



**ANNUAL REPORT,
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS**

**For the financial year ended
31 December 2019**



EWA

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ANNUAL REPORT

For the financial year ended
31st December 2019



Basic data about the company

East West Agro **EWA**

Joint stock company

Registration date 2006 August 4

Legal entity code 300588407

VAT code LT100002549311



Tikslo str. 10, Kumpiai, Kauno r.



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www.ewa.lt

Company profile

East West Agro (EWA) is one of the major agricultural machinery and equipment sales companies in Lithuania.

Main activities:

- Sales of new agricultural machinery
- Engineering and sales of grain storage equipment
- Aftersales service, spare parts supply.

EWA represents a total of almost 20 international producers, which include globally recognized manufacturers of agricultural equipment such as Massey Ferguson, Sulky, Bednar and others.

The company's main office is located in Lithuania – Kaunas distr., Kumpiai village, near the Kaunas – Klaipėda highway. The company has its administration, customer service division and machinery maintenance center.

Company has two more machinery sales and service centers – at Šiauliai and

Shareholders of the company

Shareholders	Controlled share
Danas Šidla	39,81%
Gediminas Kvietkauskas	39,56%
Multi AssetSelection Fund	8,00%
Minority shareholders	12,63%

Business and financial review of results

2019 review:

The market of new agricultural machinery was one of the lowest in a decade. The adverse natural conditions have led to a significant decline in purchasing power and a difficult investment environment in the agro sector. The machinery market has been blighted by the extreme slow and inefficient administration of EU subsidies for agricultural modernization, leading some sales to shift to the 2020 season. The market is also experiencing a competitive crisis in the banking sector, which has made it more difficult to purchase equipment.

Nevertheless, the need for new machinery has not diminished – only the ability to invest for farms has reduced, for a time being working with existing machines or seeking alternatives (eg renting machinery) in the market.

As sales fell, the company reviewed its internal processes, optimized inventory management, and minimized its balance sheet. In the future, this should reduce costs and the need for borrowed capital.

Highlights of 2019:

- Market of new tractors, dedicated for profesional farming, decreased by 28,5% (to 539 units) compared to year 2018 (754 units)
- Maintained second position in tractors market. Market share of Massey Ferguson, represented by EWA, reached a record 18,2% (year 2018 – 16,4%), which was only few units away from leading position.
- Increased revenues in machinery rental. Main reason for that – decreased buying power of clients and a temporary solution for technical issues.
- While the number of serviced machines grows every year, we constantly invest into the quality of service – new special purpose vehicles are being acquired, training programs are being organized both inhouse and infactories to raise the qualification of personnel. Also investments were made into IT of service, that enables more efficient hman resources and task planning.
- Since the previous 3 years non-exclusive contract for Massey Ferguson brand with AGCO Limited has expired, the new distribution agreement was signed, which is valid for 5 years and has an exclusivity in Lithuania. Signing this contract is a clear statement that EWA fulfills the highest standards AGCO Limited requires from distributors and ensures great customer experience.

Prospects for 2020:

After assessing the market conditions, needs of the clients and their buying potential, management of the company made a budget for year 2020, which forecasts the sales revenue of 23,5 mil EUR. Profit before taxes should reach 0,8 mil EUR, EBITDA should be 2,0 mil EUR.

The main tasks for year 2020 will be continuous growth of higher margin products and services while maintaining strong positions in tractors and combine harvesters' markets. Also, in collaboration with some suppliers, ways of geographical development in the region are being sought. One of possible scenarios is attracting a strategic partner for such development.

The COVID-19 pandemic's effects on East West AGRO,

The company is currently operating at a seasonal pace, with additional precautions and restrictions. Some employees work remotely, and stores and service operations have been redesigned to reduce unnecessary contacts and prevent the possible spread of infection.

The supply of agricultural machinery from manufacturers for 2020 is planned, most of the products have already been produced, some have already been delivered to Lithuania. Some of the suppliers' plants in France and Italy have been temporarily closed, but operations are already resuming. Existing inventories account for at least half of planned annual sales.

The supply of spare parts is still smooth, the company did not feel any significant delays from suppliers during the quarantine, and the current amount of spare parts exceeds their annual sales. Services are provided in compliance with the maximum personal safety requirements, as well as avoiding direct contact with the customer.

The developed IT infrastructure of sales and services allowed to organize sales activities from home, to register service works by postponing them to the future or by performing them in mobile vehicles, applying additional anti-virus measures.

Although the current situation should not have a direct impact on the agricultural sector, it is difficult to assess the potential impact on the annual results and the implementation of the planned budget in the current situation.

In the event of a change in operating conditions or clearer consequences, the company undertakes to provide information in a separate notice.

Comment of Gediminas Kvietkauskas, General Director of AB East West Agro, on the impact of the COVID-19 pandemic on the Lithuanian agricultural sector:

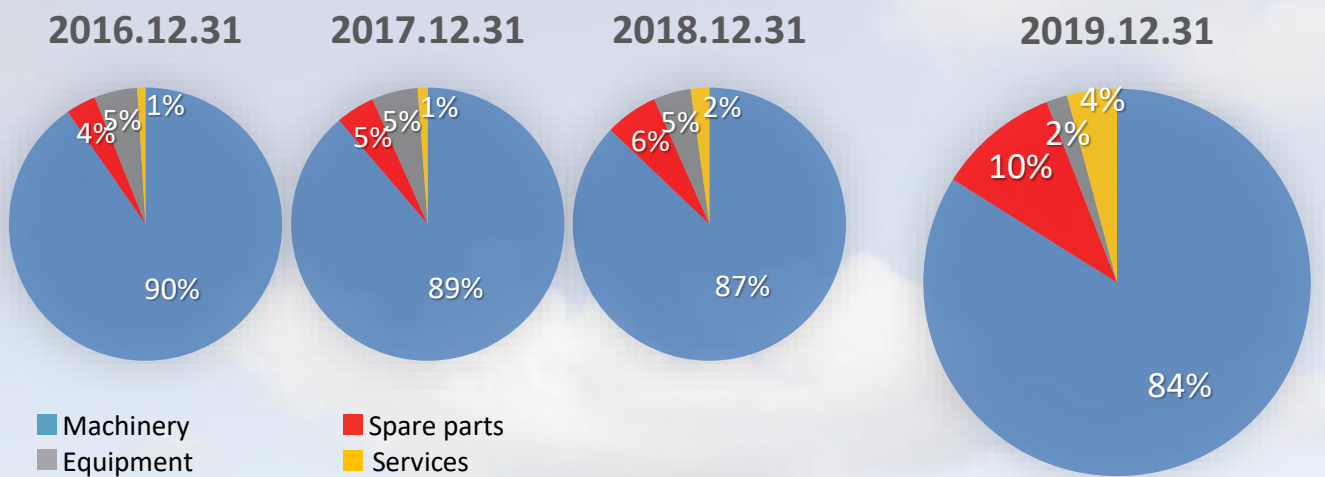
Agriculture has little impact on economic crises. Unlike other industries, where income, profits and expenses are usually calculated on a monthly basis, farmers value the whole year, so even quarantine in the context of the whole year can do only minimal damage.

Lithuanian agriculture consists of several main branches: crop production and animal husbandry. None of these branches should be directly affected by the virus. The grain harvest is already in the fields, sown last fall or sown at this time. In the same cycle, works in the service sector take place - farms are provided with machinery, fertilizers, etc. The grain will be harvested in July-August, even before the quarantine measures are over - the crop will still need to be harvested and winter crops sown. The same situation with vegetable and livestock farmers. Generally speaking, nature does not wait for quarantine to pass. It must not be forgotten that agriculture and the businesses that serve it are at the beginning of the food production chain - and the supply of raw materials to the food industry can by no means stop even in the event of a pandemic.

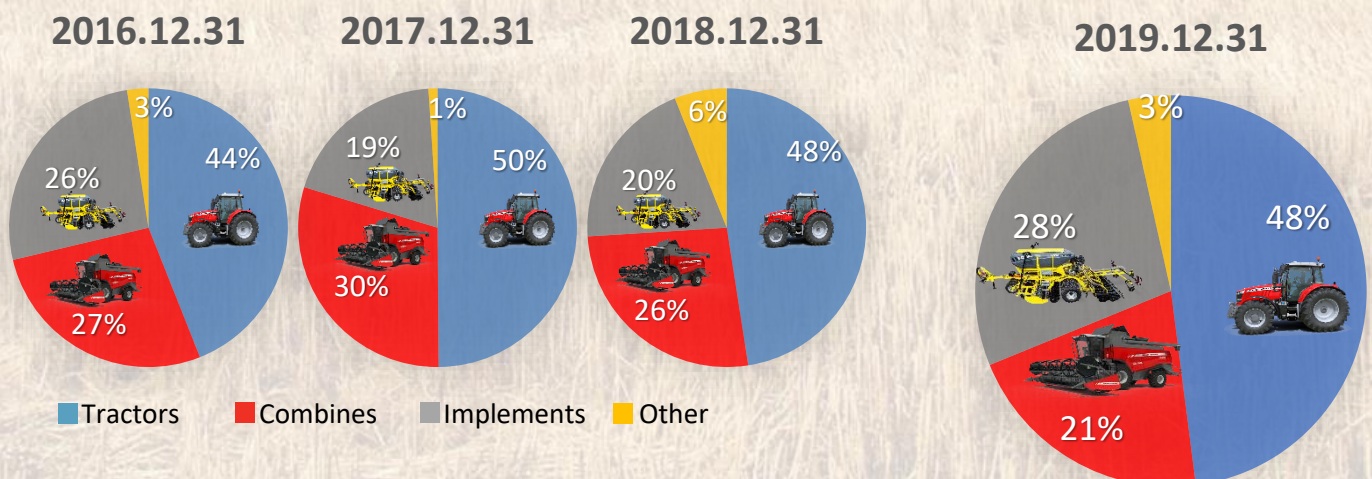
A potential challenge for farms is the difficulty in accessing borrowed capital, which would affect their purchasing power. Still, paradoxically, agriculture is not fully obey to the waves of economic cycles. In agriculture, the main success factor is favorable nature and good sales prices of raw materials.

Revenue distribution by product groups

	2016.12.31	2017.12.31	2018.12.31	2019.12.31
Machinery (' 0 EUR)	20 597	23 120	23 568	15 079
Spare parts (' 0 EUR)	812	1 200	1 693	1 825
Equipment (' 0 EUR)	1 161	1 419	1 193	315
Services (' 0 EUR)	221	311	598	748

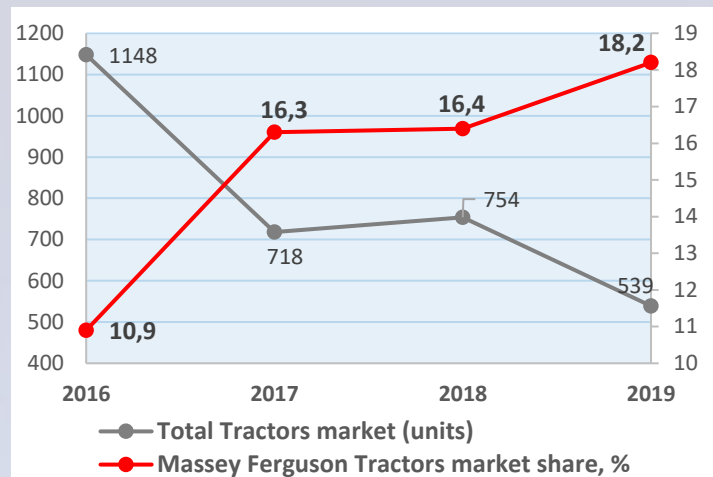


Machinery	2016.12.31	2017.12.31	2018.12.31	2019.12.31
Tractors (' 0 EUR)	9 058	11 531	11 202	7 233
Combine harvesters (' 0 EUR)	5 624	6 897	6 238	3 146
Implements (' 0 EUR)	5 406	4 450	4 697	4 171
Other (' 0 EUR)	509	242	1431	529



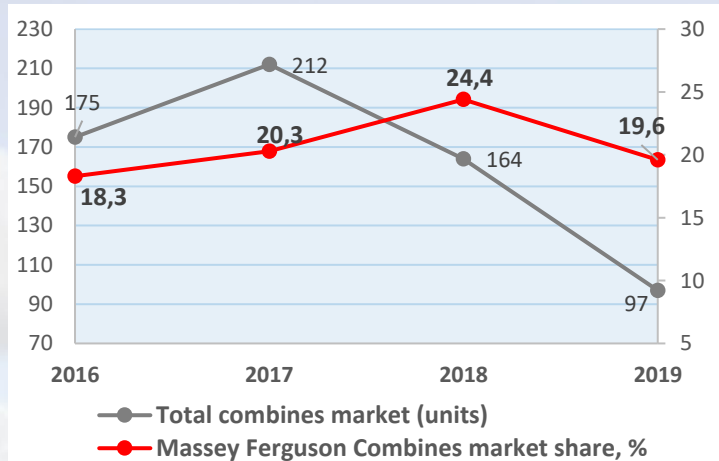
Agricultural machinery market*

Tractors	2016	2017	2018	2019
Total (units)	1148	718	754	539
Massey Ferguson tractors (units)	125	117	124	98
Massey Ferguson tractors market share, %	10,9	16,3	16,4	18,2



Not only the tractor market went down in 2019, but also did the average number of horsepower, which reduces the average revenue per tractor to 74.000 euros from 90.000 euros in 2018 and 99.000 in 2017

Combine harvesters	2016	2017	2018	2019
Total (units)	175	212	164	97
Massey Ferguson combine harvesters (units)	32	43	40	19
Massey Ferguson combine harvesters market share, %	18,3	20,3	24,4	19,6



* Market of new machines, dedicated for professional farming, registered by farm entities

Key financial indicators

	2019-12-31	2018-12-31	2017-12-31	2016-12-31
Revenues (' 0 EUR)	17 967	27 052	26 050	22 791
Gross profit (' 0 EUR)	3 075	5 048	4 569	3 879
Gross profit margin, %	17,1%	18,7%	17,5%	17,0%
EBITDA (' 0 EUR)	307	2 358	1 814	2 267
EBITDA, adjusted (' 0 EUR)	550	2 358	2 194	2 331
Net profit (' 0 EUR)	-728	930	867	1 521
Net profit margin, %	-4,1%	3,4%	3,3%	6,7%
EPS	-0,7280	0,9300	1,3872	3,0420
Financial debt (' 0 EUR)	7 021	8 789	6 447	5 388





EWA

Employees

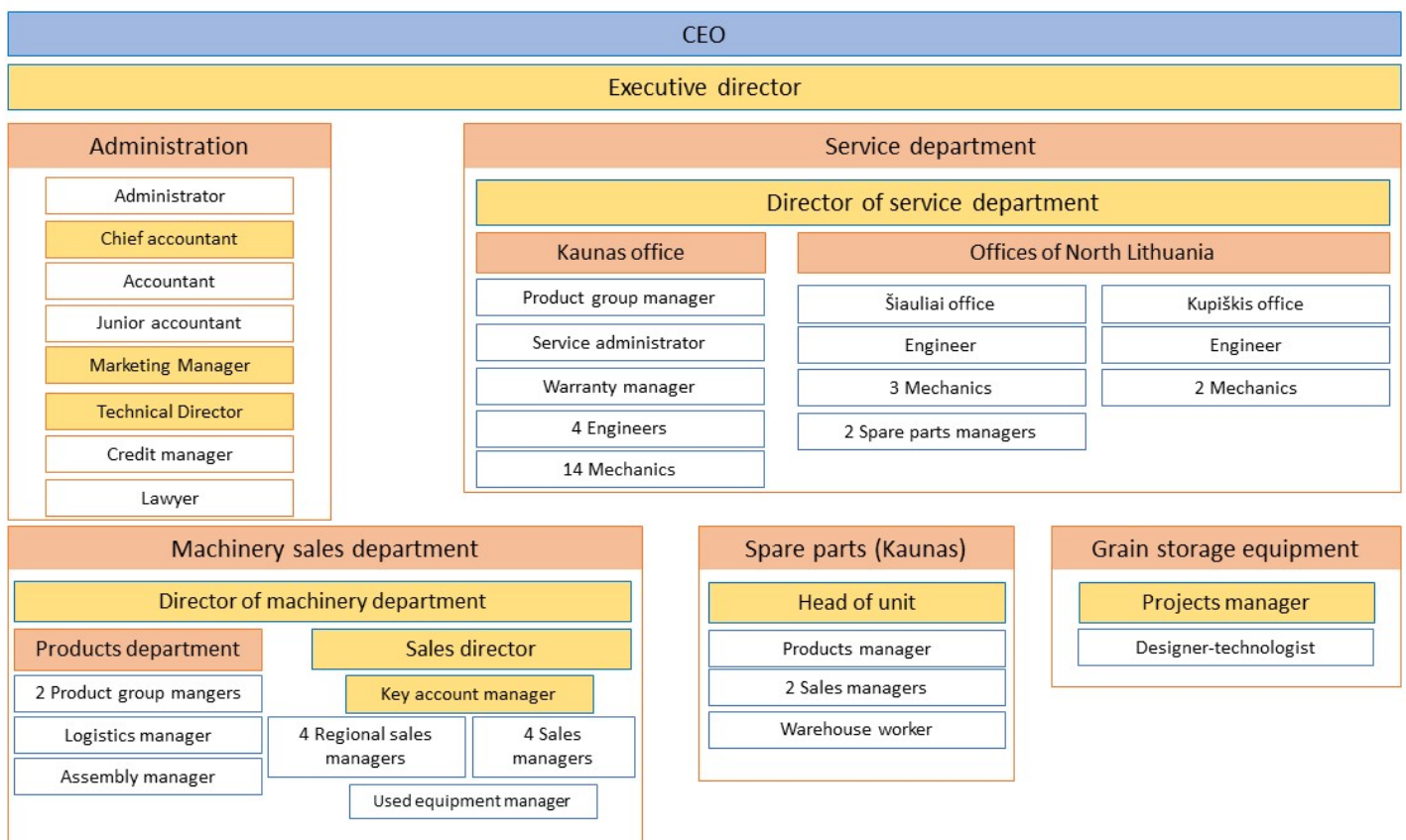
On 31 December 2019 the company had 72 employees. Over the year, their number fell 6.5 percent.

A large part of EWA's employees have higher education, and the average salary (gross) in 2019 was 2045 euros.

During the mentioned period, 8 qualified experts in their field with many years of experience in agriculture held management positions in the company.

On 16 March 2020 AB „Egars“ concluded option contracts with employees of AB „Egars“, East West 41500 ordinary registered shares of AB „Egars“ for the years 2023, 2024 and 2025, in accordance with the terms and conditions specified in the option contracts employees will acquire a right to acquire the above indicated amount of shares of AB „Egars“ with a nominal value of EUR 1 per share, by paying the price of EUR 0 per share.

Structure





EWA

Social responsibility and environment protection

In order to contribute to the training of agricultural specialists and to improve the quality of these sciences in Lithuania, the company has been cooperating closely with the Academy of Agriculture of Vytautas Magnus University for several years. EWA is the patron of this educational institution, which has established four annual one-time nominal scholarships for

third and fourth year undergraduate full-time students in the faculties of Agronomy and Engineering.

In carrying out its activities, the company follows the environmental protection laws and other legal acts in force in Lithuania and complies with all the requirements in this area.

EWA has concluded relevant contracts for the recovery of waste generated by the company.

Market and operational risks management

Fluctuations in raw material prices, farm productivity indicators, European Union (EU) support issues are important factors that the company constantly monitors and evaluates when forecasting its activities and results. It should be noted that despite economic, geopolitical, meteorological and other challenges, the Lithuanian agricultural market remains stable.

At present, the Lithuanian Agricultural Machinery Register contains more than 280 thousand equipment units. Most of the registered equipment consists of tractors. About two-thirds of them are 25 years old and older. This situation of the main technical park does not allow the country's farms to work more efficiently and compete more successfully in the market. Consequently, technical modernization will have to continue.

Given the specifics of the sector and the company's business model, EWA pays a lot of attention to the diversification of financial flows and risks. In addition, the company's sales structure is stable and relies on an extensive product basket. EWA in Lithuania serves more than 6,000 farmers and agricultural companies.

All financial operations are carried out by EWA with the services of banks with high credit ratings issued by foreign rating agencies. When needed, EWA borrows funds at fixed and variable interest rates, thus managing risk while maintaining the right combination of fixed and variable interest rates in the loan portfolio.

For the financial year ended 2019 31 December, EWA did not use any financial derivatives to manage interest rate risk.

The Company manages its liquidity risk by maintaining sufficient reserves, combining banking services and reserve credit instruments, and by constantly monitoring actual and forecast cash flows. The company pays great attention to the stability of financial assets and maturities of liabilities. EWA's policy is to maintain sufficient cash and cash equivalents or to secure funding through appropriate lines of credit to meet the commitments set out in its strategic plans.

The majority of the company's transactions during the period are denominated in euros, which helps to avoid significant foreign exchange risk.

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In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Business Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

-
- auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We shall 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.

Moore Mackonis, UAB

Dangutė Pranckienė

Certified auditor

April 17, 2020

J. Kubiliaus 6, Vilnius



Approved in the General Share
 On _____, 2020, Minutes No. _____

BALANCE SHEET

ASSETS		Notes No.	31.12.2019	31.12.2018
A.	NON-CURRENT ASSETS		3.335.593	3.941.509
1.	INTANGIBLE ASSETS		8.562	18.740
1.1.	Development works			
1.2.	Goodwill			
1.3.	Computer software	1	4.860	9.876
1.4.	Concessions, patents, licences, trademarks and similar rights			
1.5.	Other intangible assets	1	3.702	8.864
1.6.	Paid advance payments			
2.	TANGIBLE ASSETS		2.396.073	3.802.138
2.1.	Land	2	46.200	46.200
2.2.	Buildings and constructions	2	275.359	297.387
2.3.	Plant and machinery	2	1.619.170	2.924.288
2.4.	Transport means	2	225.695	216.786
2.5.	Other fixtures, fittings and tools	2	209.719	290.102
2.6.	Investment property			
2.6.1.	Land			
2.6.2.	Buildings			
2.7.	Paid advance payments and works of tangible asset construction (production) in progress	2	19.930	27.374
3.	FINANCIAL ASSETS		758.817	104.000
3.1.	Shares of Group's comp			
3.2.	Loans to the Group's c			
3.3.	Amounts receivable fro companies			
3.4.	Shares of associates			
3.5.	Loans to associates			
3.6.	Amounts receivable from associates			
3.7.	Long-term investments			
3.8.	Amounts receivable after one year	3	758.817	104.000
3.9.	Other financial assets			
4.	OTHER NON-CURRENT ASSETS		172.141	16.632
4.1.	Deferred income tax assets	4	172.141	16.632
4.2.	Biological assets			
4.3.	Other assets			

ASSETS		Notes No.	31.12.2019	31.12.2018
B.	CURRENT ASSETS		15.407.155	22.146.244
1.	Inventories		9.435.122	14.548.702
1.1.	Raw materials, materials and components	5	1.373	1.450
1.2.	Production and work in progress			
1.3.	Production			
1.4.	Goods for resale	5	9.165.756	14.331.853
1.5.	Biological assets			
1.6.	Non-current tangible assets for resale			
1.7.	Paid advance payments	5	267.993	215.399
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR		5.965.999	7.552.801
2.1.	Trade receivables	7	5.019.143	6.141.386
2.2.	Receivables from Group			
2.3.	Receivables from associates			
2.4.	Other amounts receivable	7	946.856	1.411.415
3.	Short-term investments			
3.1.	Shares of the Group's			
3.2.	Other investments			
4.	CASH AND CASH EQUIVALENTS	8	6.034	44.741
C.	COSTS OF FUTURE PERIODS AND ACCUMULATED INCOME	6	219.862	241.918
	TOTAL ASSETS:		18.962.610	26.329.671
	EQUITY AND LIABILITIES	Notes No.	31.12.2019	31.12.2018
D.	EQUITY CAPITAL		4.940.951	5.669.093
1.	CAPITAL		1.000.000	1.000.000
1.1.	Authorised (subscribed) or main capital	9	1.000.000	1.000.000
1.2.	Subscribed unpaid capital (-)			
1.3.	Own shares (-)			
2.	SHARE PREMIUM		2.875.000	2.875.000
3.	REVALUATION RESERVE (RESULTS)			
4.	RESERVES		350.000	312.500
4.1.	Legal reserve or reserve capital	9	100.000	62.500
4.2.	To acquire own shares		250.000	250.000
4.3.	Other reserves			
5.	RETAINED PROFIT (LOSS)	10	715.951	1.481.593
5.1.	Reporting year profit (loss)		(728.142)	929.930
5.2.	Previous year profit (loss)		1.444.093	551.663
E.	GRANTS, SUBSIDIES			
F.	PROVISIONS			
1.	Provisions for pensions and similar obligations			
2.	Tax provisions			
3.	Other provisions			

AB "EAST WEST AGRO"

Company code 300588407 Address: dīstri ksl o str. 10, Kumpi ū vil

Data preserved in Centre of Registers, SE, Register of Legal Entities

Financial statements for the period ended on December 31, 2019

(All amounts are presented in Euros, unless indicated otherwise)

Approved in the General Shareholders' Meeting

On _____, 2020, Minutes No. ____

STATEMENT OF CHANGES IN EQUITY

	Paid-up authorised or main capital	Share premium	Own shares (-)	Revaluation reserve		Reserves provided for by law		Other reserves	Retained profit (loss)	Total
				Non-current tangible assets	Financial assets	Legal or reserve capital	To acquire own shares			
1 Balance as at December 31, 2017	500.000					50.000	250.000		1.189.163	4.989.163
2 Result of changes in accounting policy										
3 Result of material error corrections										
4 Recalculated balance as at December 31, 2017	625.000	2.875.000				50.000	250.000		1.189.163	4.989.163
5 Correction of errors from previous year										
6 Increase (decrease) in the value of effective hedging instrument										
7 Acquired (sold) own shares										
8 Profit (loss) not recognized in the profit (loss) statement										
9 Reporting period net profit (loss)									929.930	929.930
10 Dividends									(250.000)	(250.000)
11 Other payouts										
12 Formed reserves						12.500			(12.500)	
13 Used reserves										
14 Increase (decrease) in authorised capital or contributions by shareholders (share return)	375.000								(375.000)	
15 Other increase (decrease) in authorised or main capital										
16 Contributions to cover losses										
17 Balance as at December 31, 2018	1.000.000	2.875.000				62.500	250.000		1.481.593	5.669.093

Approved in the General Share
 On _____, 2020, Minutes No. ____

STATEMENT OF CASH FLOWS (INDIRECT)

Line No.	Items	Notes No.	2019	2018
1.	Operating cash flows			
1.1.	Net profit (loss)		(728.142)	929.930
1.2.	Depreciation and amortization costs		504.943	671.235
1.3.	Elimination of results from transferred non-current tangible and intangible assets		(46.457)	(101.209)
1.4.	Elimination of results from financing and investing activities		442.246	390.822
1.5.	Elimination of other non-monetary items			
1.6.	Decrease (increase) in amount companies and associates			
1.7.	Decrease (increase) in other amounts receivable after one year		(654.817)	
1.8.	Decrease (increase) in deferred income tax assets		(155.509)	4.708
1.9.	Decrease (increase) in inventories, excluding the paid advance payments		5.166.174	(4.612.412)
1.10.	Decrease (increase) in paid advance payments		(52.594)	(114.562)
1.11.	Decrease (increase) in trade receivables		1.122.243	1.991.313
1.12.	Decrease (increase) in receivables companies and associates			
1.13.	Decrease (increase) in other amounts receivable		486.550	353.844
1.14.	Decrease (increase) in short-term investments			
1.15.	Decrease (increase) in costs of future periods and accumulated income		22.056	(94.337)
1.16.	Increase (decrease) in provisions			
1.17.	Increase (decrease) in non-current trade payables and received advance payments			
1.18.	Increase (decrease) in amounts payable after one year on the basis of bills of exchange and cheques			
1.19.	Increase (decrease) in non-current payable companies and associates			
1.20.	Increase (decrease) in current trade payables and received advance payments		(4.427.219)	1.887.901
1.21.	Increase (decrease) in amounts payable within one year on the basis of bills of exchange and cheques		(117.613)	(100.000)
1.22.	Increase (decrease) in current payable companies and associates			
1.23.	Increase (decrease) in income tax liabilities			
1.24.	Increase (decrease) in liabilities related to employment		(13.451)	(18.348)
1.25.	Increase (decrease) in other amounts payable and liabilities		(263.603)	(221.429)

EXPLANATORY NOTES

General information

East West Agro, AB (the Company) is a public limited liability company registered in the Centre of Registers, SE on August 4, 2006. Company's address is Tiksl o str.

Authorised capital of the Company amounts to 1.000.000 EUR and includes 1.000.000 ordinary registered shares with nominal value of EUR 1 each.

Operating activity of the Company is wholesale and retail in agricultural machinery and spare parts of the agricultural machinery.

East West Agro, AB operates p i i š n i k a u d n i a s t, r i š t a s u l i T a h i e a m a d i n K u p r o d u c t i o n f a c i l i t i e s a r e l o c a t e d a t O b j e c t i v e s t r. 10, is located in the building owned by the Company at Plento str. 51, is a k e a i a i . A c c a r r i e d o u t a t T e c h n i k o s s t r. 8 A, K u p i š k i s .

Reporting financial year average listed number of employees concluded to 72, previous financial year average listed number of employees concluded to 80.

The financial year of the Company begins on January 1 and ends on December 31

Accounting Policy

Basis for Accounting

Financial statements of the Company are prepared in accordance with the Republic of Lithuania law on accounting and financial reporting and the provisions of Business Accounting Standards valid on 01/01/2019.

When managing the accounting records and preparing the financial statements the Company follows general accounting principles: entity, going concern, periodicity, consistency, monetary measure, accrual, comparison, prudence, neutrality and content relevance.

Financial statements are prepared on the basis of accrual and going concern principles. According to the accrual principle the impact of transactions and other events is acknowledged when it occurs and is registered in accounting records and presented in the financial statements of the related period. Additionally, financial statements are prepared under assumption that the Company has no intentions or necessity to be liquidated or to reduce the scope of operations significantly.

Non-current Intangible Assets

Non-current intangible assets are recognized at acquisition cost less accumulated amortization and losses of impairment in value. Amortization is calculated following the straight-line method. Useful life period and amortization method are both reviewed at the end of every reporting period with prospective execution of any changes in accounting evaluation.

The following intangible asset groups and useful life periods are determined:

<u>Non-current intangible asset group</u>	<u>Useful life period</u>
Computer software	3 years
Other intangible assets	4 years

Non-current Tangible Assets

Non-current tangible assets are assets that the Company manages and controls, from which the Company expects economic benefit in the future periods, which shall be used for over one year, acquisition (production) cost of which can be reliably measured and the value of which is higher than the determined minimal asset value for that group.

Non-current tangible assets are recognized at acquisition (production) cost less accumulated depreciation and accumulated losses of impairment in value, if they exist.

Depreciation of non-current tangible assets is calculated following the straight-line method. Liquidation value is determined and is equal to EUR 0,29.

Assets with acquisition value higher than EUR 144,81 and useful life period longer than one year are capitalized. Mobile phones are recognized as non-current assets only in cases, where their value exceeds EUR 434,43.

The following useful life periods on the basis of asset groups are determined:

<u>Non-current tangible assets group</u>	<u>Useful life period (in years)</u>
Mobile phones	3
Plant and machinery	5
Inventory, furniture	6
Transport means	6 -10
Cargo vehicles	4
Computer hardware and means of connection	3
Other tangible assets	4

At the end of each year the Company reviews non-current asset useful life periods, balance values and depreciation methods and evaluates the impact of change, if it exists, and recognises it prospectively.

Repair and maintenance costs related to non-current tangible assets already in the exploitation are added to the book value of non-current tangible assets, if they prolong the asset's useful life period beneficial features. All other incurred repair costs are recognized as costs in the profit (loss) statement at the time they are incurred.

Repair costs on leased assets and/or assets exploited under the beneficial-use contract, which prolong the useful life period of leased asset or improve the beneficial features, are attributed to the asset and are recognized as costs during the remaining lease period.

Assets acquired under financial lease are depreciated applying the same useful life periods as applied to owned assets.

Profit earned or losses incurred after the transfer of non-current tangible asset are recognized in the profit (loss) statement of the same year.

Inventories

Inventories are recognized at net cost or net realizable value, depending on which one is lower. Net realizable value is recognized at sales price under regular business conditions less calculated production completion costs and possible selling costs.

Net cost of inventories includes costs of acquisition, transportation and preparation for sale. Net cost is calculated following the FIFO method. When calculating the net cost of goods the Company includes part of received discounts for yet unsold goods acquired from suppliers.

Inventories on the way are recognized on the basis of INCOTERMS-2010 conditions when the risk and benefit related to inventories is transferred to the Company.

Inventories are managed by dividing them into machinery and spare parts. If the machinery is in storage for over 3 years, it is devaluated by 50 per cent, if it is stored for over 4 years, it is devaluated by 100 per cent considering the selling value and the reasons for it being unsold. Impairment in the value of spare parts held for repair under guarantee or regular repair is calculated by devaluating spare parts stored for over 4 years by 20 per cent, those stored for over 5 years by 50 per cent and those in storage for over 6 years by 100 per cent.

Loans and Amounts Receivable

Trade receivables, loans and other amounts receivable under fixed instalments or instalments calculated following the determined method and which are not traded in active market are recognized as *Loans and Amounts Receivable*.

Initially loans and amounts receivable are recognized at acquisition cost and in subsequent periods are accounted for at amortized cost applying the effective interest rate method less any losses of impairment in value. Interest income is recognized applying the effective interest rate method, except for current amounts receivable, as recognition of their interest would be insignificant.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on the way and cash in bank accounts, and other current and very liquid investments of up to three months (from the date of the contract), which can be readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Impairment in the Value of Financial Assets

Financial assets are evaluated at each date of financial statements to determine whether indications of impairment in value exist. It is considered that the value of financial asset decreases when objective factors exist in a form of an outcome of one or several events that took place after initial recognition of financial asset and which had an effect on expected future cash flows from financial asset.

The book value of total financial assets is directly reduced by calculated losses of impairment in value. The sole exception is trade receivables the book value of which is reduced through the provisions account. When the trade receivable is irrecoverable, its amount is written off through provisions account. Previously written off, but recovered amounts reduce the provisions account. Changes in book values of provisions are recognized as profit or loss.

If the amount of losses of impairment in value for subsequent periods decreases and that decrease can be objectively linked to an event, which occurred after the losses of impairment in value were recognized, the previously recognized losses of impairment in value are restored through profit or loss, but only until the book value of investment on the day of reversing the losses of impairment in value does not exceed the amortized cost, which would have existed, if the losses of impairment in value would not have been recognized in the previous periods.

Effective Interest Rate Method

Effective interest rate method is a method applied to distribute the amortized cost estimate of financial assets and liabilities and interest income and costs within a respective period. Effective interest rate is an interest rate that accurately discounts estimated future cash flows (including all paid or received taxes, which are integral part of effective interest rate, transaction costs and other payments or discounts) to net initial recognition book value within the foreseen period of financial assets and liabilities or (if applicable) within a respective period that is shorter.

Deferred costs

Deferred costs are occurred when the company on the current and prior periods paid the coming periods continuing services which amount will be uniformly recognized as an expense in future periods when incurred.

Equity Capital and Reserves

Equity capital of the Company includes paid-up part of the authorised capital, share premium, legal reserve, revaluation reserve and retained profit (loss).

Ordinary registered shares are measured at their par value. Amount received for sold shares exceed of their nominal value is presented as share premium. Additional costs related to new share emission reduce share premium. Any profit or loss related to sale, emission or annulment of own shares is not recognised in the income statement.

According to the Law on Companies of the Republic of Lithuania the legal reserve has to amount to 1/10 of the authorised capital. If the legal reserve is insufficient, 1/20 of net profit is to be attributed until the required amount is reached. The amount which exceeds the amount of stated legal reserve can be redistributed when distributing the profit of the Company. If a legal reserve is used to cover the losses of the Company, it has to be formed again.

The account of retained profit (loss) includes accumulated and not yet distributed profit or not yet covered losses for the current and previous reporting periods.

Profit appropriation is registered in the accounting records of the Company when the owners pass a respective decision to distribute the profit, i.e. at the date of the shareholder meeting regardless of the profit earning period.

Financial liabilities

Financial liabilities are recorded in the accounting when the Company assumes an obligation to pay cash or settle other financial assets. Payables for goods and services are measured at cost, ie the value of the assets or services received. At the beginning of the loan, they are stated at cost and subsequently measured at amortized cost. Accrued interest is accounted for in other items payable.

Financial liabilities include payables for goods and services received, loans and finance lease liabilities.

Current liabilities are liabilities that must be settled within one year from the balance sheet date.

Income

Income is recognised on the basis of accrual principle, i.e. registered in the accounting records when it is earned, irrespective of money receipts. Income is measured at fair value taking into consideration granted and planned discounts as well as returns and write-downs of sold goods.

Sales revenue is recognized, registered in accounting records and presented in the financial statements

when the goods are sold, and the income amount is reliably evaluated. Income from rendered services is recognised, registered in accounting records and presented in the financial statements when the transaction is completed, and the amount of income and expenses related to the service transaction and its completion can be measured reliably.

Profit from used non-current asset transfer and other income not related to the operating activity of the Company and received from third parties, excluding financing activity income and extraordinary gain, are attributed to the income from other activities.

Positive result of changes in currency exchange rates, received interest, fines and interest on overdue payments covered by clients, received dividends, reversal of investment value impairment is all considered to be income from financing activity.

Costs

Costs are recognised in the accounting records following accrual and comparison principles in the reporting period, during which the related income is earned, irrespective of the time the money was spent. Expenses, which are not related to the income earned in the reporting period, but intended for income earning in the future periods, are registered in the accounting records and presented in the financial statements as the assets.

Cost of sales comprises expenses incurred during the current reporting period and related to goods sold and services rendered during the current period. This account includes only that part of costs, which is related to products, goods sold, and services rendered during the reporting period.

Operating costs comprise expenses incurred during the current period and related to the operating activities of the Company and providing the basis for reporting period income earning, but they do not depend on the amount of sold products, goods and services. Operating costs are recognized, registered in the accounting records and presented in the financial statements of the reporting period they are incurred in. Depreciation of buildings, insurance, salaries of employees in administration, advertising, business trips, stationaries, car exploitation, press subscription, staff training costs and other costs, not attributable to costs from other activities and (or) financing activities, are included in operating costs.

Losses incurred from sold used non-current assets and other costs, which are not related to the operating activity of the Company but are incurred when earning the income from other activities, are attributable to the costs from other activities.

Negative result of changes in currency exchange rates, paid fines and interest on overdue payments, interest and liability fees related to financial payables and impairment in investment value are all considered to be expenses from financing activities.

Accounting for Lease

Lease is recognized as financial lease when according to the lease terms basically all risk and benefit attached to the ownership of an asset is transferred. All other leases are classified as operating lease.

The Company acting as a Lessee

Assets leased under financial lease are initially recognized fair value of leased assets at the beginning of the lease or, if lower, current value of minimal lease instalments. Respective lease balance sheet as financial lease liability is presented

Lease instalments are distributed between financial costs and coverage of unpaid liabilities to reflect the permanent indicator of return on liability on the basis of non-covered liability balance. Financial costs are immediately recognized as profit or loss. Non-fixed lease charges are recognized as costs of the period when they are incurred.

Foreign Currency

Transactions in foreign currency are presented in Euro applying the official currency rate announced by the Bank of Lithuania on the day of transaction, which is approximately equal to market rate. At the end of each reporting period monetary items denominated in foreign currency are converted on the basis of the rate on that day.

Non-monetary items denominated in foreign currency and recognized at fair value are converted applying the interest rate of the day when the fair value was determined. Non-monetary items recognized at acquisition cost and expressed in foreign currency are not converted.

Monetary assets and liabilities are converted into Euro applying the rate on the financial statements date. Income and costs incurred due to changes in currency rates when converting monetary assets or liabilities into Euro are included into profit (loss) statement of the reporting period.

Income Tax

Income tax costs reflect the amount of payable current year tax and deferred tax.

Current Year Tax

Current year income tax is paid considering the taxable income for the year. Taxable profit differs from profit presented in the profit (loss) statement, as it does not include items of income or costs that are taxable or included the following year, and additionally it does not include items that are never taxable or included. Income tax is calculated applying a tax rate valid or determined before the end of reporting period. In both 2019 and 2018 an income tax rate of 15 per cent is applicable to the Company.

Deferred Tax

Deferred tax is recognized on the basis of temporary differences between the book values of assets and liabilities in the financial statements and their respective tax basis. Deferred tax liabilities are recognized as a total for all temporary differences and deferred tax assets are only recognized in a part that will likely reduce the current taxable profit in the future when realizing temporary differences. Those assets and liabilities are not recognized, if temporary differences are related to goodwill or if assets or liabilities recognized in the course of transaction (other than business merger) do not affect either taxable, or financial income.

Financial Risk Management Policy

Credit Risk

The Company is not subject to significant credit risk concentration, as it is distributed among a number of buyers.

Credit risk related to funds in the banks is limited, as the Company pursues transactions with banks that have sufficient credit ratings attributed by foreign rating agencies.

Interest Rate Risk

The Company borrows funds under fixed and varied interest rates. The Company manages the risk by maintaining an appropriate combination of loans with fixed and varied interest rates.

As at December 31, 2018 and December 31, 2017 the Company did not apply any derivative financial instruments with the purpose to manage the risk of interest rate fluctuations.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient reserves, banking services and reserve credit instruments, constantly monitoring actual and forecasted cash flows and coordinating return terms for financial assets and liabilities.

The policy of the Company is to maintain sufficient quantity of cash and cash equivalents or to secure financing in credit lines of respective quantities seeking to fulfil liabilities foreseen in strategic plans.

Foreign Currency Risk

Most of the Company's transactions concluded within 9 weeks were evaluated in Euro and therefore the Company avoids significant risk of foreign currency exchange.

Provisions

Provision is recognized when as a result of an event in the past the Company has a liability (legal or irrevocable) and it is probable that to fulfil it the Company will require resources that bring economic benefit, and the amount of that liability can be reliably measured.

An amount recognized in provision is the best estimate necessary to cover current reporting period liabilities considering risks and uncertainties arising from that liability. When a provision is recognized applying cash flows planned to cover liability, its book value is current value of those cash flows.

When it is expected that a part or a total of economic benefit required to cover provision will be recovered from a third party, a receivable amount is recognized as an asset, if it is certain that the compensation will be received and an amount receivable can be reliably measured.

Related Parties

Related parties include shareholders, employees, board members, their next of kin and entities, which directly or indirectly through a mediator control the Company or are controlled separately or together with another party, which is also recognized as related party.

Events after the Balance Sheet Date

Events after the balance sheet date are economic events that take place between the balance sheet date and the date, on which the financial statements are prepared, presented for confirmation and signed by the head of the Company.

Events after the balance sheet date, which provide additional information on the financial statements date (events leading to adjustments), are reflected in the financial statements. Events after the balance sheet date, which are not leading to adjustment, are described in the notes, if their effect is material.

Notes

1. Non-current Intangible Assets

Items	Computer software	Other intangible assets	Total
Acquisition value			
December 31, 2017	21.423	16.760	38.183
Acquired	7.836		7.836
Written-off (-)			
Reclassifications			
December 31, 2018	29.259	16.760	46.019
Acquired			
Written-off (-)			
Reclassifications			
December 31, 2019	29.259	16.760	46.019
Accumulated amortization			
December 31, 2017	13.967	2.733	16.700
Calculated for the period	5.416	5.163	10.578
Written-off (-)			
Reclassifications			
December 31, 2018	19.383	7.896	27.279
Calculated for the period	5.016	5.162	10.178
Written-off (-)			
Reclassifications			
December 31, 2019	24.399	13.058	37.457
Balance value			
December 31, 2017	7.456	14.027	21.483
December 31, 2018	9.876	8.864	18.740
December 31, 2019	4.860	3.702	8.562

As at December 31, 2019 and December 31, 2018 the Company did not operate any intangible assets received free-of-charge.

The amortization of Company's current intangible assets was recognized in the profit (loss) statement, item of comprehensive costs and amounted 10.178 EUR (2018 – 10.578 EUR).

Acquisition cost of fully amortized non-current intangible asset scribed used in to 16.380 EUR as at December 31, 2019 and 10.554 EUR as at December 31, 2018.

AB "EAST WEST AGRO"

Company code 300588407 Address: dīstrikslo str. 10, Kumpiņvilciņi

Data preserved in Centre of Registers, SE, Register of Legal Entities

Financial statements for the period ended on December 31, 2019

(All amounts are presented in Euros, unless indicated otherwise)

2. Non-current Tangible Assets

Items	Land	Buildings and constructions	Plant and machinery	Transport means	Other fixtures, fittings, tools and equipment	Construction contracts in progress	Total
Acquisition value							
December 31, 2017	46.200	330.430	1.511.427	362.110	358.445	37.661	2.646.273
Acquired			3.733.226.	76.990	137.438	1.500	3.949.154
Written-off (-)			(2.020.667)		(15.914)		(2.036.581)
Reclassifications							
December 31, 2018	46.200	330.430	3.223.986	439.100	479.969	39.161	4.558.846
Acquired			173.342	127.480	28.470		329.292
Written-off (-)			(1.410.623)	(92.477)	(3.321)		(1.506.421)
Reclassifications							
December 31, 2019	46.200	330.430	1.986.705	474.103	505.118	39.161	3.381.717
Accumulated depreciation							
December 31, 2017		11.014	197.992	145.018	111.556	4.342	469.922
Calculated for the period		22.029	465.277	77.296	91.594	7.445	561.935
Written-off (-)			(363.571)		(13.283)		(478.560)
Transferred from item to item							
December 31, 2018		33.043	299.698	222.314	189.867	11.787	756.709
Calculated for the period		22.028	273.675	82.765	108.851	7444	494.763
Written-off (-)			(205.838)	(56.671)	(3.319)		(265.828)
Reclassifications							
December 31, 2019		55.071	367.535	248.408	295.399	19.231	985.644
Balance value							
December 31, 2017	46.200	319.416	1.313.435	217.092	246.889	33.319	2.176.351
December 31, 2018	46.200	297.387	2.924.288	216.786	290.102	27.374	3.802.137
December 31, 2019	46.200	275.359	1.619.170	225.695	209.719	19.930	2.396.073

No indications of impairment in the value of non-current tangible assets were detected.

As at December 31, 2019 and December 31, 2018 the Company did not operate any tangible assets received free-of-charge.

Depreciation of current tangible assets was recognized in the profit (loss) statement, item of comprehensive costs and amounted 494.763 EUR (2018 – 561.935 EUR).

Depreciated Assets in Use

Asset group	Acquisition cost (EUR)
Transport	93.284
Plant and machinery	11.469
Other equipment	68.809
Total	173.562

Balance Value of Leased Assets

Asset group	31.12.2019	31.12.2018
Transport	166.483	216.101
Plant and machinery	1.457.383	2.556.319

3. Amounts Receivable after One Year

Amounts receivables from 2 to 5 years	31.12.2019	31.12.2018
Long - term trade receivables	412.037	
Advance deposit for rent	104.000	104.000
Loans granted to buyers	242.780	
Total	758.817	104.000

Long-term trade receivables are undiscounted because they are due to delays in trade receivables and are ordered to be paid periodically each year when the crop is added, subject to court judgment. The company's management expects all of the buyers pledged to Swedbank for a loan (Note 11).

Loans granted to buyers at market interest rates.

As at December 31 amounts receivable after one year turtas, UAB ir Joldija NT, UAB in the amount of EUR 104 000 and on the basis of long-term lease contract. These amounts are not discounted because they will be credited as the lease payments.

4. Deferred Income Tax Assets

Taxable and deductible temporary differences	Basis for deferred tax assets	Rate %	Deferred income tax assets
31.12.2019			
Holiday accumulations	2.270	15	341
Inventory devaluation	124.318	15	18.648
Devaluation of bad and doubtful debts	123.041	15	18.456
Incurring tax loss	897.977	15	134.696
Total	1.147.606	X	172.141
31.12.2018			
Holiday accumulations	2.258	15	339
Inventory devaluation	86.937	15	13.040
Devaluation of bad and doubtful debts	21.684	15	3.253
Total	110.879	X	16.632

5. Inventories and Paid Advance Payments

Items	Raw materials and components	Goods for resale	Paid advance payments	Total
a) Acquisition cost of inventories				
At the end of previous financial year	1.450	14.454.740	215.399	14.671.589
At the end of financial year	1.373	9.293.624	267.993	9.562.990
b) Devaluation to net realizable value (reversal)				
At the end of previous financial year		122.887		122.887
At the end of financial year		127.868		127.868
c) Net realizable value at the end of financial year (a) - (b)				
	1.373	9.165.756	267.993	9.435.122
Differences in evaluation, if LIFO method was applied				
Value of pledged inventories		9.165.756		
Inventories held by third parties				

As at December 31, 2019 all goods in turnover were pledged to Swedbank, AB as a guarantee for liability fulfilment. The pledge ends on June 30, 2022. Non-moving inventories were devaluated following the accounting policy. Discounts received from suppliers at the end of the year were included in sales cost (reduction), but the value of inventories was not reduced as a result.

6. Costs of Future Periods

	31.12.2019	31.12.2018
Insurance	213.246	235.900
Subscription	286	256
Other costs of future periods	6.330	5.762
Total	219.862	241.918

7. Amounts Receivable within One Year

	31.12.2019	31.12.2018
Trade receivables	5.142.183	6.163.071

Provided loans	679.455	900.244
Accountable persons	29.297	25.096
Income tax receivable from the budget	126.852	47.564
Other amounts receivable	111.253	438.511
Doubtful debts (-)	(123.041)	(21.685)
Total:	5.965.999	7.552.801

As at December 31, 2019 all amounts receivable are pledged to Swedbank, AB as a guaranty for loan coverage. The pledge ends on June 30, 2022.

8. Cash

	31.12.2019	31.12.2018
Cash in bank	2.335	42.069
Cash on hand	3.699	2.672
Total:	6.034	44.741

As at December 31, 2019 funds in bank accounts are pledged to Swedbank, AB as a guarantee for loan coverage. The pledge ends on June 30, 2022.

9. Authorized Capital Structure

Items	Number of shares	Amount (EUR)
Share capital structure at the end of financial year		
1. On the basis of share types		
1.1. Ordinary shares	1.000.000	1.000.000
1.2. Preference shares		
1.3. Employee shares		
1.4. Special shares		
1.5. Other shares		
TOTAL:	1.000.000	1.000.000
Share capital structure at the end of financial year		
1. On the basis of share types		
1.1. Ordinary shares		

As at December 31, 2019 all shares were fully covered. Legal reserve is an obligatory reserve foreseen by the laws of the Republic of Lithuania. At least 5 per cent of net profit available for distribution is attributed to legal reserve annually until it reaches an amount equal to 10 per cent of authorized capital. It can be used solely to cover accumulated losses. As at December 31, 2019 legal reserve concluded to EUR 100.000, as at December 31, 2018 – EUR 62.500.

10. Profit Appropriation Project

Items	Year	Amount (EUR)
Retained result – profit (loss)	31.12.2018	1.444.093
Net financial year result – profit (loss)		(728.142)
Result – profit (loss) – available for appropriation	31.12.2019	715.951
Contributions by shareholders to cover losses		
Transferred from reserves		
Profit available for appropriation		<u>715.951</u>
Profit appropriation:		
- Reserves provided for by law		
- Increase of authorized capital		
- Dividends		
- Other		
Retained result – profit (loss)		<u><u>715.951</u></u>

11. Financial Payables

	31.12.2019	31.12.2018
Non-current payables (2 to 5 years)	<u>775.575</u>	<u>3.671.790</u>
Credit lines and loans (d)		1.760.944
Lease liabilities (c)	685.575	1.760.846
Investment loan (a)	90.000	150.000
Current liabilities	<u>6.627.755</u>	<u>5.617.542</u>
Investment loan (a)	60.000	171.104
Credit line and loans (b)	3.448.811	4.469.986
Loan (d)	2.059.202	
Lease liabilities (c)	677.355	476.452
Amounts payable on the basis of bills of exchange	382.387	500.000
Total:	<u><u>7.403.330</u></u>	<u><u>9.289.332</u></u>

Information on pledged assets is provided in the section on amounts receivable (Note 7), inventories (Note 5) and cash (Note 8).

(a) The Investment loan received from Swedbank EUR 150.000, maturity date of 30-06-2022.

(b) From the Swedbank under the overdraft agreement (limit EUR 3.500.000) EUR 3.448.811, maturity date of 30-06-2020.

(c) Leasing liabilities for Swedbank leasing, maturity date 2020-2024. SIA UniCredit Leasing, maturity date 2020-2021.

(d) The loan received from Praco into a EUR 2.059.202, maturity date 27.11.2020.

12. Accumulated Costs and Income from Future Periods

	31.12.2019	31.12.2018
Accumulated costs	287.653	336.297

13. Amounts Payable within One Year

	31.12.2019	31.12.2018
Amounts received in advance	176.682	167.665
Trade payables	5.304.056	9.740.292
Holiday accumulations	159.328	158.479
Social insurance liabilities	26.614	40.914
VAT liabilities	663.132	926.696
Other amounts payable	864	903
Total:	6.330.676	11.034.949

14. Income

	2019	2018
Income from sold services and goods	17.967.476	27.051.582
Income from sold goods	17.253.833	26.454.556
Income from provided services	713.643	597.026
Income from other activities	166.563	198.595
Profit from sold non-current assets	46.457	101.209
Other income	120.106	103.499

15. Costs

	2019	2018
Cost of sales	14.892.292	22.003.563
Cost of sold goods	14.892.292	22.003.563
Sales costs	48.855	213.864
Marketing costs	48.855	213.864
General and administrative costs	3.633.697	3.577.519
Salaries costs	1.839.177	1.815.084
Depreciation and amortization costs	504.943	671.235
Consulting costs	79.380	61.733
Car repair and maintenance costs	323.846	350.302
Other costs	886.351	679.165

