key interest rate to 21% starting from 28th of October 2024.[3]

The RUB/EUR exchange rate stood at RUB 103.1631/EUR at the beginning of the financial year in October 2023 and at RUB 103.4694/EUR at the end of the financial year (30 September 2024). The average rate for the financial year was RUB 98.5018/EUR (2023: RUB 83.12/EUR). The exchange rate reached its low of RUB 89.0914/EUR on 20 June 2024, compared to the peak of RUB 107.0322/EUR on 10 October 2023.[4]

The RUB/USD exchange rate was RUB 97.4147/USD at the beginning of the financial year and RUB 92.7126/USD at the end of the financial year. The average exchange rate for the 2023/2024 financial year was RUB 90.8431/USD (2023: RUB 77.5845/USD). The exchange rate reached a low of RUB 82.6282/USD on 20 June 2024, compared to a high of RUB 101.3598/USD on 10 October 2023.[5]

Russian agricultural and farming equipment market

Agricultural machinery and spare parts which form the core of the Company's business, cover primarily the needs of customers processing the fields with grain, legumes, oilseeds and vegetables. Thus, the following factors are of paramount importance in determining the sustainability of the Group's business: changes in sown areas, crop yield, demand for crops in Russia and abroad and government support of both agricultural producers and local agricultural equipment manufacturers.

The beginning of the 2024 agricultural season was extremely difficult. 21 regions suffered from unfavorable weather conditions. Late spring frost affected Central Russia, the Volga region, South and South-West, leading to the loss of more than a million hectares of crops – this is about 1.2% of the sown area. As a result, 11 regions have introduced the emergency regimes at the local level and the Ministry of Agriculture initiated the introduction of the federal emergency regime.[6] In addition to the impact of weather on the winter crops, the sown area under spring crops has also decreased significantly: according to Rosstat total area of grains and legumes amounted to 28.6 million hectares in spring 2024 compared to 30.8 in spring 2023.[7]

Despite the difficulties in the beginning of the season, the need to replant large areas, by the end of the year the grain harvest is expected to be 130 million tons, including 83 million tons of wheat, which will ensure it becomes one of the top 5 best results in the modern history of Russia and will allow to meet all the needs of

---

[1]https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024

[2] https://de.tradingeconomics.com/russia/inflation-cpi

[3]https://www.cbr.ru/eng/hd_base/KeyRate/?UniDbQuery.Posted=True&UniDbQuery.From=01.10.2023&UniDbQuery.To=05.12.2024

[4]https://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.so=1&UniDbQuery.mode=2&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01239&UniDbQuery.From=01.10.2023&UniDbQuery.To=30.09.2024

[5]https://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.so=1&UniDbQuery.mode=1&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01235&UniDbQuery.From=30.09.2023&UniDbQuery.To=30.09.2024

[6] https://www.agro-bursa.ru/gazeta/obzor-rynka-zerna/2024/06/10/obzor-rynka-zerna-pshenicy-muki.html

[7] https://rosstat.gov.ru/storage/mediabank/posev-4%D1%81%D1%85_2024.xlsx

the domestic market and maintain significant export potential.[8]

If compared to the previous period grain crops amounted to 146.3 million tons by the 24th of November 2023.[9] The preliminary expectations for the harvest of other crops in 2024 are:

- Approximately 28 million tons of oilseeds, of which soybeans and rapeseed will approach the highest values ever.
- Around 44 million tons of sugar beets, which may allow to produce 6.3-6.4 million tons of sugar.
- More than 7 million tons of potatoes and around 7.4 million tons of other vegetables produced by commercial organizations.
- Approximately 1.2 million tons of rice – the yield is close to the maximum result throughout the whole modern history of Russia.
- Around 1.7 million tons of fruit and berries produced by businesses, which is more than the average results during the last 5 years.

Total production of all the agricultural products has increased by 1.8% since the beginning of 2024.[10]

Last year Russia has gained the sales revenue of USD 43.5 billion via the export of the agricultural products. The country continues to be the leading supplier of wheat, barley, peas and some other products and is tending to expand to the new markets. Since 2020, Russia has been a net exporter of food and supplies products to 160 countries.[11] 55-60 million tons of grain is expected to be exported this year. If compared to the previous year, Russia has supplied 72.2 million tons of grain to the external markets, including 54.1 million tons of wheat.

Overall, the structure of grain export has been changing in 2024 calendar year. According to the Russian Grain Union, in July-September 2024 Russia has decreased the export of wheat by 9.5%. Total grain export amounted to slightly more than 18 million tons, which is 11.4% less than during the previous season. Moreover, the number of types of grain crops has decreased from 32 to 18. Rice, sorghum and rapeseed shipments have been terminated. Soybeans export has fallen by almost 98%.[12]

African countries have received more than 21 million tons of wheat in January-October 2024. In several countries the import of wheat from Russia has risen several times, among which Morocco – 6 times growth, Nigeria – 3.7 times, Kenya – 1.4 times.[13] The biggest African markets for the Russia wheat in terms of quantity are Egypt, Algeria and Kenya. In the Middle East region there has been a significant growth of export to UAE and Syria.[14] At the same time Russia has significantly decreased export to Latin America, Brazil and Bangladesh, and has fully stopped the supplies to Peru and Venezuela.[15]

The export of barley has fallen by 25% and corn – by 6.8%. Traditionally, barley has been purchased by Saudi Arabia and Libya. However, the export to these countries has decreased by 33 and 63% correspondingly. The

---

[8] https://www.finam.ru/publications/item/rossiya-polnostyu-obespechila-sebya-zernom-na-etot-sezon-20241107-1535/

[9] https://www.interfax.ru/business/933099

[10] https://www.finam.ru/publications/item/rossiya-polnostyu-obespechila-sebya-zernom-na-etot-sezon-20241107-1535/

[11] https://mcx.gov.ru/press-service/news/na-mezhdunarodnom-forume-finansovogo-universiteta-oksana-lut-rasskazala-o-prioritetakh-razvitiya-apk/

[12] https://www.kommersant.ru/doc/7284737

[13] https://specagro.ru/news/202412/rf-k-2030-godu-mozhet-voyti-v-desyatku-krupneyshikh-eksporterov-prodovolstviya

[14] https://www.kommersant.ru/doc/7284737

[15] https://www.kommersant.ru/doc/7284737

major customers for corn are Iran and Turkey, and during the current season shipments of corn to Iran have dropped by 40%, but at the same time have increased in Turkey by 28%.

Despite all this, the Ministry of Agriculture in Russia has set the plans to increase the export of agricultural products by 15% by the end of 2024. In money terms the export has to exceed USD 45 billion.[16] To achieve export targets and at the same time ensure the country's food security, it is necessary to balance support measures and export incentives, as well as diversify the portfolio of exported goods.

The Customs Commission approved a quota for the export of wheat and meslin from Russia outside the EAEU countries for the period from February 15 to June 30 2025 in the amount of 11 million tons. The quota for the export of barley, rye and corn will be zero. Within the quota there will be a floating export duty rate (damper), the out-of-quota rate will be 50%, but not less than EUR 100 per ton.[17] The Ministry of Agriculture has been adjusting the grain export quota mechanism though. In particular, those who do not utilize the quotas in full will be penalized: their quota for 2025 will be reduced proportionally via the adjustment factor. So far, in practice this leads to reducing the number of companies which ship the wheat to abroad, in July-October 2024 it decreased from 157 to 89. The main reasons for that are the difficulties in logistics and high internal competition. Those companies which shipped large volumes of grain last year receive the significant part of the quota.

Industry experts also record a decrease of the cost of grain from producers. In dollar terms, the 4th class wheat costs on average USD 157.5 per ton (in October 2024), which is 8.8% less than in the beginning of this agricultural season. In contrast, in 2021 wheat cost USD 226 per ton, in 2022 – USD 189. The farmers themselves complain about the declining profitability of grain, especially wheat. Cost of production nearly reached the selling price.[18]

As for the measures to support agricultural producers in 2024, unfavorable weather conditions have initiated the demand for the agricultural insurance with state support. According to the Minister of Agriculture Oxana Loot, in 2024 5.5 billion rubles were allocated to this, the expected insurance payments to farmers will reach 5 billion rubles by the year end, and next year the mechanism is planned to be subsidized by 5.8 billion.[19]

At a meeting of the Russian government in early November 2024, Prime Minister Mikhail Mishustin stated that this year the agricultural sector has been allocated 580 billion rubles from the federal budget. In particular, 92 billion rubles have been planned to directly subsidize the agricultural producers, and by the beginning of November 83% of the amount has been transferred to the recipients.[20] Seasonal field work has been supported by 300 billion rubles of loans with preference terms. Moreover, by the year end government allocated additional 30 billion rubles to service the previously issued loans.[21]

For 2025, state support of the agro-industrial sector is expected to be 500 billion rubles, but the Ministry of Agriculture has planned to increase the amount to 560 billion.

The 1432 Program

Every manufacturer meeting the requirements of the program is currently eligible for a subsidy of at least 10-15% on the manufacturing costs and can therefore offer its machines and equipment at this additional discount. The budget for the Program was gradually decreased during the last 3 years and equaled to 12 billion rubles

[16] https://south.vedomosti.ru/south/columns/2024/09/23/1064002-eksport-produktov-pitaniya-i-selhozsirya-iz-rossii-chto-izmenilos-v-2024-godu

[17] http://ikar.ru/1/press/9471/

[18] https://www.kommersant.ru/doc/7284737

[19] https://www.kommersant.ru/doc/7284443

[20] https://www.finam.ru/publications/item/rossiya-polnostyu-obespechila-sebya-zernom-na-etot-sezon-20241107-1535/

[21] https://www.kommersant.ru/doc/7284443

in 2020, 10 billion in 2021 and 8 billion in 2022. The plan was to replace subsidies under the 1432 program with reimbursement of part of the costs under leasing agreements, so only 2 billion rubles were initially allocated to the program in 2023. However, in the end the Ministry of Industry and Trade increased the limit twice – and the amount reached 8 billion rubles.[22]

The amount remained the same in 2024, but grain price fell significantly, the cost of production rose, the loans interest rate reached 21-26% by the beginning of 2024, and as a result the farmers showed the increased interest in the machinery and equipment, that could be bought using any form of subsidies, therefore the limits for the 1432 program have been used in full in summer. In October 2024 the Ministry of Industry and Trade suggested to allocate additional 2.2 billion rubles to the program.[23] It will allow to purchase additional 2.7 thousand machines and other units of equipment at a preference price. To add to this, in 2024 the program has been extended and included not only tractors, combines and forage harvesting equipment, but plows, reapers and others.

Leasing of agricultural machinery on preference terms

The launch of a preferential leasing mechanism via a special program DOM.RF will be a long-term solution. DOM.RF will issue special infrastructure bonds and therefore attract financing from non-governmental sources. Part of the cost of the bonds will be reimbursed from the state budget. The attracted funds will be used for issuing loans to the leasing companies on preference terms, the leasing companies in their turn will be able to lease out machinery and equipment on preference terms as well.

During the first 3 years since the launch of the mechanism 100 billion rubles are planned to be attracted from non-governmental sources for further purchases of agricultural machinery and equipment. The amount of subsidies is expected to slightly exceed 11 billion rubles.[24]

The Rosagroleasing program

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

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

The Rosagroleasing (“RAL”) program underwent reframing to subsidize Russian manufacturers of agricultural machinery, and the purchases via RAL program are continuously increasing. At the Siberian Agricultural Week in early November 2024, the head of Rosagroleasing reported that since the beginning of the year, about 17 thousand units of various agricultural equipment have been supplied to farmers. The figure is planned to grow to 18.8 thousand units by the end of 2024. During 2023 total quantity of supplied machinery equaled 15.1 thousand units, which makes up the increase of 24.5%.[25]

In 2024, investments into the supplied machinery have grown by 30% compared to the previous year. The company has signed contracts for 123.1 billion rubles, whereas last year the amount was 94.4 billion only.

The structure of RAL sales comprised of 13% combines, 11% tractors, 8% automobiles, 6% carriages and 62% of other machinery and equipment.

---

[22] https://www.zemmash.com/blog/gospodderzhka_fermerov/

[23] https://www.interfax.ru/business/986114

[24] https://dzen.ru/a/ZyT021zGCGHxEOKH

[25] https://www.interfax.ru/russia/990437

Recycling fee

At the end of 2022/2023 financial year Russian government decided to increase the recycling fee for 7 categories of wheeled tractors from 30 to 340 horsepower. At the same time, for Russian tractor plants it was planned to reimburse the fee depending on the degree of localization of production; equipment from Belarus was planned to supply with 20% discount.[26] New recycling fee rates are applied to both, new machinery and used for longer than 3 years. In 2023-2024 it resulted in significantly risen prices of imported machinery, and the recycling fees have grown 2-5 times.

Since October 1, 2024 recycling fee has increased for cars, trucks, buses, trailers and semi-trailers. For 2025 the Ministry of Industry and Trade prepared a draft government resolution on increasing the recycling fee for agricultural machinery by 5 times. Exception is planned to be made for the tractors less than 340 horsepower.[27]

Taking into account all the above-mentioned factors, the Group may find it difficult to compete with local manufacturers of agricultural machinery, equipment and spare parts. Increasing cost of production of agricultural products and falling crop yield, growing finance costs may negatively affect customers' ability to purchase new machinery and equipment and timely maintain the existing fleet. However, the Company continues to work with Russian manufacturers of agricultural machinery to minimize the risk. Government measures to support agricultural producers can also have a positive impact on the Company's business, especially given the ambitious goals in the export of agricultural products.

2.2 Business performance

General performance of the Group

Due to the aforementioned development and overall conditions, Ekotechnika's sales have remained almost the same in comparison with the prior year level and equaled to EUR 171.7 mio in 2023/2024 financial year, with the previous year figure EUR 175.2 mio. New machinery sales increased by 1/3 year-on-year, growing from EUR 46.8 mio to EUR 61.2 mio. Sales of new tractors rose from 131 to 215 units. On the contrary, the trade-in and used machinery segment dropped from EUR 29.9 mio to EUR 12.8 mio.

Spare parts and Customer Service segments have shown quite stable results. Revenue from sales of spare parts equaled EUR 80.7 mio in 2023/2024, whereas in 2022/2023 it was EUR 85.7 mio. Customer service segment has shown sales revenue of EUR 8.8 mio in 2023/2024 and EUR 8.6 mio in 2022/2023. All the figures grew significantly in ruble terms, the stable results in euros are due to the currency exchange rates.

Road construction machinery segment has shown positive performance: sales increased almost 3 times, from EUR 1.6 mio in 2022/2023 to EUR 4.7 mio in 2023/2024.

Sales revenue in the Smart Farming segment remained almost the same in euros and equaled EUR 2.2 mio in comparison to EUR 2.4 mio in 2022/2023, but in ruble equivalent the segment has shown the increase of nearly 30%.

2.3 Business performance indicators

Financial performance indicators:

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

- sales revenues
- gross profit
- earnings before interest and taxes (EBIT)

[26] https://xn--e1alid.xn--p1ai/journal/publication/2744

[27] https://www.forbes.ru/biznes/524405-minpromtorg-predlozil-povysit-util-sbor-na-sel-hoztehniku-v-pat-raz-v-2025-godu

- number of machines sold.

Non-financial performance indicators:

Employees

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

Ekotechnika is constantly working to improve employee satisfaction, and a satisfaction survey was conducted in 2024 FY. In addition, the company makes heavy use of interns from various Russian agricultural universities.

In 2023/2024 financial year the Company has continued to attract and retain students from specialized universities. To add to this, EkoNiva Group of companies created its department at the Higher School of Economics, which has already begun to train sought-after specialists in agro-industrial complex and agribusiness. All educational programs are taught by the experienced Company employees.[28]

Moreover, the Group's organizational structure was significantly amended: the Company launched 5 new regional divisions – and HR took active part in hiring and onboarding the new personnel.

Organizational structure

In 2023/2024 the Company actively expanded into the new territories and launched 5 new service centers: in Nizhny Novgorod, Samara, Penza, Rostov-on-Don region and Volgograd. Trading representative offices were opened in Krasnodar, Lipetsk, Orel, Bryansk, Smolensk, Tyumen, Yaroslavl, Novgorod and Moscow regions. Customer service started to work in part of the new offices. Middle-management of the Company was strengthened by new employees in Spare parts and Customer service divisions and in HR. Total headcount at the reporting date was 949 people.

The management is actively working on measures to further automate the whole business process by implementing and optimizing ERP systems. In 2023/2024 FY all the processes of the New and trade-in Machinery business segments were transferred to the market leading standard software 1C: ERP. IT also launched automated logistics management tools and transportation requests in 1C: Trade Management. Regarding warehouse management, a new instrument was developed for recording and tracking the under-deliveries, surpluses and defects detected upon goods acceptance. The system links together the work of several departments: warehouses, purchasing and accounting departments – for timely claims to suppliers and their correct accounting.

Customer satisfaction

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

Logistics

In 2023/2024 financial year significant effort was made by the Company to find the ways to speed up the goods

[28] https://www.hse.ru/ekoniva/

delivery. The Company has found the means of rapid deliveries, with new routes identified for the regular ones.

2.4 Results of operation, net assets and financial position

a) Profit situation

The rub/eur exchange rate in the reporting period was 98.50 rub/eur, which means that ruble was a bit weaker compared to the year before (2022/23: 83.12 rub/eur). This means that a similar rub-amount would be 15.6% less in euro.

In the 2023/2024 financial year (30 September 2024), the Ekotechnika Group generated **total revenues** of EUR 171,734 thousand (2023: EUR 175,151 thousand).

Sales of new agricultural machinery accounted for 35.6% of total revenues and equaled to EUR 61,178 thousand (2023: 26.7% or EUR 46,761 thousand). The main reason for revenue growth in this segment is the increase in the number of sales of Chinese tractors, as a result of the ongoing market transformation and reorientation towards other manufacturers (in particular, Chinese manufacturers). A total of 215 new tractors and 7 new combines and forage harvesters were sold in the past financial year. In the previous year, 131 new tractors and 15 new combines and forage harvesters were sold.

Sales of used agricultural machinery halved to EUR 12,816 thousand and accounted for 7.5% of total revenue (2023: 17.1% or EUR 29,875 thousand). A total of 42 used tractors (2023: 54 used tractors) and 11 used combines (2023: 14 used combines) were sold in the 2023/2024 fiscal year.

The biggest share of revenue, around 47.1% was generated by the **sale of spare parts, tires, and lubricants**. Total spare parts, tires, lubricants sales reached EUR 80,862 thousand in the reporting period, (2023: 48.9% or EUR 85,665 thousand).

Revenues from customer services totaled EUR 8,759 thousand, up by EUR 188 thousand on the 2022/2023 financial year (EUR 8,571 thousand).

Revenue from intelligent farming solutions totaled EUR 2,195 thousand in the reporting period (2023: EUR 2,388 thousand).

Revenue from the sale of road construction and municipal equipment in the 2023/2024 financial year was EUR 4,685 thousand (2023: EUR 1 646 thousand).

	FY 2023/2024	FY 2022/2023	FY 2021/2022	FY 2020/2021	FY 2019/2020
Sale of agricultural spare parts, tires and lubricants	80 862	85 665	89 594	58 606	57 449
Sale of agricultural machinery and equipment	61 178	46 761	129 654	165 676	125 316
Sale of trade-in machinery	12 816	29 875	7 341	4 812	2 549
Revenue from rendering of services	8 759	8 571	7 816	4 857	4 540
Sale from precision farming equipment	2 195	2 388	1 949	2 818	1 336
Sales of construction and road equipment	4 685	1 646	623	-	-
Sale of forestry machinery	-	132	531	5 656	2 001
Sale of forestry spare parts	-	79	-	1 151	649
Other sale	1 239	34	-	-	-
Revenues	**171 734**	**175 151**	**237 508**	**243 576**	**193 840**

At EUR 123,614 thousand, the **purchase costs** of agricultural machinery and equipment as well as spare parts sold was higher the previous year's EUR 118,803 thousand.

At EUR 48,120 thousand, **gross profit** (sales less purchase costs of agricultural machinery, equipment and spare parts sold) is below the previous year's level (2023: EUR 56,348 thousand; -14,6%).

Other operating income mainly includes currency differences, reimbursements of warranty costs, income from materials surplus, rental income and gains on property, plant and equipment and resale of other goods, and amounted to EUR 1,751 thousand in the period under review compared to EUR 1,263 thousand in the 2022/2023 financial year. Other operating income increased by 38.7%. The increase in operating income was mainly due to exchange rate differences, which were EUR 2,177 thousand negative in 2022/2023 and switched to the positive in the amount of EUR 706 thousand in the 2023/2024 financial year.

Payroll expenses declined slightly by -2% from EUR 19,204 thousand to EUR 18,813 thousand mainly due to a decline in staff bonuses.

Depreciation and amortization also declined slightly by -7,9% from EUR 3,885 thousand in the previous year to EUR 3,576 thousand in the 2023/2024 financial year.

Other operating expenses declined slightly by -7,8% from EUR 15,331 thousand to EUR 14,143 thousand in the 2022/2023 financial year.

At EUR 16,852 thousand, **EBITDA** (earnings before interest, taxes, depreciation, and amortization) declined significantly compared to the previous year (2023: EUR 23,038 thousand).

Same applies to **earnings before interest and taxes** (**EBIT**), that amounted to EUR 13,276 thousand (2023: EUR 19,153 thousand).

The **net financial result** (financial expenses plus financial income) was EUR -11,916 thousand (2023: EUR -5,760 thousand).

Earnings before taxes (EBT) amounted to EUR 1,360 thousand (2023: EUR 13,393 thousand).

Income tax expense in the 2023/2024 financial year includes a reassessment of the carrying value of deferred tax assets and liabilities due to the forthcoming increase in income tax from 20% to 25%, the settlement of which is expected after January 1, 2025 at a rate of 25%. The revaluation resulted in an additional income tax benefit of EUR 299 thousand. This change in Russian tax legislation did not affect current income tax amounts, which amounted to EUR 489 thousand (2023: EUR 4,700 thousand).

After deduction of tax expenses of EUR +622 thousand (2023: EUR 4,175 thousand), **consolidated net income for the year** stood at EUR 1,982 thousand (2023: EUR 9,218 thousand).

b) Financial position

The finance department located at OOO EkoNivaTechnika-Holding, Russia, manages the Group's finances. Management is carried out in such a way that financing costs are minimized as much as possible, while ensuring that all companies in the Group are always able to fulfill their obligations in a timely manner as they come due.

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

In the reporting period, operating cash flow before changes in working capital was EUR 16,372 thousand (2023: EUR 26,453 thousand).

The Group reported a negative cash flow in the amount of EUR 6,723 thousand (2023: EUR 35,555 thousand) on inventory. The decrease in trade receivables and prepayments of EUR 8,585 thousand (namely: trade receivables EUR + 912 thousand, advances EUR - 9,497 thousand) (2023: EUR -11,779 thousand), decrease in other financial assets of EUR 1,247 thousand (2023: EUR -9,953 thousand) had a positive impact on cash flow. The cash inflow from operating activities before interest and taxes thus amounted to EUR 23,768 thousand (2023: outflow inflow of EUR 29,421 thousand).

After taxes paid in the amount of EUR 929 thousand (2023: EUR 5,965 thousand), interest paid in the amount of EUR 12,263 thousand (2023: EUR 6,197 thousand) and interest received in the amount of EUR 35 thousand (2023: EUR 63 thousand), **operating cash** inflow reached EUR 10,611 thousand (2023: EUR outflow 41,520 thousand).

Cash flow from investing activities amounted to EUR -1,142 thousand in the 2023/2024 financial year, compared to EUR +3,245 thousand in the previous year.

Cash flow from financing activities amounted to EUR -9,968 thousand in the reporting period (2023: EUR +38,158 thousand).

As of 30 September 2024, cash and cash equivalents totaled EUR 679 thousand (2023: EUR 2,067 thousand).

c) Net assets position

The currency exchange rate as of 30 September 2024 was RUB/EUR 103.4694, compared to RUB/EUR 103.1631 as of 30 September 2023, which means that the euro equivalent of the ruble declined by around 0,3% over the corresponding period.

The weakening of the ruble against the euro has an impact on the balance sheet values. If the ruble figures of the balance sheet as of 30 September 2024 were converted into euros using the exchange rate of 30 September 2023, the values of the euro balance sheet would be approximately 0,3% higher than the figures now reported.

As of 30 September 2024, **total assets** amounted to EUR 154,348 thousand, decrease approx. 3,4% on the previous year (2023: EUR 159,779 thousand).

As of the reporting date, **non-current assets** increased to EUR 25,632 thousand from EUR 24,147 thousand by approx. 6,1%. Property, plant and equipment remained with EUR 23,474 thousand roughly at the same level (30 September 2023: EUR 23,019 thousand).

Total **current assets** amounted to EUR 128,716 thousand of the end of the 2023/2024 financial year. (2023: EUR 135,632 thousand). Inventories increased to EUR 65,606 thousand by approx. 9,9% in the reporting period, compared to EUR 59,681 thousand on the prior year reporting date. Trade receivables increased to EUR 19,665 thousand by approx. 2,8% in the reporting period, compared to EUR 19,128 thousand on the prior year reporting date. Short-term loans issued increased to EUR 21,871 thousand by approx. 3,8% (30 September 2023: EUR 21,072 thousand), other financial assets significantly decreased from EUR 11,924 thousand to EUR 7,801 thousand at 30 September 2024 decreased by approx. 34,6%. Prepayments decreased by approx. 44.7% from EUR 19,521 thousand to EUR 10,803 thousand at 30 September 2024.

The Ekotechnika Group's **consolidated equity capital** amounted to EUR 68,953 thousand in the reporting year, up by approx. 0,7% on the previous year's EUR 68,504 thousand. Income for the period of EUR 1,982 thousand as of 30 September 2024.

The equity ratio was 44.7% as of 30 September 2023 (2023: 42.9%).

Total liabilities amounted to EUR 85,395 thousand, a decrease of EUR 5,800 thousand on the previous year (30 September 2023: EUR 91,275 thousand). This amount includes EUR 1,782 thousand in **non-current liabilities** (30 September 2023: EUR 1,543 thousand), which mainly comprise lease liabilities of EUR 1,663 thousand (30 September 2023: EUR 1,229 thousand). Having in mind the currency impact described above, it means that the ruble liabilities as per the balance sheet date have been increased by more than 6%.

Current liabilities amounted to EUR 83,613 thousand as of the balance sheet date, which was about 6,8% below the prior year level (30 September 2023: EUR 89,732 thousand). This is mainly due to a decrease in other financial liabilities from EUR 13,613 thousand on 30 September 2023 to EUR 8,812 thousand on 30 September 2024 (decreased by approx. 35,3%), and a decrease in advances received from EUR 4,189 thousand to EUR 3,393 thousand (approximately -19%) and a decrease in short-term borrowings of approximately -12.2% from EUR 61,657 thousand to EUR 54,130 thousand as of September 30, 2024. In contrast, trade accounts payables increased from 6,042 thousand euros to 10,770 thousand euros at the end of the reporting period (by approximately 78.3%). Other current liabilities increased by approx. 58.2% from EUR 2,629 thousand to EUR 4,017 thousand as of 30 September 2024. This was mainly due to an increase in VAT receivables.

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

3 OPPORTUNITY AND RISK REPORT

3.1 Opportunity report

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

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

Performance of the global and Russian agricultural sectors:

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

Despite the impact of the sanctions imposed because of the Russia-Ukraine-conflict and the pandemic, the Russian agricultural industry has continued to grow. Government support mitigates the effects of the sanctions and other negative impacts. The external threats have indicated the rising need in developing the local production of agricultural machinery, spare parts, and customer service. The state's internal policy is also aimed at a more even distribution of residents in urban and rural areas, due to which it is expected to fill personnel gaps in agriculture: despite the increase in the key rate of the Central Bank in Russia, a rural mortgage program is operating at a preference rate. In addition, the state program "Integrated Development of Rural Territories" is actively working, thanks to which the rural infrastructure is being restored.[29]

Expansion of sales territories and product portfolios:

In 2023/2024 the Group has significantly expanded its areas of presence. Of course, it takes time to draw correct conclusions about the success of each new division, but some new regions have already shown more active sales than the traditional ones. The Group plans to explore the new regions further. The greatest growth possibilities lie in the field of customer service and spare parts sales, especially taking into account the search for Russian manufacturers to substitute for import.

New opportunities are also opening up due to enriching the product portfolio by road construction machinery and equipment of such brands as UMG, MST, XGMA. Some new Chinese brands also form the part of new machinery segment, for example Zoomlion.

Due to the need for import substitution, the Company is actively developing its spare parts brand "Agroznak". Production is carried out at contract sites, with strict quality control.

Investment and export support in Russia:

The President set the aim for the agro-industrial sector to increase production volumes by ¼ by 2030 and increase exports 1.5 times compared to 2021, as well as to ensure technological leadership in the industry.[30]

In most segments Russia has already achieved the target indicators of the Industrial Safety Doctrine, for example, for grain, meat, fish, sugar, vegetable oil and potatoes; and it is close to sufficient production of vegetables and melons. The Ministry of Agriculture sets the priority to achieve food security in milk, fruit and berries. At the same time, production of other products in demand in foreign markets will grow.

Growth will be driven in the next six years by the processed products and meat, for which there is good potential for entering the foreign markets. The next step to work upon is ensuring technological independence, that is,

---

[29] https://xn--80ahddxdcqb6a6ioc.xn--p1ai/programs/

[30] https://mcx.gov.ru/press-service/news/prioritety-razvitiya-apk-do-2030-goda-obsudili-na-novosibirskom-agroprodovolstvennom-forume/

the development of means of production. The industry faces the challenge of further productivity growth, including through widespread introduction of robotization and digitalization.[31]

In this regard, the Russian Ministry of Agriculture has prepared a national project on technological support for food security. Its framework states the main issues which have to be prioritized during the next 6 years. These are selection and genetics, biotechnology, veterinary drugs, machinery and equipment, as well as staffing. Federal projects are being developed for each block of the new national project.[32]

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. Smart farming technologies sector grows by 15-20% p.a.[33], which is supported by the relevant figures of sales revenue of the Group in ruble terms during the last several years. The company's management sees particularly high chances to occupy a considerable market share in this sector and is therefore looking into smart farming requirements. The company was successful in filling the gap caused by the departure of John Deere with new partners, including from China; together with the new partners the Company works on the new generation of equipment. Moreover, it works on irrigation equipment sector. The Company's brand portfolio includes NAVMOPO (FJ Dynamics), AllyNav, LAFORGE, Green Growth, ITELMA, Cognitive Technology, Gremion, Trimble.

3.2 Risk report

Risk management system

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

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

The Company has performed the risk management process for the 2023/2024 financial year in accordance with Group Risk Management Policy. The Company's management worked out mitigation actions to mitigate or minimize the risks identified as of September, 30, 2024. Risk monitoring is implemented on a semi-annual basis (next risk reports are planned to be performed at March, 31 and September, 30, 2025).

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

[31]https://mcx.gov.ru/press-service/news/na-mezhdunarodnom-forume-finansovogo-universiteta-oksana-lut-rasskazala-o-prioritetakh-razvitiya-apk/

[32]https://mcx.gov.ru/press-service/news/prioritety-razvitiya-apk-do-2030-goda-obsudili-na-novosibirskom-agroprodovolstvennom-forume/

[33] https://www.rbc.ru/industries/news/65a66ff09a79478212b6b443

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 has been ongoing geopolitical tension and the situation remains highly unstable. The escalation of the geopolitical situation led to various consequences, which have a significant impact on Russian economy and the Company’s business and risk situation.

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

Financing opportunities and costs for customers and the Group:

In 2023/2024 financial year. Russia maintained an average high level of inflation: from October 2023 to September 2024, it increased from 6% to 8.5%. The peak inflation though was 9.1% in July and August 2024 according to Rosstat.[34] The Central Bank of Russia responded by significantly raising the key rate: from 13% as at October, 1, 2023 to 19% at September, 30, 2024. During the session of the Central Bank on October, 28th, 2024, there was a further increase of the key rate to 21%.[35] The Company is focusing on increasing the Spare parts segment and is forced to invest significant funds in financing inventory even with its growing cost. To minimize the risk, the Company is making efforts to increase the accuracy of planning customer needs. What is more, the Company decided to prohibit ordering the goods for specific customer requests without prepayment.

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

Solvency of customers:

As farming operations, the customers of the Ekotechnika Group are to a certain extent dependent on government support in the form of direct subsidies and interest subsidies. In the reporting period, it became more difficult for the company’s customers to finance the purchase of imported agricultural machinery due to the set of measures announced by the government was focused on Russian manufacturers. To the contrary. the terms of purchase of imported machinery and equipment worsened due to the recycling fees growth by 2-5 times, which works in fact as a protectionist measure to defend the local manufacturers of agricultural machinery. If this situation continues to deteriorate, it could have an impact on the Group’s results of operations. The salespeople of Ekotechnika Group draw on their vast experience in assessing customer credit quality, as well as monitor the trends in competitors’ pricing and, if necessary, carry out the marketing campaigns when selling both equipment and spare parts. In addition, more stringent KPIs have been introduced for sales managers of equipment and spare parts to reduce or at least maintain accounts receivable unchanged. There is also dunning procedure for doubtful debts which include pre-trial proceedings.

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,

---

[34] https://de.tradingeconomics.com/russia/inflation-cpi

[35]https://www.cbr.ru/eng/hd_base/KeyRate/?UniDbQuery.Posted=True&UniDbQuery.From=01.10.2023&UniDbQuery.To=05.12.2024

which resulted in this position. The management is in regular exchange with the management of the Ekosem-Agrar Group in this regard and estimates the probability of a total default as low. The Supervisory Board has approved the extension of the dunning plan for trade receivables of the EkosemAgrar Group until 3 quarter 2026, which was strictly adhered to during the 2023/2024 reporting period. 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.

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. The sanctions imposed on the Russian Federation do not allow, from the mid-June 2024, to conduct FOREX market operations for RUB/USD and RUB/EUR. For the time-being, the Central Bank of the Russian Federation sets rates based on the results of interbank conversion transactions, which makes the official currency exchange rates more unpredictable. RUB had the tendency to drop during the 2023/2024 FY. The RUB/EUR exchange rate stood at RUB 103.1631/EUR at the beginning of the financial year in October 2023 and at RUB 103.4694/EUR at the end of the financial year (30 September 2024). The average rate for the financial year was RUB 98.5018/EUR (2023: RUB 83.12/EUR). The exchange rate reached its low of RUB 89.0914/EUR on 20 June 2024, compared to the peak of RUB 107.0322/EUR on 10 October 2023.[36]

The dynamics of the exchange rate RUB/CNY was different due to CNY being used by the Central Bank of Russia to carry out foreign exchange interventions in order to stabilize the ruble exchange rate. By the end of the financial year CNY strengthened to RUB as well as EUR. It’s expected that the ruble’s low exchange rate against EUR and CNY may continue in the coming financial year, which will have impacts on both, the profitability and the purchasing power of agricultural producers. Weaker ruble makes the imported equipment less competitive in comparison with locally manufactured, however, management understands that it is not possible for customers to replace all the machinery and equipment from international leaders by the domestic alternatives for quality reasons and offers optimal solutions in terms of price and quality ratios. Moreover, the Company enriched the portfolio with local brands of machinery and equipment and spare parts analogues, including the Company’s own brand “Agroznak”.

Supply chain bottlenecks:

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

Tax risks:

From January, 1, 2025, corporate income tax in Russia will increase from 20 to 25%. In addition, transfer pricing legislation as well as some other provisions of the Tax Code of the Russian Federation are undergoing changes. Commercial organizations are charged with replenishing the state budget at various levels, and tax control is being tightened. Management plans operating activities for the 2024/2025 financial year taking into account these risks, and also includes the possible effect of an increase in the tax burden in the future results of the Group. Moreover, the Company has an internal control system aimed at timely and accurate tax accrual and payments, and all heads of financial and accounting functions monitor the changes in legislation and law enforcement practice.

[36] https://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.so=1&UniDbQuery.mode=2&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01239&UniDbQuery.From=01.10.2023&UniDbQuery.To=30.09.2024

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 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 2023/2024 financial year. This also includes the refinancing of bank loans which are due for repayment in 2025 to the extent that these exceed the cash flow from operating activities. The reason for this ongoing refinancing is that the companies of the Group use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis, and the number of banks which the Company works with was extended in 2023/2024 financial year. Management expects that this will continue to be the case in the future. If, contrary to management expectations, the Group is no longer able to generate adequate liquidity from its operating activities or external financing, or if external financing can only be obtained on significantly worsened terms, the Group could face insolvency.

Management believes, violation of debt covenants will not entail a requirement for early repayment of the related loans, as it was in the past (see Note 23 to the Consolidated Financial Statements).

Geopolitical environment and sanctions

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

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

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

4 Forecast

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

Macroeconomic and industry-specific framework conditions

Global economic situation remained challenging in 2023/2024 financial year. European countries and USA have started to loosen monetary policy, to the contrary, in Russia further tightening was the case. The global inflation rate is declining, but remains above target levels. According to the IMF forecast, by 2027 inflation is expected to decline to 2.1% in developed countries and to 4.3% in developing ones.[37] In Russia, inflation is strongly influenced by the geopolitical situation, international sanctions and, as a consequence, by the trade balance.

Global trade fell by 1.2%, negatively impacted by tightened trade measures (3,000 new trade restrictions were introduced in 2023) and disruptions to transport and logistics chains, including due to the conflict in the Middle East. Global GDP growth slowed down to 3.2% in 2024 (3.3% in 2023). Till 2027, the growth rate of the global economy is not expected to accelerate; stabilizing is predicted at approximately 3% only. Increase is expected in some regions of the world, for example in India – by 6.6% p.a., given the growth of population and investment attractiveness of the country.

Global food prices have been under downward pressure in 2023 and 2024 – and this trend is expected to continue: according to FAO-OECD forecasts, global production is expected to exceed consumption by 2027, leading to an average decline in prices of the basic input goods by 3.6% compared to 2023 level.

According to the forecast of social-economic development of the Russian Federation for 2025-2027, by the end of 2024 GDP growth is expected to be 3.9%, though, the main drivers are the manufacturing industry and the engineering complex.

In its macroeconomic forecast, the Central Bank of the Russian Federation estimates inflation by the end of 2025 at 4.5%, however, the figure may be revised. The structural shortage of personnel remains the main factor stimulating significant increase in salaries and wages, and therefore business costs. Together with the high cost of financing, this can lead to an increase in the cost of production and sales and to new cycles of inflation.

In light of recent global economic forecasts, our outlook for the upcoming year suggests a period marked by high volatility and uncertainty. This assessment comes combined with the Russian Central Bank's aggressive move to increase interest rates to 21% at the end of 2024, an effort that has yet to significantly strengthen the Ruble, which remains weak, hovering around the 110 RUB/EUR mark.

A key factor contributing to this unstable economic landscape is the skyrocketing borrowing costs, now at an alarming 28-30%. This increase in the cost of capital is particularly impactful on the agricultural sector, which has also been facing reduced government subsidies. Consequently, we anticipate a noticeable downturn in investment activities within this sector.

In contrast, there are sectors that might experience some growth, notably in meat and milk production, which may happen due to newly signed export contracts.

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

Developments in the agricultural and farming equipment market

The Agricultural Outlook 2024-2033, prepared by the Organization for Economic Co-operation and Development (OECD) and FAO, is a guide to medium-term opportunities of agricultural markets for the global community. It forecasts that total global consumption of agricultural products and fisheries will speed up by 1.1% p.a. over the next decade, with the most significant impact made by low- and middle-income countries. Experts anticipate that by 2033, India and Southeast Asian countries will account for 31% of global

[37]https://www.economy.gov.ru/material/file/b028b88a60e6ddf67e9fe9c07c4951f0/prognoz_socialno_ekonomicheskogo_razvitiya_rf_2025-2027.pdf

consumption growth, which is also due to an increase of the number of urban citizens. A notable change is the growing role of India, Southeast Asian and sub-Saharan countries in agricultural production.[38]

Performance of the Ekotechnika Group

The Group's business is highly dependent on the external geopolitical and macroeconomic factors, which makes it difficult to make projections for the 2024/2025 financial year.

The management does not anticipate the possibility of stabilizing, but aims to retain agricultural machinery sales at the level of 2023/2024 in terms of quantity. Given the extraordinarily high key rate of the Central Bank (21% at a time of issuing the current report) and increased recycling fees make the investments challenging. Several positive changes can be identified though as the businesses realize that both key rate and recycling fees may grow further in the foreseeable future, whereas there is a continuous need for agricultural products and, therefore, machinery and equipment.

The significant influx of imports from China is expected to persist - and this may provide a platform for further expansion in Smart Farming and Road construction machinery segments. Serious pressure on the profit margins may remain due to the unfavorable foreign currency exchange rates, as well as the increasing transaction costs to implement the payments abroad together with the logistics expenses. All these factors together suggest a continued challenging environment for the machinery market in the foreseeable future.

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

Based on the above, Group management assumes revenues in the 2024/2025 financial year could vary widely from EUR 190 mio to EUR 230 mio. The share of sales of spare parts and equipment may approach 60:40.

EBT might be driven by the proportion of each segment in total sales, as the gross profit margin differs significantly. In addition, financing costs and rising personnel expenses could put significant pressure on the bottom line. As a result, it may end up at EUR 0.5 mio. EBIT may reach EUR 11-14 mio.

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

Walldorf, 23 January 2025

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

[38] https://www.oecd.org/en/publications/oecd-fao-agricultural-outlook-2024-2033_4c5d2cfb-en.html

EKOTECHNIKA AG, WALLDORF

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Notes	2024 EUR'000	2023 EUR'000
Revenues	[8]	171 734	175 151
Purchase cost of goods sold	[9]	(123 614)	(118 803)
Gross profit		**48 120**	**56 348**
Other operating income	[10]	1 751	1 263
Payroll expenses	[11]	(18 813)	(19 204)
Depreciation and amortization	[15]	(3 576)	(3 885)
Other operating expenses	[12]	(14 143)	(15 331)
Loss from impairment of financial assets		(63)	(38)
		(34 844)	**(37 195)**
Operating profit		**13 276**	**19 153**
Financial income	[13]	1 361	1 770
Financial expenses	[13]	(13 277)	(7 530)
		(11 916)	**(5 760)**
Income before tax		**1 360**	**13 393**
Income tax profit/(expense), total	[14]	622	(4 175)
Income for the period		**1 982**	**9 218**
Attributable to:			
Parent company's shareholders		1 982	9 213
Non-controlling interests		-	5
Other comprehensive loss for the period			
Items that may be classified subsequently to profit:			
Exchange differences on translation of foreign operations, net of tax		(1 533)	(44 906)
Attributable to:			
Parent company's shareholders		(1 533)	(44 899)
Non-controlling interests		-	(7)
Comprehensive income/(loss) for the period		**449**	**(35 688)**
Attributable to:			
Parent company's shareholders		449	(35 686)
Non-controlling interests		-	(2)

EKOTECHNIKA AG, WALLDORF

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2024

ASSETS	***Notes***	**09/30/2024** ***EUR'000***	**09/30/2023** ***EUR'000***
Non-current assets:			
Intangible assets		62	62
Property, plant and equipment	**[15]**	23 474	23 019
Investment property	**[15]**	221	236
Long-term loans issued	**[16]**	80	107
Deferred tax assets	**[14]**	1 795	723
		25 632	**24 147**
Current assets:			
Inventories	**[17]**	65 606	59 681
Short-term loans issued	**[16]**	21 871	21 072
Trade receivables	**[18]**	19 665	19 128
Income tax receivable		1 492	1 061
Prepayments	**[18]**	10 803	19 521
Other financial assets	**[18]**	7 801	11 924
Other short-term assets	**[19]**	799	1 178
Cash and cash equivalents	**[20]**	679	2 067
		128 716	**135 632**
		154 348	**159 779**
LIABILITIES AND EQUITY			
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		(34 721)	(33 188)
Retained earnings		91 703	82 490
Income for the period		1 982	9 213
		68 934	**68 485**
Non-controlling interests		19	19
		68 953	**68 504**
Non-current liabilities:			
Long-term trade accounts payable	**[24]**	119	291
Long-term lease liabilities	**[27]**	1 663	1 229
Deferred tax liabilities	**[14]**	-	23
		1 782	**1 543**
Current liabilities:			
Provisions	**[22]**	718	224
Short-term borrowings	**[23]**	54 130	61 657
Trade accounts payable	**[24]**	10 770	6 042
Income tax payable		24	-
Advances received	**[25]**	3 393	4 189
Other financial liabilities	**[26]**	8 812	13 613
Short-term lease liabilities	**[27]**	1 750	1 378
Other short-term liabilities	**[28]**	4 016	2 629
		83 613	**89 732**
		154 348	**159 779**

EKOTECHNIKA AG, WALLDORF

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Share capital	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Net profit	Non-controlling interests	Total equity
As of 1 October 2022	**3 140**	**6 830**	**11 711**	**56 138**	**26 352**	**21**	**104 192**
Reclassifications	**-**	**-**	**-**	26 352	(26 352)	-	**-**
Income for the period	-	-	-	-	9 213	5	**9 218**
Other comprehensive loss	-	-	(44 899)	-	-	(7)	**(44 906)**
Total comprehensive income/(loss)	-	-	(44 899)	-	9 213	(2)	**(35 688)**
As of 30 September 2023	**3 140**	**6 830**	**(33 188)**	**82 490**	**9 213**	**19**	**68 504**
Reclassifications	**-**	**-**	**-**	9 213	(9 213)	-	**-**
Income for the period	-	-	-	-	1 982	-	**1 982**
Other comprehensive loss	-	-	(1 533)	-	-	-	**(1 533)**
Total comprehensive income/(loss)	-	-	(1 533)	-	1 982	-	**449**
As of 30 September 2024	**3 140**	**6 830**	**(34 721)**	**91 703**	**1 982**	**19**	**68 953**

EKOTECHNIKA AG, WALLDORF

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Notes	2024 *EUR'000*	2023 *EUR'000*
OPERATING ACTIVITIES			
Income for the period		1 982	9 218
Amortization and depreciation of non-current assets	**[15]**	3 576	3 885
Gain on disposal of property, plant and equipment	**[10]**	(82)	(130)
Net foreign exchange loss/(gains), net	**[10,12]**	(706)	2 177
Interest expense	**[13]**	12 491	7 046
Interest expense on extended accounts payable	**[13]**	-	48
Interest income	**[13]**	(1 361)	(1 770)
Income taxes recognized in profit or loss	**[14]**	(622)	4 175
Loss from impairment of financial assets		63	38
Provision of inventories to net realizable value	**[17]**	343	2 021
Other non-cash items		688	(255)
Operating cash flows before changes in working capital, provisions, income taxes and interests paid		**16 372**	**26 453**
Change in inventories		(6 723)	(35 555)
Change in trade receivables and prepayments		8 585	(11 779)
Change in other financial and short-term assets		1 247	(9 953)
Change in trade payables and advances received		4 697	(10 088)
Change in other financial and short-term liabilities		(410)	11 501
Operating cash flows before income taxes and interest paid		**23 768**	**(29 421)**
Income taxes paid		(929)	(5 965)
Interest paid		(12 263)	(6 197)
Interest received		35	63
Net cash generated from/(used in) operating activities		**10 611**	**(41 520)**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		118	363
Acquisition of property, plant and equipment		(1 138)	(993)
Acquisition of intangible assets		(126)	(183)
Issuance of loans		(68)	(393)
Proceeds from settlement of loans issued		72	4 451
Net cash (used in)/generated from investing activities		**(1 142)**	**3 245**
FINANCING ACTIVITIES			
Proceeds from borrowings		152 555	140 041
Repayment of borrowings		(159 935)	(99 431)
Payment of lease liabilities		(2 588)	(2 452)
Net cash (used in)/generated from financing activities		**(9 968)**	**38 158**
Net decrease in cash and cash equivalents		(499)	(117)
Cash and cash equivalents at beginning of year		2 067	4 431
Effect of exchange rate fluctuations on cash and cash equivalents		(889)	(2 247)
Cash and cash equivalents at end of year		**679**	**2 067**

During the 2024 financial year Other financial and short-term assets were offset with Other financial and short-term liabilities in amount of EUR 5,081 thousand.

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. On 27 September 2023 the Executive Board of Ekotechnika AG, with the approval of the Supervisory Board, decided to withdraw the inclusion of the Ekotechnika AG shares in the Primary Market of the Duesseldorf Stock Exchange and to apply for a full delisting of its shares. The inclusion of the Ekotechnika AG shares in the Primary Market of the Duesseldorf Stock Exchange ended on 31 October 2023, and the subsequent inclusion of the shares in the Open Market of the Duesseldorf Stock Exchange ended on 30 April 2024. Immediate parent of Ekotechnika AG is Ekotechnika-Holding GmbH. The ultimate controlling party is Stefan Duerr.

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

2 MATERIAL ACCOUNTING POLICY INFORMATION

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 2023 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 2024 and 2023.

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 “EkoNivaTechnika-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 2024 and 30 September 2023 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 2024	Average rate for 2024	As of 30 September 2023	Average rate for 2023
RUB/EUR	103.4694	98.5018	103.1631	83.12

Period	Average rate	Period	Average rate
Three months ended 12/31/2023	99.793	**Three months ended 12/31/2022**	63.6079
Three months ended 03/31/2024	98.6239	**Three months ended 03/31/2023**	78.1444
Three months ended 06/30/2024	97.5836	**Three months ended 06/30/2023**	88.2414
Three months ended 09/30/2024	97.9982	**Three months ended 09/30/2023**	102.4336

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.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

2.4.2 Group companies

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

2.5 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 REVENUE RECOGNITION

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

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

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

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

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

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

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

2.6.2 Sales of after-sales services

The Group provides after-sales repair 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 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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:

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 carryforwards 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 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.8.3 Uncertain tax positions

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

2.8.4 Value added tax (VAT)

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

- when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- when receivables and payables are stated with the amount of VAT included.

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

2.9 INTANGIBLE ASSETS, RESEARCH AND DEVELOPMENT COSTS

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

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

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

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

<u>Research and development costs</u>

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.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

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

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

2.11 INVESTMENT PROPERTY

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

Buildings	30 years

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

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

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

2.12 BORROWING COSTS

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

The commencement date for capitalization is when

(a) the Group incurs expenditures for the qualifying asset;
(b) it incurs borrowing costs; and
(c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

2.14 FINANCIAL INSTRUMENTS

2.14.1 Financial instruments – key measurement terms

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

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

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

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.17 OFFSETTING OF FINANCIAL INSTRUMENTS

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

2.18 CASH AND CASH EQUIVALENTS

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

2.19 TRADE AND OTHER RECEIVABLES

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

2.20 TRADE AND OTHER PAYABLES

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

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

2.21 LOANS AND BORROWINGS

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

2.22 INVENTORIES

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

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

- agricultural machinery, forestry machinery, precision farming equipment, construction and road equipment: Purchase cost on a cost of individual item;
- spare parts, tires, lubricants and other inventories: Purchase cost on a weighted average basis.

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

2.23 PROVISIONS

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

Warranty provisions

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

2.24 RECOGNITION OF TRANSACTIONS BETWEEN RELATED PARTIES

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

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

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

- (IFRS) 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17 as discussed below).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to the IFRS for SMEs Accounting Standard (issued on 29 September 2023 and effective for annual periods beginning on or after 1 January 2023).
- International Tax Reform - Implementation of Pillar Two Model Rules - Limited Scope Amendments to IAS (published on May 23, 2023 and effective for accounting periods beginning on or after January 1, 2023).

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 2024 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:

- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, the effective date subsequently modified to 1 January 2024 by the Amendments to IAS 1 as discussed below).

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, the effective date subsequently modified to 1 January 2024 by the Amendments to IAS 1 as discussed below).
- Lease Liability in a Sale and Leaseback Amendments to IFRS 16 – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Non-current Liabilities with Covenants – Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).
- Supplier Finance Arrangements – amendments to IAS 7 and IFRS 7 (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).
- Lack of exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 18, Presentation and Disclosure in Financial Statements (issued on April 9, 2024 and effective for annual periods beginning on or after January 1, 2027).
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).
- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).
- Annual Improvements to IFRS Accounting Standards—Volume 11 (issued on 18 July 2024 and effective for annual periods beginning on or after 1 January 2026).

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 and investment property

Property, plant and equipment are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and other factors. If an impairment test is required, the Group estimates the asset’s recoverable amount. As of 30 September 2024, 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).

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. As of 30 September 2024, the management of the Group concluded that there were no indicators of impairment of investment property (the same as in the previous year).

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

Not all of the Group's inventory balances may be sold within 12 months. An assessment of obsolete and slow-moving inventories (except for agricultural machinery, precision farming equipment) is based on their ageing as follows:

- less than 1 year – 0% of carrying amount;
- 1-2 years – 15% of carrying amount;
- 2-3 years – 30% of carrying amount;
- 3-4 years – 70% of carrying amount;
- more than 4 years – 100% of carrying amount.

An assessment of net realizable value for agricultural 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.

Group’s trade receivables and loans issued balances with entities under common control are disclosed in Note 32. Judgement is applied in determining stage of impairment for these balances. Although some trade receivables with entities under common control are overdue, the Group believes that credit risk has not increased significantly since initial recognition of these balances and estimates the probability of a total default as exceptionally low. Thus, trade receivables and loans issued balances with entities under common control are classified in Stage 1.

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.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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 7,791 thousand with respect of the corporate income tax as of 30 September 2024 (2023: EUR 6,616 thousand) and EUR 8,381 thousand with respect of value added tax (2023: EUR 7,442 thousand). Those are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; these obligations are not recorded as the Group's liabilities.

Warranty provision

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

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

As of 30 September 2024, warranty provision amounted to EUR 718 thousand (2023: EUR 224 thousand). As of 30 September 2024, reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 239 thousand (2022: EUR 89 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 2024 the Group reported net income of EUR 1,982 thousand (2023: EUR 9,218 thousand) and net cash generated from operating activities of EUR 10,611 thousand (2023: net cash used in operating activities of EUR 41,520 thousand). As of 30 September 2024, the Group's equity amounted to EUR 68,953 thousand (30 September 2023: EUR 68,504 thousand) and current assets exceed current liabilities by EUR 45,102 thousand (30 September 2023: EUR 45,900 thousand).

Renewal of credit facilities: As of 30 September 2024, the Group had short-term bank loans in the amount of EUR 54,130 thousand (30 September 2023: EUR 61,657 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 2024 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 2025 to the extent that these exceed the cash flow from operating activities. The reason for this ongoing refinancing is that the Group's companies use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis. The management expects that this will continue to be the case in the future. As of 30 September 2024 the Group has unused balance of credit facilities in the amount of EUR 41,640 thousand (30 September 2023: EUR 19,743 thousand). If, contrary to management expectations, the Group is no longer able to generate adequate liquidity from its operating activities or external financing, or if external financing can only be obtained on significantly worsened terms, this could result in the Group's entities insolvency.

Management believes that covenants breach (Note 23) will not result in early repayment of the related borrowings. Management holds negotiations with the banks and believes that the renewal of the Group's loans will be possible in the current market conditions, when they come due.

Subsequent to 30 September 2024 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 36,482 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 35,378 thousand (subsequent to 30 September 2023 and as of the date of approval of the consolidated financial statements for the year ended 30 September 2023: The Group serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 61,993 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 68,755 thousand). The current bank loans as per date of release for submission amounted to approximately EUR 52,909 thousand (per date of release for submission of the consolidated financial statements for the year ended 30 September 2023: EUR 67,982 thousand).

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

7 SUBSIDIARIES

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

Designation	Domicile	Type of company	As of 30 September 2024	As of 30 September 2023
OOO "EkoNivaTechnika-Holding"	Moscow, Russia	Holding	99,99%	99,99%
OOO "EkoNiva-Chernozemie"	Voronezh, Russia	Agricultural machinery sales	99,99%	99,99%
OOO "EkoNivaSibir"	Novosibirsk, Russia	Agricultural machinery sales	99,99%	99,99%
OOO "EkoNiva-Technika"	Moscow, Russia	Agricultural machinery sales	99,99%	99,99%
OOO " EkoNiva-Kaliningrad "	Kaliningrad, Russia	Agricultural machinery sales	99,99%	99,99%

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

8 REVENUES

Revenue comprises the following:

	2024 EUR'000	2023 EUR'000
Sale of agricultural spare parts, tires and lubricants	80 862	85 665
Sale of new agricultural machinery and equipment	61 178	46 761
Sale of used agricultural machinery and equipment	12 816	29 875
Revenue from rendering of services	8 759	8 571
Sale of construction and road equipment	4 685	1 646
Sale from precision farming equipment	2 195	2 388
Other sales	1 239	245
	171 734	**175 151**

Information regarding revenues by geographical regions of Russian Federation is included in the table below:

Year ended 30 September 2024	**Central region EUR'000**	**Blackearth region EUR'000**	**Siberian region EUR'000**	**Other EUR'000**	**Total EUR'000**
Revenue	76 893	47 835	46 985	20	**171 734**

Year ended 30 September 2023	**Central region EUR'000**	**Blackearth region EUR'000**	**Siberian region EUR'000**	**Other EUR'000**	**Total EUR'000**
Revenue	72 642	51 208	51 093	207	**175 151**

9 PURCHASE COST OF GOODS SOLD

Purchase cost of goods sold comprise the following:

	2024 EUR'000	2023 EUR'000
Cost of agricultural spare parts, tires and lubricants	56 212	54 769
Cost of new agricultural machinery and equipment	51 441	36 645
Cost of used agricultural machinery and equipment	10 179	24 111
Cost of construction and road equipment	4 252	1 540
Cost of precision farming equipment	1 515	1 509
Cost of other products	15	229
	123 614	**118 803**

10 OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2024 EUR'000	2023 EUR'000
FOREX gain	706	-
Changes in warranty reimbursement assets	353	318
Rent income	163	230
Gain on disposal of property, plant and equipment	82	130
Other income	447	585
	1 751	**1 263**

11 PAYROLL EXPENSES

Personnel costs break down as follows:

	2024 EUR'000	2023 EUR'000
Wages and salaries	9 317	8 770
Bonuses	5 852	7 076
Social contributions	3 644	3 358
	18 813	**19 204**

Bonuses include monthly and quarterly bonuses, as well as an annual bonuses accrual. The average number of staff in the Group during the year ended 30 September 2024 was 883 employees (2023: 807). Of these 197 (2023: 186) work in administration, 328 (2023: 329) in customer service, and 358 (2023: 292) in the sales department.

12 OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2024 EUR'000	2023 EUR'000
Travel and representation expenses	1 860	2 109
Materials and fuel	1 851	1 792
Repairs and maintenance	1 825	1 744
Transportation and storage	1 492	1 069
Change in warranty provision	1 069	(53)
Marketing and advertising expenses	987	824
Audit, consulting and legal fees	854	966
Workshops services	622	607
Other taxes	563	540
Other personnel expenses	409	512
Utilities	411	491
Office expenses	281	373
Bank charges	268	337
Personnel insurance	268	326
Insurance of transport vehicles	231	277
Security expenses	211	213
Communication expenses	170	188
FOREX loss	-	2 177
Other expenses	771	839
	14 143	**15 331**

13 FINANCIAL INCOME / FINANCIAL EXPENSES

Financial income comprises the following:

	2024 EUR'000	2023 EUR'000
Interest income	1 361	1 770
	1 361	**1 770**

13 FINANCIAL INCOME / FINANCIAL EXPENSES (CONTINUED)

Financial expenses comprise the following:

	2024 EUR'000	2023 EUR'000
Interest expenses	12 491	7 046
Interest expense on extended accounts payable	-	48
Other financial expenses	786	436
	13 277	**7 530**

14 INCOME TAX PROFIT / (EXPENSE)

14.1 INCOME TAXES RECOGNIZED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Income tax profit/(expense) is constituted as follows:

	2024 EUR'000	2023 EUR'000
Current year income tax expense	(489)	(4 700)
Deferred income tax	812	525
Effect of changes in the income tax rate	299	-
Income tax profit/(expense)	**622**	**(4 175)**

The tax rate of 20% applies for the Group's Russian subsidiaries in accordance with Russian tax legislation. In July 2024, amendments were made to the Tax Code of the Russian Federation, which, among other things, include an increase in the profit tax rate from 20 % to 25 % from 1 January 2025. The effect of revaluation of the carrying amount of deferred tax assets and liabilities expected to be realized and settled after 1 January 2025 at the rate of 25 % resulted in an additional income tax profit of EUR 299 thousand. This change in Russian tax legislation did not affect the amounts of current income tax expense for 2024 year. The tax rate of 25% is applied for the Group's German company in accordance with German tax legislation.

14.2 TAX RECONCILIATION

	2024 EUR'000	2023 EUR'000
Income before tax	1 360	13 393
Income tax at a tax rate of 25%	(340)	(3 348)
Influence of differences in tax rates of different countries	101	628
Effect of changes in the income tax rate	299	-
Effect of expenses that are not deductible in determining taxable profit	562	(1 455)
Total	**622**	**(4 175)**

14.3 COMPOSITION OF DEFERRED TAX ASSETS AND LIABILITIES

	As of 1 October 2023 EUR'000	Effect of changes in the income tax rate EUR'000	Change to profit and loss EUR'000	Foreign currency translation EUR'000	As of 30 September 2024 EUR'000
Property, plant and equipment	(715)	(96)	(193)	36	**(968)**
Investment property	(169)	(36)	402	(19)	**178**
Inventories	244	143	507	(25)	**869**
Short-term financial assets	52	13	-	-	**65**
Trade receivables	(277)	(31)	161	(7)	**(154)**
Prepayments	108	6	(90)	4	**28**
Other financial assets	(73)	4	93	(4)	**20**
Other short-term assets	13	(64)	75	(4)	**20**
Long-term lease liabilities	246	58	107	(6)	**405**
Provisions	45	36	103	(5)	**179**
Trade accounts payable	219	41	(56)	2	**206**
Advances received	(4)	-	4	-	**-**
Short-term lease liabilities	276	102	74	(4)	**448**
Other financial liabilities	735	123	(375)	16	**499**
Net deferred tax assets / (liabilities)	**700**	**299**	**812**	**(16)**	**1 795**

14 INCOME TAX EXPENSE (CONTINUED)

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

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, aggregate to EUR 52,250 thousand as of 30 September 2024 (2023: EUR 51,065 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 2024, the Group has loss carryforwards amounting to EUR 2,844 thousand (2023: EUR 2,429 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:

	Land EUR'000	Building EUR'000	Advances for construction EUR'000	Construction in progress EUR'000	Transport EUR'000	Equipment EUR'000	Office equipment and furniture EUR'000	Other fixed assets EUR'000	Total EUR'000
Gross book value									
as of 1 October 2022	**2 604**	**42 100**	**320**	**307**	**12 367**	**6 020**	**2 682**	**558**	**66 958**
Lease modification	23	27	-	-	-	-	-	-	**50**
Additions	22	838	3	-	1 442	368	377	59	**3 109**
Disposals	(21)	(588)	-	(4)	(318)	(22)	(23)	(4)	**(980)**
Transfer	-	330	(213)	(131)	-	14	-	-	**-**
Reclassification	-	-	-	-	(16)	16	-	-	**-**
Foreign currency translation	(1 210)	(19 607)	(108)	(115)	(5 940)	(2 860)	(1 310)	(269)	**(31 419)**
as of 30 September 2023	**1 418**	**23 100**	**2**	**57**	**7 535**	**3 536**	**1 726**	**344**	**37 718**
Lease modification	14	64	-	-	-	-	-	-	**78**
Additions	174	619	32	8	2 354	482	340	86	**4 095**
Disposals	(37)	(243)	(3)	-	(225)	(25)	(20)	(5)	**(558)**
Transfer	-	-	-	-	-	-	-	-	**-**
Reclassification	(3)	3	-	-	(41)	41	-	-	**-**
Foreign currency translation	(11)	(90)	(1)	(1)	(123)	(34)	(21)	(5)	**(286)**
as of 30 September 2024	**1 555**	**23 453**	**30**	**64**	**9 500**	**4 000**	**2 025**	**420**	**41 047**
Accumulated depreciation									
as of 1 October 2022	**(41)**	**(11 539)**	**-**	**-**	**(7 006)**	**(2 949)**	**(1 338)**	**(255)**	**(23 128)**
Disposals	21	553	-	-	143	2	7	-	**726**
Depreciation charge for the year	(27)	(1 678)	-	-	(1 149)	(409)	(343)	(53)	**(3 659)**
Reclassification	-	-	-	-	9	(9)	-	-	**-**
Foreign currency translation	21	5 593	-	-	3 468	1 456	694	130	**11 362**
as of 30 September 2023	**(26)**	**(7 071)**	**-**	**-**	**(4 535)**	**(1 909)**	**(980)**	**(178)**	**(14 699)**
Disposals	13	119	-	-	223	7	8	-	**370**
Depreciation charge for the year	(38)	(1 482)	-	-	(1 236)	(372)	(257)	(50)	**(3 435)**
Reclassification	-	-	-	-	-	-	-	-	**-**
Foreign currency translation	2	86	-	-	62	23	15	3	**191**
as of 30 September 2024	**(49)**	**(8 348)**	**-**	**-**	**(5 486)**	**(2 251)**	**(1 214)**	**(225)**	**(17 573)**
Net book value									
as of 30 September 2023	**1 392**	**16 029**	**2**	**57**	**3 000**	**1 627**	**746**	**166**	**23 019**
as of 30 September 2024	**1 506**	**15 105**	**30**	**64**	**4 014**	**1 749**	**811**	**195**	**23 474**

15 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS (CONTINUED)

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

	Land EUR'000	Buildings EUR'000	Transport EUR'000	Equipment EUR'000	Total EUR'000
Gross book value					
as of 1 October 2022	**117**	**2 018**	**7 941**	**69**	**10 145**
Lease modification	23	27	-	-	**50**
Additions	22	727	1 375	35	**2 159**
Disposals	(21)	(579)	(51)	-	**(651)**
Transfer to own leased-out properties	-	-	(1 936)	-	**(1 936)**
Foreign currency translation	(59)	(968)	(3 558)	(39)	**(4 624)**
as of 30 September 2023	**82**	**1 225**	**3 771**	**65**	**5 143**
Lease modification	14	64	-	-	**78**
Additions	114	500	2 357	22	**2 993**
Disposals	(37)	(243)	(37)	-	**(317)**
Transfer to own leased-out properties	-	-	(1 400)	41	**(1 359)**
Reclassification	(3)	3	-	-	**-**
Foreign currency translation	(4)	(19)	(56)	(3)	**(82)**
as of 30 September 2024	**166**	**1 530**	**4 635**	**125**	**6 456**
Accumulated depreciation					
as of 1 October 2022	**(41)**	**(930)**	**(2 844)**	**(21)**	**(3 836)**
Disposals	21	568	-	-	**589**
Transfer to own leased-out properties	-	-	1 507	-	**1 507**
Depreciation charge for the year	(27)	(489)	(1 034)	(13)	**(1 563)**
Foreign currency translation	21	429	1 254	13	**1 717**
as of 30 September 2023	**(26)**	**(422)**	**(1 117)**	**(21)**	**(1 586)**
Disposals	13	124	2	-	**139**
Transfer to own leased-out properties	-	-	829	-	**829**
Depreciation charge for the year	(38)	(481)	(930)	(21)	**(1 470)**
Foreign currency translation	2	18	8	1	**29**
as of 30 September 2024	**(49)**	**(761)**	**(1 208)**	**(41)**	**(2 059)**
Net book value					
as of 30 September 2023	**56**	**803**	**2 654**	**44**	**3 557**
as of 30 September 2024	**117**	**769**	**3 427**	**84**	**4 397**

The Group recognized investment property as follows:

	EUR'000
Gross book value	
as of 1 October 2022	**3 359**
Foreign currency translation	(1 555)
as of 30 September 2023	**1 804**
Foreign currency translation	(5)
as of 30 September 2024	**1 799**
Accumulated depreciation and impairment	
as of 1 October 2022	**(2 894)**
Depreciation charge for the year	(18)
Foreign currency translation	1 344
as of 30 September 2023	**(1 568)**
Depreciation charge for the year	(15)
Foreign currency translation	5
As of 30 September 2024	**(1 578)**
Net book value	
as of 30 September 2023	**236**
as of 30 September 2024	**221**

15 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF USE ASSETS (CONTINUED)

During the 2024 financial year depreciation charge was EUR 3,450 thousand (2023: EUR 3,677 thousand) on property, plant and equipment and investment property.

During the 2024 financial year amortization charge was EUR 126 thousand (2023: EUR 208 thousand) on intangible assets.

As of 30 September 2024 and 2023 there were no commitments to acquire property, plant and equipment.

Assets pledged as security

The Group's property, plant and equipment with carrying amount of EUR 12,231 thousand as of 30 September 2024 (2023: EUR 12,977 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, % 09/30/2024	Interest rate, % 09/30/2023	Maturity	Level	09/30/2024 EUR'000	09/30/2023 EUR'000
Long-term loans issued to employees				Level 2	77	107
Other				Level 2	3	-
Long-term loans issued					**80**	**107**
Short-term loans to related parties **[34]**	8% - 9%	8% - 12,5%	27.09.2025 - 30.09.2025	Level 2	22 832	22 021
Short-term loans to 3rd parties	3% - 11%	3% - 11%	30.04.2025 - 30.09.2025	Level 2	2 992	2 981
Short-term loans issued to employees				Level 2	38	45
Other				Level 2	25	15
Less: Provision for loan impairment					(4 016)	(3 990)
Short-term loans issued					**21 871**	**21 072**
Total					**21 951**	**21 179**

All loans issued are unsecured. The fair value of loans issued equals EUR 19,918 thousand as of 30 September 2024 (2023: EUR 20,751 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:

EUR '000	Credit loss allowance			Gross carrying amount		
	Stage 1 (12-months ECL)	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
As of 1 October 2022	**(570)**	**(5 730)**	**(6 300)**	**40 445**	**5 730**	**46 175**
New originated	(97)	-	(97)	393	-	393
Transfer to credit-impaired (from Stage 1 to Stage 3)	22	(22)	-	(22)	22	-
Derecognized during the period	61		61	(4 451)	-	(4 451)
Changes in accrued interest	(14)	-	(14)	1 431	-	1 431
Foreign currency translation differences, net	316	2 044	2 360	(16 335)	(2 044)	(18 379)
Total movements with impact on credit loss allowance charge for the period	288	2 022	2 310	(18 984)	(2 022)	(21 006)
As of 1 October 2023	**(282)**	**(3 708)**	**(3 990)**	**21 461**	**3 708**	**25 169**
New originated	(26)	-	(26)	68	-	68
Transfer to credit-impaired (from Stage 1 to Stage 3)	21	(21)	-	(21)	21	-
Derecognized during the period	1		1	(72)	-	(72)
Changes in accrued interest	(15)	-	(15)	923	-	923
Foreign currency translation differences, net	6	8	14	(114)	(8)	(122)
Total movements with impact on credit loss allowance charge for the period	(13)	(13)	(26)	784	13	797
As of 30 September 2024	**(295)**	**(3 721)**	**(4 016)**	**22 245**	**3 721**	**25 966**

17 INVENTORIES

Inventories comprise the following:

	09/30/2024 EUR'000	09/30/2023 EUR'000
Agricultural spare parts, tires and lubricants	36 944	32 488
New agricultural machinery and equipment	26 260	21 630
Used agricultural machinery and equipment	1 384	3 905
Precision farming equipment	835	1 041
Forestry spare parts	51	513
Other inventory	132	104
	65 606	**59 681**

During the 2024 financial year, EUR 343 thousand (2023: EUR 2,021 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 14,555 thousand as of 30 September 2024 (2023: EUR 24,293 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:

	09/30/2024 EUR'000	09/30/2023 EUR'000
Trade receivables, gross	19 964	19 432
Allowance for credit losses	(299)	(304)
Trade receivables, net	**19 665**	**19 128**

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

	EUR'000
As of 1 October 2022	**(476)**
New originated	(135)
Foreign currency translation	191
Derecognized during the period	116
As of 30 September 2023	**(304)**
New originated	(153)
Foreign currency translation	31
Derecognized during the period	127
As of 30 September 2024	**(299)**

Other financial assets comprise the following:

	09/30/2024 EUR'000	09/30/2023 EUR'000
Other financial assets, gross	7 801	11 926
Allowance for credit losses	-	(2)
Other financial assets, net	**7 801**	**11 924**

18 TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS (CONTINUED)

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:

	09/30/2024				09/30/2023			
Ageing of trade receivables and other financial assets	**Gross carrying amount EUR'000**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Net carrying amount EUR'000**	**Gross carrying amount EUR'000**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Net carrying amount EUR'000**
Neither past due nor impaired	8 158	(109)	-	8 049	5 723	(77)	-	5 646
Impaired								
Past due	19 607	(190)	-	19 417	25 635	(211)	(18)	25 406
Less than 6 months	7 760	(115)	-	7 645	16 402	(114)	(6)	16 282
From 6 to 12 months	3 352	(17)	-	3 335	3 881	(18)	-	3 863
More than 1 year	8 495	(58)	-	8 437	5 352	(79)	(12)	5 261
	27 765	**(299)**	**-**	**27 466**	**31 358**	**(288)**	**(18)**	**31 052**

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

Prepayments amounting to EUR 10,803 thousand (30 September 2023: EUR 19,521 thousand) mainly represents prepayments to suppliers for agricultural machinery and spare parts.

19 OTHER SHORT-TERM ASSETS

Other short-term assets comprise the following:

	09/30/2024 EUR'000	**09/30/2023 EUR'000**
Other taxes receivable	558	1 084
Other current assets	241	94
	799	**1 178**

Other taxes receivable are primarily VAT receivable.

20 CASH ON HAND AND BANK BALANCES

Cash and cash equivalents comprise the following:

	09/30/2024 EUR'000	**09/30/2023 EUR'000**
Bank balances	673	1 449
Short-term deposits	-	572
Cash in transit	-	40
Cash on hand	6	6
	679	**2 067**

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

	09/30/2024 EUR'000	**09/30/2023** EUR'000
AAA to A-	673	2 067
Total cash and cash equivalents, excluding cash on hand	**673**	**2 067**

**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 2024 and 2023 is EUR 3,140 thousand consisting of 3,140,000 shares. The amount of additional paid in capital as of 30 September 2024 and 2023 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.

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.

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.

22 PROVISIONS

Provisions comprise the following:

	Warranty reserve
As of 1 October 2022	**1 503**
Charge for the year	(53)
Foreign currency translation	(698)
Utilized	(528)
As of 30 September 2023	**224**
Charge for the year	1 069
Foreign currency translation	(10)
Utilized	(565)
As of 30 September 2024	**718**

23 BORROWINGS

The borrowings comprise the following:

	Level	09/30/2024 EUR'000 GBV	09/30/2024 EUR'000 FV	09/30/2023 EUR'000 GBV	09/30/2023 EUR'000 FV
Current bank loans	Level 2	54 130	54 130	61 657	61 657
		54 130	**54 130**	**61 657**	**61 657**

24 BORROWINGS (CONTINUED)

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 2022	**(53 347)**	**(4 618)**	**(57 965)**
Lease modification	-	(50)	**(50)**
Additions	-	(2 116)	**(2 116)**
Cash flows	(34 286)	2 452	**(31 834)**
Disposals	-	21	**21**
Foreign exchange adjustments	32 534	2 192	**34 726**
Interest expense	(6 558)	(488)	**(7 046)**
Liabilities from financing activities as of 30 September 2023	**(61 657)**	**(2 607)**	**(64 264)**
Lease modification	-	(78)	**(78)**
Additions	-	(2 957)	**(2 957)**
Cash flows	19 642	2 588	**22 230**
Disposals	-	151	**151**
Foreign exchange adjustments	(188)	54	**(134)**
Interest expense	(11 927)	(564)	**(12 491)**
Liabilities from financing activities as of 30 September 2024	**(54 130)**	**(3 413)**	**(57 543)**

As of 30 September 2024, borrowings in the amount of EUR 45,079 thousand (30 September 2023: 38,841 thousand) were secured with guarantees of the ultimate controlling party.

The Group's trade receivables as at September 30, 2024 have not been pledged as collateral for the Group's bank borrowings (2023: 8,580 thousand were pledged as collateral).

The effective annual interest rates were as follows:

	Current loans and borrowings	
	09/30/2024	**09/30/2023**
RUB	5% -22,5%	5% - 17%

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

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

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

During the year ended 30 September 2024 and as of 30 September 2024 the Group has not complied with some of the covenants relating to short-term borrowings of EUR 54,130 thousand (During the year ended 30 September 2023 and as of 30 September 2023 the Group has not complied with some of the covenants relating to short-term borrowings of EUR 61,657 thousand). As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants. Management of Ekotechnika AG does not expect that the banks will use this right.

24 TRADE ACCOUNTS PAYABLE

Trade payables are comprised of trade payables due to third parties in the amount of EUR 9,938 thousand as of 30 September 2024 (30 September 2023: EUR 5,210 thousand) and due to related parties in the amount of EUR 951 thousand (30 September 2023: EUR 1,123 thousand). Trade payables can be non-interest bearing and interest bearing. Fair value of the payables approximates their carrying amount due to the short remaining term.

25 ADVANCES RECEIVED

The advance received from the customer amounting to EUR 3,393 thousand (30 September 2023: EUR 4,189 thousand) represents a contract liability.

EUR 3,121 thousand (2023: EUR 11,751 thousand) of revenue was recognized in the current reporting period arising from contracts with customers as of 30 September 2023 (2023: as of 1 October 2022). 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.

26 OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

	09/30/2024 EUR'000	09/30/2023 EUR'000
Employee benefit liabilities	4 038	4 490
Other financial liabilities	4 774	9 123
	8 812	**13 613**

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

27 LONG-TERM AND SHORT-TERM LEASE LIABILITIES

The Group recognized lease liabilities as follows:

	09/30/2024 ’000 EUR	09/30/2023 ’000 EUR
Long-term lease payable	1 663	1 229
Short-term lease payable	1 750	1 378
	3 413	**2 607**

Interest expense included in financial expenses of the 2024 financial year was EUR 564 thousand (2023: EUR 488 thousand).

During the 2024 financial year, expenses relating to short-term leases amounting to EUR 32 thousand (2023: EUR 44 thousand) and relating to leases of low-value assets amounting EUR 12 thousand (2023: 8 thousand) that are not shown as short-term leases were included in ‘Other operating expenses’.

28 OTHER SHORT-TERM LIABILITIES

Other current liabilities comprise the following:

	09/30/2024 EUR'000	09/30/2023 EUR'000
VAT payable	3 510	2 266
Other taxes payable	506	363
	4 016	**2 629**

29 OPERATING ENVIRONMENT

In 2024 financial year there remains significant geopolitical tension which was developing since the middle of 2022 financial year due to the conflict in Ukraine and the sanctions imposed on import in and export from Russia, including limitations for international payments. Many international businesses originating from European countries, USA, Canada and Japan have come to the decision to quit Russian market or suspend operations, including termination of dealership contracts.

The Russian government and the Central Bank took monetary measures to stabilize the situation: On 30 October 2023, the Bank of Russia raised the key rate from 13% to 15%, on 18 December 2023 – from 15% to 16%, on 29 July 2024 – from 16% to 18%, on 16 September– from 18% to 19% and 28 October 2024 – from 19% to 21%.

The Russian ruble was volatile in the 2024 financial year. On 30 September 2023 the exchange rate was 103.1631 RUB/EUR, it continued to then it started to increase reaching its peak of 107.0322 RUB/EUR on 10 October 2023 to then it continued to decrease, reaching its minimum of 89.0914 RUB/EUR on 20 July 2024. On 30 September 2024 the exchange rate was about 103.4694 RUB/EUR. The average rate for the financial year was 98.5018 RUB/EUR (2023: 83.12 RUB/EUR).

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

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

30 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.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

The sensitivity analyses in the following sections relate to the position as of 30 September 2024 and 2023.

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.

30.1 FOREIGN CURRENCY RISK

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

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

	09/30/2024							
EUR'000	**Level**	**USD**	**RUB**	**EUR**	**CAD**	**CNY**	**AED**	**Total**
Long-term loans issued	Level 2	-	80	-	-	-	-	**80**
Short-term loans issued	Level 2	-	17 642	4 229	-	-	-	**21 871**
Trade receivable	Level 2	261	17 182	678	1 505	39	-	**19 665**
Other financial assets	Level 2	-	712	7 061	-	28	-	**7 801**
Cash and cash equivalents	Level 1	11	544	124	-	-	-	**679**
Total monetary financial assets		**272**	**36 160**	**12 092**	**1 505**	**67**	**-**	**50 096**
Long-term lease liabilities	Level 2	-	1 663	-	-	-	-	**1 663**
Long-term trade accounts payable	Level 2	-	-	119	-	-	-	**119**
Short-term loans and credits	Level 2	-	54 130	-	-	-	-	**54 130**
Trade payables	Level 2	50	4 023	1 245	-	5 452	-	**10 770**
Short-term lease liabilities	Level 2	-	1 750	-	-	-	-	**1 750**
Other financial liabilities	Level 2	-	294	3 741	-	44	695	**4 774**
Total monetary financial liabilities		**50**	**61 860**	**5 105**	**-**	**5 496**	**695**	**73 206**
Net monetary position		**222**	**(25 700)**	**6 987**	**1 505**	**(5 429)**	**(695)**	**(23 110)**

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

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

EUR\RUB	**Change in EUR\RUB rate**	**Effect on loss before income tax EUR'000**
2024	10,00%	699
	-15,00%	(1 048)
2023	10,00%	507
	-15,00%	(760)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

USD\RUB	Change in USD\RUB rate	Effect on loss before income tax EUR'000
2024	10,00%	22
	-15,00%	(33)
2023	10,00%	(7)
	-15,00%	10
CAD\RUB	**Change in CAD\RUB rate**	**Effect on loss before income tax EUR'000**
2024	10,00%	151
	-15,00%	(226)
2023	10,00%	206
	-15,00%	(309)
CNY\RUB	**Change in CNY\RUB rate**	**Effect on loss before income tax EUR'000**
2024	10,00%	(543)
	-15,00%	814
2023	10,00%	(63)
	-15,00%	94
AED\RUB	**Change in AED\RUB rate**	**Effect on loss before income tax EUR'000**
2024	10,00%	(70)
	-15,00%	104
2023	10,00%	(61)
	-15,00%	91

30.2 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of fluctuations in market interest rates to which the Group is exposed generally results from the variable-interest loans with interest rate calculated as Central Bank key rate plus margin, which had a balance of EUR 54,130 thousand as of 30 September 2024 (2023: EUR 61,657 thousand).

The Group's exposure to interest rate risk at the end of the reporting period is not representative of the typical exposure during the year. For the average exposure during 2024, 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 1,083 thousand higher (if interest rates had been 200 basis points higher - profit for the year before income tax would have been EUR 1,083 thousand lower). For the average exposure during 2023, if interest rates had been 200 basis points lower with all other variables held constant, profit for the year before income tax would have been EUR 1,233 thousand higher (if interest rates had been 200 basis points higher - profit for the year before income tax would have been EUR 1,233 thousand lower).

30.3 CREDIT RISK

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

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

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

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2024 the Group had five customers that owed the Group more than EUR 1,000 thousand each and made up 45% of trade receivables balance (2023: eight customers that owed the Group more than EUR 1,000 thousand each and made up 64% of trade receivables balance), four customers counting for 37% of the balance were related parties and one customer counting for 8% of the balance was third party (2023: five customers counting for 27% of the balance were related parties and three customers counting for 37% of the balance was third party).

31 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 2024

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	54 130	-	-	-	-
Trade payables	3 889	5 994	887	119	-
Lease liabilities	-	565	1 695	1 323	661
Other financial liabilities	110	4 131	534	-	-
Total	**58 129**	**10 690**	**3 116**	**1 442**	**661**

As of 30 September 2023

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

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 23, 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).

	09/30/2024	09/30/2023
Loans and borrowings	(54 130)	(61 657)
Less: cash and cash equivalents	679	2 067
Net debt	**(53 451)**	**(59 590)**
Total capital	68 953	68 504
Capital and net debt	**15 502**	**8 914**

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2024 and 2023.

32 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:

EUR '000	Entities under common control		Parent company		Key management personnel		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Sale of new agricultural machinery	1 548	510	-	-	-	20	**1 548**	**530**
Sale of agricultural spare parts, tires and lubricants	10 420	9 322	-	-	-	-	**10 420**	**9 322**
Sale from intelligent farming	165	46	-	-	-	-	**165**	**46**
Sales of construction and road equipment	155	-	-	-	-	-	**155**	**-**
Sale of used agricultural machinery	-	2	-	-	-	-	**-**	**2**
Revenue from rendering of services	534	408	-	-	-	-	**534**	**408**
Other income	109	73	-	-	-	-	**109**	**73**
Interest income	1 276	1 719	21	21	-	-	**1 297**	**1 740**
Interest expense	-	9	-	-	-	-	**-**	**9**
Purchase of goods and services	(530)	(2 535)	-	-	-	-	**(530)**	**(2 535)**
Remuneration of key management	-	-	-	-	(1 372)	(1 550)	**(1 372)**	**(1 550)**
Other expenses of key management	-	-	-	-	(11)	(9)	**(11)**	**(9)**
Impairment of loans issued	-	-	(21)	(27)	-	-	**(21)**	**(27)**

Social contributions related to remuneration of key management personnel amounted to EUR 233 thousand (2023: EUR 386 thousand).

The following balances with related companies and persons remained outstanding at the end of the reporting period:

EUR '000		Short-term loans issued	Trade receivables	Prepayments, other financial assets and other short-term assets	Trade accounts payable, other financial liabilities, other short-term liabilities, advances received, short-term borrowings
Entities under common control	09/30/2024	21 182	9 985	156	1 060
	09/30/2023	20 403	11 517	177	1 177
Associates	09/30/2024	-	1	1	2
	09/30/2023	-	1	-	4
Key management personnel	09/30/2024	-	-	37	477
	09/30/2023	-	-	38	471
Total	09/30/2024	**21 182**	**9 986**	**194**	**1 539**
	09/30/2023	**20 403**	**11 518**	**215**	**1 652**

During the year ended 30 September 2024 no loans to related parties were issued or repaid (2023: EUR 90 thousand of loans were issued to the related parties, which is included into the line 'Issuance of loans' in the consolidated cash flow statement and the Group received settlement of loans issued to related parties of EUR 4,230 thousand, which is included into the line "Proceeds from settlements of loans issued" in the consolidated cash flow statement).

33 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 2,511,653.55 consisting of the net loss for the 2024 financial year of EUR 401,783.66 and the profit carried forward of EUR 2,913,437.21

34 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 2024 was EUR 65 thousand (2023: EUR 65 thousand).

35 RELEASE

The Executive Board of Ekotechnika AG released the consolidated financial statements for submission to the Supervisory Board on 23 January 2025. The Supervisory Board has to examine the consolidated financial statements and declare whether the consolidated financial statements are approved.

Walldorf, 23 January 2025

Stefan Dürr Chairman of the Board

Björne Drechsler Board Member

Independent Auditor's Report (Convenience Translation)

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 2024, 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 2023 to 30 September 2024, 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 2023 to 30 September 2024.

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 2024 and of its financial performance for the financial year from 1 October 2023 to 30 September 2024 in accordance with these requirements and

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

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

Basis for the audit Opinions

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

Material uncertainty related to the going concern assumption

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

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

The area of developments based on political decisions also includes the expected changes on the tax side of the economy. Both Germany and the Russian Federation are tightening the tax regulations for companies operating in the other country. As a result, the administrative burden for all concerns will increase significantly. In addition, this could lead to significantly higher tax payments in both countries. The details are not yet clear, but management is monitoring the discussions and will try to find ways to deal with them.

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

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

Legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of IFRSs as adopted by the EU, the requirements of German commercial law 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 due to fraudulent act (i.e. manipulation of accounting records and misappropriation of assets) 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 fraudulent act 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 fraudulent act 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 fraudulent act 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 that material misstatements resulting from fraudulent act will not be detected is higher than the risk that material misstatements resulting from error will not be detected, as fraud may involve collusion, forgery, intentional incompleteness, misrepresentation 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 reasonable- ness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the going concern basis of accounting used by legal representatives and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor`s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

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

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

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

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

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

Albstadt, 23 January 2025

Klaiber GmbH

Wirtschaftsprüfungsgesellschaft