# INDEPENDENT AUDITOR`S REPORT, FINANCIAL STATEMENT`S AND ANNUAL REPORT

## For the period ended at December 31, 2018

## Contents



# ANNUAL REPORT

## For the period ended at December 31, 2018

# Basic data about the company

**East West Agro** EWA

Limited liability company

Registration date August 4, 2006

Legal entity code 300588407
Registrar of the Register of Legal Entities VĮ „Registrų centras“

VAT payers code LT100002549311

Tikslo g. 10, Kumpių k., Kauno r.

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info@ewa.lt

www.ewa.lt

# Main activities of the company

Lithuanian capital company EWA is one of the largest agricultural machinery and equipment trade companies in Lithuania. The main services provided are:

- Retail and wholesale of new agricultural machinery,
- Grain storage equipment trade and design,
- Agricultural machinery service and maintenance.

EWA represents a total of nearly two dozen international brands. These include worldwide recognized agricultural machinery manufacturers like Massey Ferguson, Sulky, Bednar and others.

In 2017, the company opened two new trading and service centers in Šiauliai and Kupiškis.

The Company's head office is located in the central part of Lithuania - Kaunas district, Kumpiai village, near the highway Kaunas - Klaipėda. Here is the EWA administration, a customer service department, a technical maintenance center.

# Overview of company activities and results

**OVERVIEW OF 2018:**

There were two consecutive challenging years in the Lithuanian Agro sector due to difficult natural conditions. Nevertheless, it did not significantly affect the sales of EAST WEST AGRO, AB - the company managed to maintain and even improve its market position. In 2017, the hard rains flooded during the harvest, and in 2018 the drought dried the crops. In 2018, the total grain crops yield was about 30% lower than the national average. Lower farm incomes and reduced funding opportunities have slowed down investment in farm modernization, in many cases postponing them to next years, so the new agricultural machinery market in 2018 still did not reflect its true potential.

**THE COMPANY STRENGTHENED THE POSITION IN MARKET:**

- According to the data of the agricultural machinery register, in 2018, 754 units of new western tractors were registered in Lithuania (718 units in 2017) and 164 units of new western grain harvesters (212 in 2017). The tractor market grew by 5% and the grain harvesters fell by 23%.

- The sales of Massey Ferguson tractors represented by EAST WEST AGRO, AB amounted to 124 units. It held a market share of 16.5% (117 units and 16.30% in 2017), respectively - sales of grain harvesters amounted to 40 units and had a market share of 24.40% (in 2017 - 43 and 20.30%).

- **2 place** in the market

- **2 place** in the market

**2019 YEAR PERSPECTIVES:**

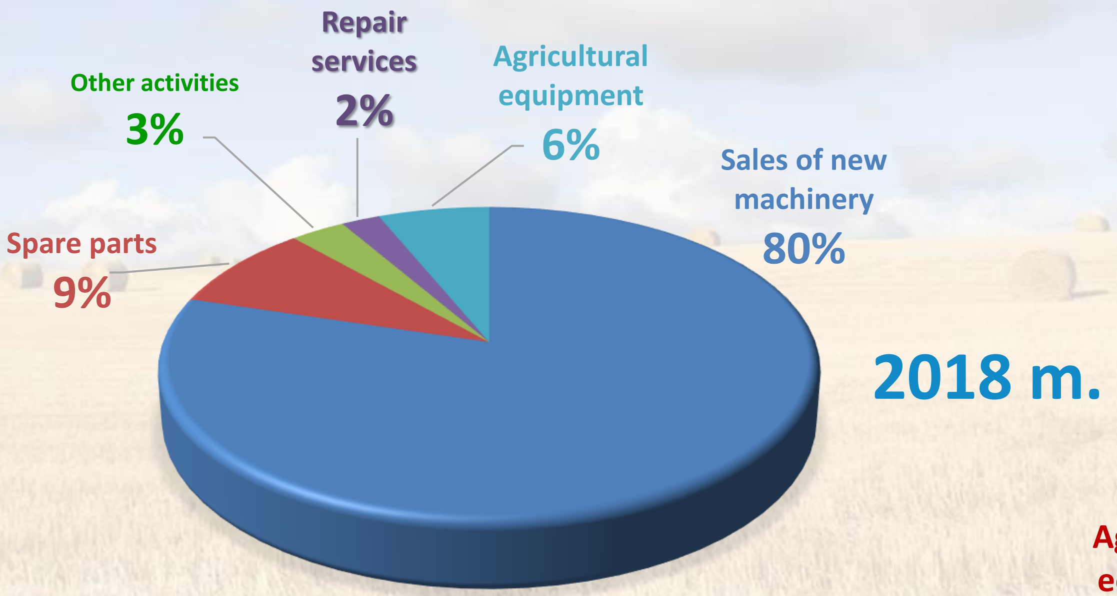
In 2019, the area of winter crops in Lithuania is 790 thousand hectares of grain crops (540 thousand hectares in 2018) and 170 thousand hectares of oil crops (145 thousand hectares in 2018). Due to favorable natural conditions, the condition of the crops looks good. Farmers' mood is positive. Predictable a record yield.

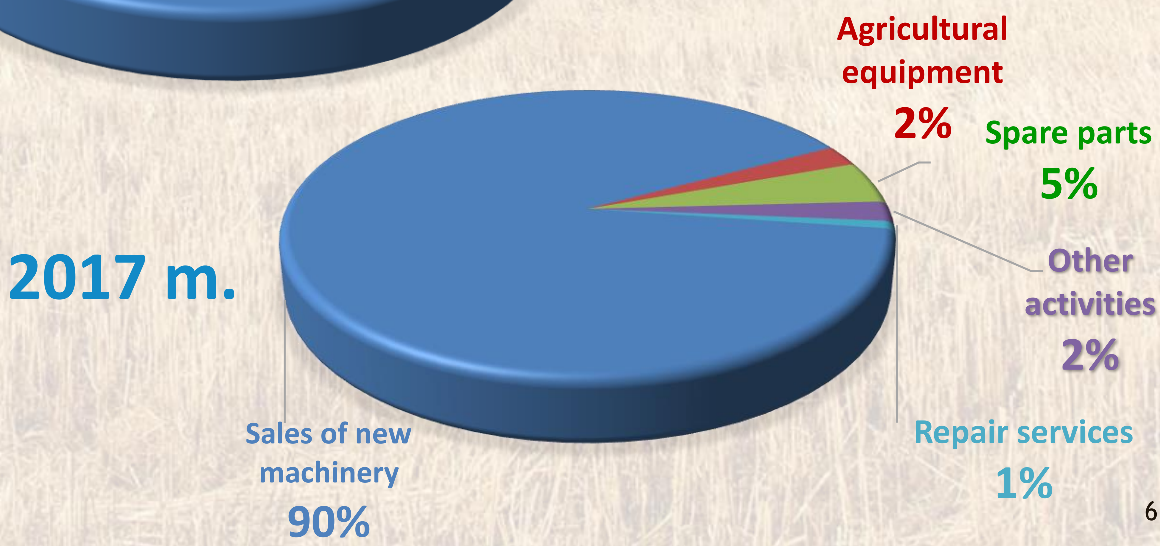
The growth of the agricultural machinery market is expected in 2019. A number of EU structural assistance programs (totaling at about 110 million euros), which will focus on the modernization of farm machinery, will have a positive impact on this. The implementation of most programs will start in the second half of 2019.

# Distribution of revenue

| Split of revenue | 2018 mln. Eur. | 2017 mln. Eur. | Change |
|---|---|---|---|
| Sales of new machinery | 22 | 23 | - 4,5 % |
| Spare parts | 1,7 | 1,2 | + 42% |
| Other activities | 1 | 0,57 | + 75 % |
| Repair services | 0,6 | 0,22 | + 172 % |
| Agricaltural equipment | 1,5 | 0,6 | + 150 % |
| **Total in 2018:** | 27 | 26 | + 3,8 % |

In 2018, sales of spare parts increased 41.7% compared to 2017 and revenue from repair services grew more than 2.5 times. As the number of machines represented by the company increases in the market every year, it is planned to maintain similar growth in revenue from spare parts and repair services.



# Financial indicators

| | 31-12-2018 | 31-12-2017 |
|---|---|---|
| Gross profitability | **18,66 %** | **17,54 %** |
| Net profitability | **3,44 %** | **3,32 %** |
| Return on equity | **16,40 %** | **18,00 %** |
| Return on assets | **3,50 %** | **4,10 %** |
| Overall short-term solvency ratio (overall liquidity) | **1,33** | **1,35** |
| Turnover of receivables | **3,58** | **3,20** |
| Turnover of receivables (in days) | **102** | **112,39** |
| EBITDA, thousand, EUR | **2,358** | **1,878** |
| Adjusted EBITDA*, thousand, EUR | **-** | **2,194** |
| Average salary, EUR | **1,456** | **1,406** |

* 2017 EBITDA profit has been adjusted for non-recurring costs for financial and public relations advisers in process of IPO, and for write-offs related to regional development


EWA

# Employees

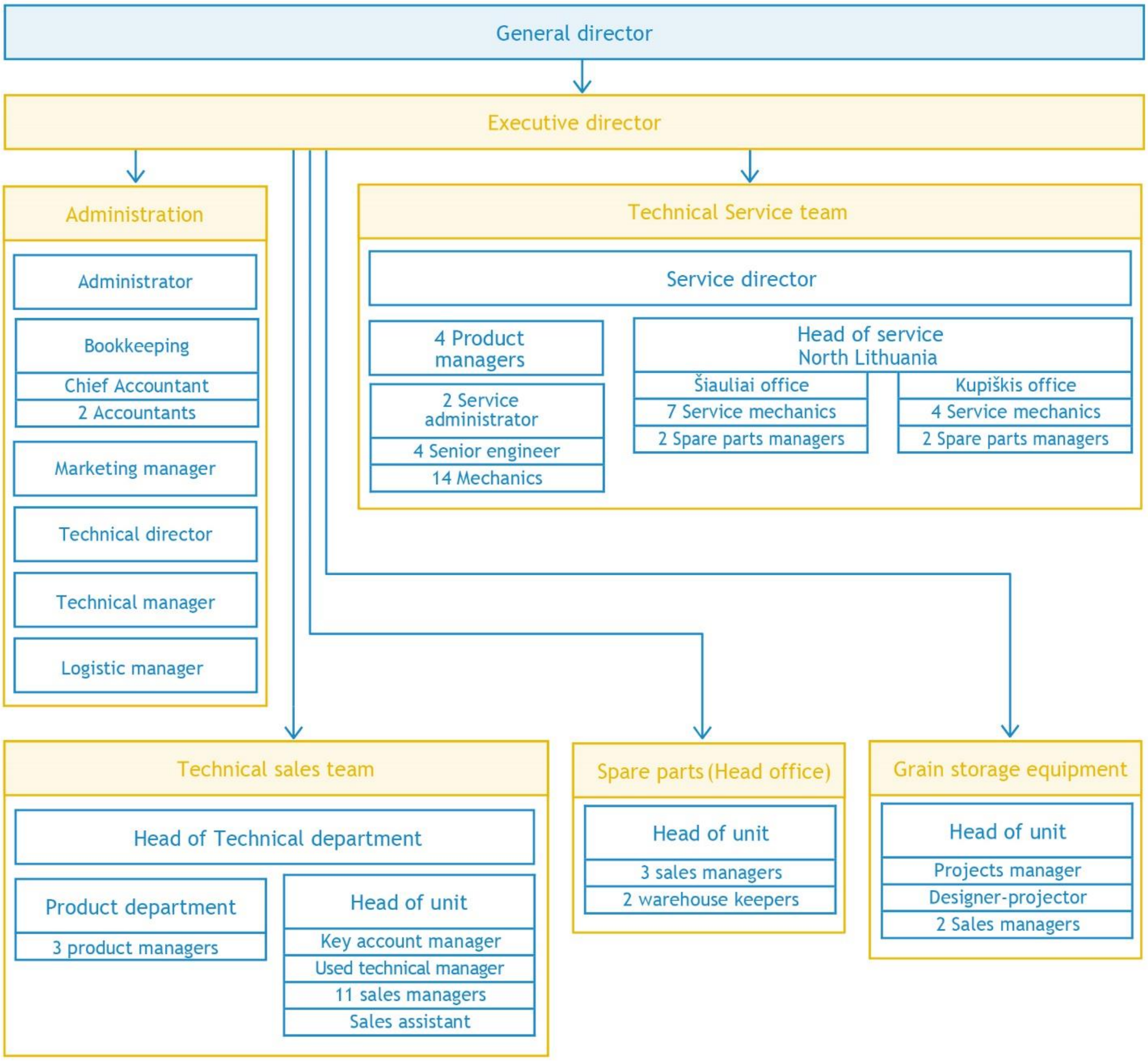
2018 December 31 The company had 77 employees. Over the year, their number increased by 10 percent.

All employment contracts with employees comply with the requirements of the Labor Code of the Republic of Lithuania.

A large part of the EWA employees have university degree, and the average wage (gross) in 2018 was 1456 euros.

During this period, 8 qualified experts in the field of agricultural activities took the leading positions in the company.

# Structure



# Company management, main shareholders

EWA is managed by two managers – General Manager Gediminas Kvietkauskas (b. 1979, graduated from Aleksandras Stulginskis University (now VDU ŽŪA), Engineering faculty, certified engineer, program “Agricultural Engineering Management”) and Executive Director Danas Šidlauskas (b. 1979, graduated from Aleksandras Stulginskis University (now VDU ŽŪA), Engineering faculty, Bachelor's program “Mechanical Engineering in Agricultural Engineering”). G. Kvietkauskas and D. Šidlauskas do not hold positions in other companies and organizations.

Gediminas Kvietkauskas

Danas Šidlauskas

**Structure of shareholders**

EWA shareholder structure at the end of 2018 was:

| | |
|---|---|
| Danas Šidlauskas<br>399 022 shares, **39,90%** | Gediminas Kvietkauskas<br>396 828 shares, **39,68%** |
| „Multi Asset Selection Fund“<br>80 000 shares, **8,00%** | Small shareholders<br>124 150 shares, **12,42%** |


EWA

## Social responsibility and environmental protection

In order to contribute to the training and improvement of the quality of agricultural specialists in Lithuania, the company has been working closely with the Agricultural Academy of "Vytauto Didžiojo" University for several years. EWA is the patron of this educational institution, who has set up four annuals one time scholarships for students of the third and fourth year of Agronomy and Engineering faculty of the first cycle of permanent studies.

In the course of its activities, the company is guided by the environmental laws and other legal acts of Lithuania and complies with all requirements in this field.

EWA has entered into appropriate contracts for the recovery of waste generated by the company.

## Market and operational risks, their managament

Fluctuations in commodity prices, farm output rates, and European Union (EU) support issues are important factors that the company continually monitors and evaluates when forecasting its performance and results. It should be noted that despite the economic, geopolitical, meteorological and other challenges, Lithuanian agricultural market remains stable.

It is estimated that the Lithuanian agricultural machinery market is growing by an average of one tenth every year. Currently, there are more than 280 thousand equipment units, registered in Lithuanian agricultural machinery registers. The majority of registered equipment is tractors. About two-thirds of them are 25 years old and older. Such situations in agro equipment park prevents the country's economies from working more efficiently and successfully competing in the market. Hence, the modernization of the technique will have to continue

Taking into account the specificity of the sector and the business model, the EWA focuses on the diversification of financial flows and risks. In addition, the company's sales structure is stable and based on a broad product basket. EWA in Lithuania serves more than 6,000 farmers and agricultural companies.

All financial transactions are performed by EWA using the services of banks with high credit ratings issued by foreign rating agencies. If necessary, the EWA borrows at fixed and floating interest rates and thus manages the risk by maintaining a proper fixed and variable interest rate combination in the loan portfolio.

In the financial year ending 2018 December 31 EWA did not use any financial derivatives to manage the risk of interest rate fluctuations.

The Company manages its liquidity risk by maintaining sufficient reserves, combining banking services and reserve credit instruments, by continuously monitoring actual and forecast cash flows. The company pays great attention to the stability of financial assets and repayment deadlines. EWA policy - maintain a sufficient amount of cash and cash equivalents or secure funding through an appropriate amount of credit lines in order to meet its commitments in its strategic plans.

Most of the company's transactions in that period are valued in euro, which helps to avoid significant foreign exchange risk.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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EAST WEST AGRO, AB

### Opinion

We have audited the financial statements of EAST WEST AGRO, AB (the Company), which comprise the balance sheet at December 31, 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at December 31, 2018, and (of) its financial performance and its cash flows for the year then ended in accordance with the Business Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

On behalf of Moore Stephens Vilnius, UAB

Dangutė Pranckėnienė
Certified auditor
April 10, 2019
J.Kubiliaus 6, Vilnius

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

Approved in the General Shareholders' Meeting
On _________________, 2019, Minutes No. ____

## BALANCE SHEET

| | ASSETS | Notes No. | 31.12.2018 | 31.12.2017 |
|---|---|---|---|---|
| **A.** | **NON-CURRENT ASSETS** | | **3 941 509** | **2 323 174** |
| 1. | INTANGIBLE ASSETS | | 18 740 | 21 483 |
| 1.1. | Development works | | | |
| 1.2. | Goodwill | | | |
| 1.3. | Computer software | 1 | 9 876 | 7 456 |
| 1.4. | Concessions, patents, licences, trademarks and similar rights | | | |
| 1.5. | Other intangible assets | 1 | 8 864 | 14 027 |
| 1.6. | Paid advance payments | | | |
| 2. | TANGIBLE ASSETS | | 3 802 138 | 2 176 351 |
| 2.1. | Land | 2 | 46 200 | 46 200 |
| 2.2. | Buildings and constructions | 2 | 297 387 | 319 416 |
| 2.3. | Plant and machinery | 2 | 2 924 288 | 1 313 435 |
| 2.4. | Transport means | 2 | 216 786 | 217 092 |
| 2.5. | Other fixtures, fittings and tools | 2 | 290 102 | 246 889 |
| 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 | 27 374 | 33 319 |
| 3. | FINANCIAL ASSETS | | 104 000 | 104 000 |
| 3.1. | Shares of Group's companies | | | |
| 3.2. | Loans to the Group's companies | | | |
| 3.3. | Amounts receivable from the Group's 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 | 104 000 | 104 000 |
| 3.9. | Other financial assets | | | |
| 4. | OTHER NON-CURRENT ASSETS | | 16 632 | 21 340 |
| 4.1. | Deferred income tax assets | 4 | 16 632 | 21 340 |
| 4.2. | Biological assets | | | |
| 4.3. | Other assets | | | |

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

| | ASSETS | Notes No. | 31.12.2018 | 31.12.2017 |
|---|---|---|---|---|
| **B.** | **CURRENT ASSETS** | | **22 146 244** | **19 447 376** |
| 1. | Inventories | | 14 548 702 | 9 821 728 |
| 1.1. | Raw materials, materials and components | 5 | 1 450 | 1 228 |
| 1.2. | Production and work in progress | | | |
| 1.3. | Production | | | |
| 1.4. | Goods for resale | 5 | 14 331 853 | 9 719 663 |
| 1.5. | Biological assets | | | |
| 1.6. | Non-current tangible assets for resale | | | |
| 1.7. | Paid advance payments | 5 | 215 399 | 100 837 |
| 2. | AMOUNTS RECEIVABLE WITHIN ONE YEAR | | 7 552 801 | 9 618 786 |
| 2.1. | Trade receivables | 7 | 6 141 386 | 8 132 699 |
| 2.2. | Receivables from Group's companies | | | |
| 2.3. | Receivables from associates | | | |
| 2.4. | Other amounts receivable | 7 | 1 411 415 | 1 486 087 |
| 3. | Short-term investments | | --- | --- |
| 3.1. | Shares of the Group's companies | | | |
| 3.2. | Other investments | | | |
| 4. | CASH AND CASH EQUIVALENTS | 8 | 44 741 | 6 862 |
| **C.** | **COSTS OF FUTURE PERIODS AND ACCUMULATED INCOME** | 6 | 241 918 | 147 581 |
| | **TOTAL ASSETS:** | | **26 329 671** | **21 918 131** |

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

| | EQUITY AND LIABILITIES | Notes No. | 31.12.2018 | 31.12.2017 |
|---|---|---|---|---|
| **D.** | **EQUITY CAPITAL** | | **5 669 093** | **4 989 163** |
| 1. | CAPITAL | | 1 000 000 | 625 000 |
| 1.1. | Authorised (subscribed) or main capital | 9 | 1 000 000 | 625 000 |
| 1.2. | Subscribed unpaid capital (-) | | | |
| 1.3. | Own shares (-) | | | |
| 2. | SHARE PREMIUM | | 2 875 000 | 2 875 000 |
| 3. | REVALUATION RESERVE (RESULTS) | | | |
| 4. | RESERVES | | 312 500 | 300 000 |
| 4.1. | Legal reserve or reserve capital | 9 | 62 500 | 50 000 |
| 4.2. | To acquire own shares | | 250 000 | 250 000 |
| 4.3. | Other reserves | | | |
| 5. | RETAINED PROFIT (LOSS) | 10 | 1 481 593 | 1 189 163 |
| 5.1. | Reporting year profit (loss) | | 929 930 | 898 263 |
| 5.2. | Previous year profit (loss) | | 551 663 | 290 900 |
| **E.** | **GRANTS, SUBSIDIES** | | | |
| **F.** | **PROVISIONS** | | --- | --- |
| 1. | Provisions for pensions and similar obligations | | | |
| 2. | Tax provisions | | | |
| 3. | Other provisions | | | |
| **G.** | **AMOUNTS PAYABLE AND OTHER LIABILITIES** | | **20 324 281** | **16 433 503** |
| 1. | AMOUNTS PAYABLE AFTER ONE YEAR AND OTHER NON-CURRENT LIABILITIES | | 3 671 790 | 1 981 551 |
| 1.1. | Debt liabilities | 11 | 3 521 790 | 1 660 447 |
| 1.2. | Payables to credit institutions | 11 | 150 000 | 321 104 |
| 1.3. | Received advance payments | | | |
| 1.4. | Trade payables | | | |
| 1.5. | Amounts payable on the basis of bills of exchange and cheques | | | |
| 1.6. | Amounts payable to the Group's companies | | | |
| 1.7. | Amounts payable to associates | | | |
| 1.8. | Other amounts payable and non-current liabilities | | | |

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

| | **EQUITY AND LIABILITIES** | **Notes No.** | **31.12.2018** | **31.12.2017** |
|---|---|---|---|---|
| 2. | AMOUNTS PAYABLE WITHIN ONE YEAR AND OTHER CURRENT LIABILITIES | | 16 652 491 | 14 451 952 |
| 2.1. | Debt liabilities | 11 | 476 452 | 42 555 |
| 2.2. | Payables to credit institutions | 11 | 4 641 090 | 4 422 572 |
| 2.3. | Received advance payments | 13 | 167 665 | 292 048 |
| 2.4. | Trade payables | 13 | 9 740 292 | 7 728 008 |
| 2.5. | Amounts payable on the basis of bills of exchange and cheques | 11 | 500 000 | 600 000 |
| 2.6. | Amounts payable to the Group’s companies | 13 | | |
| 2.7. | Amounts payable to associates | | | |
| 2.8. | Income tax liabilities | 13 | | |
| 2.9. | Liabilities related to employment | 13 | 199 393 | 217 741 |
| 2.10. | Other amounts payable and current liabilities | 13 | 927 599 | 1 149 028 |
| **H.** | **ACCUMULATED COSTS AND INCOME OF FUTURE PERIODS** | 12 | 336 297 | 495 465 |
| | **TOTAL EQUITY AND LIABILITIES:** | | **26 329 671** | **21 918 131** |

General Director ______________ Gediminas Kvietkauskas

Chief Accountant ______________ Rasa Venslovienė

April 10, 2019

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

Approved in the General Shareholders' Meeting
On _________________, 2019, Minutes No. ____

## PROFIT (LOSS) STATEMENT

| Line No. | Items | Notes No. | 2018 | 2017 |
|---|---|---|---|---|
| 1. | SALES REVENUE | 14 | 27 051 582 | 26 049 856 |
| 2. | COST OF SALES | 15 | (22 003 563) | (21 480 788) |
| 3. | CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS | | | |
| **4.** | **GROSS PROFIT (LOSS)** | | **5 048 019** | **4 569 068** |
| 5. | Sales costs | 15 | (213 864) | (213 820) |
| 6. | General and administrative costs | 15 | (3 577 519) | (3 015 707) |
| 7. | Results from other activities | 14 | 198 595 | 149 729 |
| 8. | Income from investments in parent companies, subsidiaries and associates | | | |
| 9. | Income from other long-term investments and loans | | | |
| 10. | Other income from interest or similar source | 16 | 271 093 | 60 028 |
| 11. | Impairment in the value of financial assets and short-term investments | | | |
| 12. | Interest and similar costs | 16 | (662 004) | (559 400) |
| **13.** | **PROFIT (LOSS) BEFORE TAX** | | **1 064 320** | **989 898** |
| 14. | Income tax | 17 | (134 390) | (122 809) |
| **15.** | **NET PROFIT (LOSS)** | | **929 930** | **867 089** |

General Director _______________ Gediminas Kvietkauskas

Chief Accountant _______________ Rasa Venslovienė

April 10, 2019

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

Approved in the General Shareholders' Meeting
On _________________, 2019, 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, 2016** | **500 000** | | | | | **2 896** | | | **1 588 004** | **1 620 015** |
| 2 | Result of changes in accounting policy | | | | | | | | | | 0 |
| 3 | Result of material error corrections | | | | | | | | | | 0 |
| 4 | **Recalculated balance as at December 31, 2016** | **500 000** | **0** | **0** | **0** | **0** | **2 896** | **0** | **0** | **2 090 900** | **2 090 900** |
| 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 | | | | | | | | | 31 174 | 31 174 |
| 9 | Reporting period net profit (loss) | | | | | | | | | 867 089 | 867 089 |
| 10 | Dividends | | | | | | | | | (1 000 000) | (1 000 000) |
| 11 | Other payouts | | | | | | | | | | |
| 12 | Formed reserves | | | | | | 47 104 | 250 000 | | (297 104) | |
| 13 | Used reserves | | | | | | | | | | |
| 14 | Increase (decrease) in authorised capital or contributions by shareholders (share return) | 125 000 | 2 875 000 | | | | | | | | 3 000 000 |
| 15 | Other increase (decrease) in authorised or main capital | | | | | | | | | | |
| 16 | Contributions to cover losses | | | | | | | | | | --- |
| 17 | **Balance as at December 31, 2017** | **625 000** | **2 875 000** | **---** | **---** | **---** | **50 000** | **250 000** | **---** | **1 189 163** | **4 989 163** |

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

| | | 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 | | | |
| 18 | Increase (decrease) in the value of non-current tangible assets | | | | | | | | | | --- |
| 19 | Increase (decrease) in the value of effective hedging instrument | | | | | | | | | | --- |
| 20 | Acquired (sold) own shares | | | | | | | | | | --- |
| 21 | Profit (loss) not recognized in the profit (loss) statement | | | | | | | | | | --- |
| 22 | Reporting period net profit (loss) | | | | | | | | | 929 930 | 929 930 |
| 23 | Dividends | | | | | | | | | (250  000) | (250 000) |
| 24 | Other payouts | | | | | | | | | | --- |
| 25 | Formed reserves | | | | | | 12 500 | | | (12 500) | --- |
| 26 | Used reserves | | | | | | | | | | --- |
| 27 | Increase (decrease) in authorised capital or contributions by shareholders (share return) | 375 000 | | | | | | | | (375 000) | |
| 28 | Other increase (decrease) in authorised or main capital | | | | | | | | | | --- |
| 29 | Contributions to cover losses | | | | | | | | | | --- |
| 30 | **Balance as at December 31, 2018** | **1 000 000** | **2 875 000** | **---** | **---** | **---** | **62 500** | **250 000** | **---** | **1 481 593** | **5 669 093** |

General Director Gediminas Kvietkauskas

Chief Accountant Rasa Venslovienė

April 10, 2019

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

Approved in the General Shareholders' Meeting

On _________________, 2019, Minutes No. ____

**STATEMENT OF CASH FLOWS (INDIRECT)**

| Line No. | Items | Notes No. | 2018 | 2017 |
|---|---|---|---|---|
| **1.** | **Operating cash flows** | | | |
| 1.1. | Net profit (loss) | | 929 930 | 867 089 |
| 1.2. | Depreciation and amortization costs | | 671 235 | 329 069 |
| 1.3. | Elimination of results from transferred non-current tangible and intangible assets | | (101 209) | (57 633) |
| 1.4. | Elimination of results from financing and investing activities | | 390 822 | 399 237 |
| 1.5. | Elimination of other non-monetary items | | - | 31 183 |
| 1.6. | Decrease (increase) in amounts receivable from Group's companies and associates | | | |
| 1.7. | Decrease (increase) in other amounts receivable after one year | | - | (72 083) |
| 1.8. | Decrease (increase) in deferred income tax assets | | 4 708 | (1 062) |
| 1.9. | Decrease (increase) in inventories, excluding the paid advance payments | | (4 612 412) | (1 499 080) |
| 1.10. | Decrease (increase) in paid advance payments | | (114 562) | 17 922 |
| 1.11. | Decrease (increase) in trade receivables | | 1 991 313 | (2 524 673) |
| 1.12. | Decrease (increase) in receivables from the Group's companies and associates | | | |
| 1.13. | Decrease (increase) in other amounts receivable | | 353 844 | (834 699) |
| 1.14. | Decrease (increase) in short-term investments | | | |
| 1.15. | Decrease (increase) in costs of future periods and accumulated income | | (94 337) | (116 982) |
| 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 payables to Group's companies and associates | | | |
| 1.20. | Increase (decrease) in current trade payables and received advance payments | | 1 887 901 | 1 459 859 |
| 1.21. | Increase (decrease) in amounts payable within one year on the basis of bills of exchange and cheques | | (100 000) | 600 000 |
| 1.22. | Increase (decrease) in current payables to Group's companies and associates | | | |
| 1.23. | Increase (decrease) in income tax liabilities | | - | (203 252) |
| 1.24. | Increase (decrease) in liabilities related to employment | | (18 348) | 21 053 |
| 1.25. | Increase (decrease) in other amounts payable and liabilities | | (221 429) | 384 519 |

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

| Line No. | Items | Notes No. | 2018 | 2017 |
|---|---|---|---|---|
| 1.26. | Increase (decrease) in accumulated costs and income of future periods | | (159 168) | 470 749 |
| | Net operating cash flows | | **808 288** | **(728 784)** |
| **2.** | **Cash flows from investing activities** | | | |
| 2.1. | Acquired non-current assets (investments excluded) | | (1 153 780) | (1 879 921) |
| 2.2. | Transferred non-current assets (investments excluded) | | 1 760 936 | 381 800 |
| 2.3. | Acquired long-term investments | | | |
| 2.4. | Transferred long-term investments | | | |
| 2.5. | Provided loans | | (966 848) | (1 043 950) |
| 2.6. | Recovered loans | | 687 675 | 817 086 |
| 2.7. | Received dividends, interest | | 95 044 | 38 113 |
| 2.8. | Other increases in cash flows from investing activities | | | |
| 2.9. | Other decreases in cash flows from investing activities | | | |
| | Net cash flows from investing activities | | **423 027** | **(1 686 872)** |
| **3.** | **Cash flows from financing activities** | | | |
| 3.1. | Cash flows related to shareholders | | (250 000) | 1 968 000 |
| 3.1.1. | Issued shares | | - | 3 000 000 |
| 3.1.2. | Shareholders' contributions to cover losses | | | |
| 3.1.3. | Own shares acquired | | | |
| 3.1.4. | Paid dividends | | (250 000) | (1 032 000) |
| 3.2. | Cash flows related to other sources of financing | | (943 346) | 334 159 |
| 3.2.1. | Increase in financial payables | | 721 534 | 1 800 000 |
| 3.2.1.1. | Acquired loans | | 721 534 | 1 800 000 |
| 3.2.1.2. | Issued bonds | | | |
| 3.2.2. | Decrease in financial payables | | (1 664 880) | (1 461 568) |
| 3.2.2.1 | Returned loans | | (993 336) | (924 761) |
| 3.2.2.2. | Acquired bonds | | | |
| 3.2.2.3. | Paid interest | | (576 202) | (435 042) |
| 3.2.2.4. | Lease (financial lease) instalments | | (95 342) | (101 765) |
| 3.2.3. | Increase in other liabilities of the Company | | | |
| 3.2.4. | Decrease in other liabilities of the Company | | | |
| 3.2.5. | Other increase in cash flows from financing activities | | | |
| 3.2.6. | Other decrease in cash flows from financing activities | | | |
| | Net cash flows from financing activities | | **(1 193 346)** | **2 306 432** |
| **4.** | **Effect of changes in currency exchange rates on the balance of cash and cash equivalents** | | (90) | (2 308) |
| **5.** | **Net increase (decrease) in cash flows** | | ***37 879*** | ***(111 532)*** |
| **6.** | **Cash and cash equivalents at the beginning of the period** | | 6 862 | 118 394 |
| **7.** | **Cash and cash equivalents at the end of the period** | | 44 741 | 6 862 |

General director ______________ Gediminas Kvietkauskas

Chief accountant ______________ Rasa Venslovienė
April 10, 2019

Approved in the General Shareholders' Meeting

On _________________, 2019, Minutes No. ____

**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 Tikslo str.10, Kumpių vil., Kauno distr.

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 in Kaunas, Šiauliai and Kupiškis districts. The main administrative and production facilities are located at Objective str.10, Kumpiai vil, Kaunas district. Šiauliai District subdivision is located in the building owned by the Company at Plento str.51, Kairiai. Activities in Kupiškis area are carried out at Technikos str.8A, Kupiškis.

Reporting financial year average listed number of employees concluded to 80, previous financial year average listed number of employees concluded to 63.

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 01/01/2017.

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 intensions 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:

| Non-current intangible asset group | Useful life period |
|---|---|
| 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:

| Non-current tangible assets group | Useful life period (in years) |
|---|---|
| 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 or improve its 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 as Company's assets in the value equal to the fair value of leased assets at the beginning of the lease or, if lower, current value of minimal lease instalments. Respective lessor's liability is presented in the balance sheet as financial lease liability.

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 2018 and 2017 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 the financial year ended on December 31, 2018 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 concerning the Company's position 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.

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

## Notes

### 1. Non-current Intangible Assets

| Items | Computer software | Other intangible assets | Total |
|---|---|---|---|
| **Acquisition value** | | | |
| **December 31, 2016** | 18 039 | 6 926 | 24 965 |
| Acquired | 5 043 | 9 834 | 14 877 |
| Written-off (-) | (1 659) | | (1 659) |
| Reclassifications | | | --- |
| **December 31, 2017** | 21 423 | 16 760 | 38 183 |
| Acquired | 7 836 | | 7 836 |
| Written-off (-) | | | |
| Reclassifications | | | --- |
| **December 31, 2018** | 29 259 | 16 760 | 46019 |
| **Accumulated amortization** | | | |
| **December 31, 2016** | 10 562 | --- | 10 562 |
| Calculated for the period | 5 063 | 2 733 | 7 796 |
| Written-off (-) | (1 658) | | (1 658) |
| Reclassifications | | | |
| **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 |
| **Balance value** | | | |
| **December 31, 2016** | 7 477 | 6 926 | 14 403 |
| **December 31, 2017** | 7 456 | 14 027 | 21 483 |
| **December 31, 2018** | 9 876 | 8864 | 18 740 |

As at December 31, 2018 and December 31, 2017 the Company did not operate any intangible assets received free-of-charge.
The amortization of Company's non-current intangible assets was recognized in the profit (loss) statement, item of comprehensive costs.
Acquisition cost of fully amortized non-current intangible assets still used in Company's operations concluded to 10.553,57 EUR as at December 31, 2018 and 9.818 EUR as at December 31, 2017.

(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, 2016** | | | 641 435 | 158 585 | 154 969 | 1 680 | 956 669 |
| Acquired | 46 200 | 330 430 | 1 231 742 | 237 525 | 219 162 | 35 981 | 2 101 040 |
| Written-off (-) | | | (361 750) | (34 000) | (15 686) | | (411 436) |
| Reclassifications | | | | | | | |
| **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 |
| **Accumulated depreciation** | | | | | | | |
| **December 31, 2016** | | | 42 471 | 125 885 | 67 553 | --- | 235 909 |
| Calculated for the period | | 11 014 | 205 592 | 41 091 | 59 234 | 4 342 | 321 273 |
| Written-off (-) | | | (50 071) | (21 958) | (15 231) | | (87 260) |
| Transferred from item to item | | | | | | | |
| **December 31, 2017** | --- | 11 014 | 197 992 | 145 018 | 111 556 | 4 342 | 469 922 |
| Calculated for the period | | 22 029 | 363 571 | 77 296 | 91 594 | 7 445 | 561 935 |
| Written-off (-) | | | (465 277) | | (13 283) | | (478 560) |
| Reclassifications | | | | | | | |
| **December 31, 2018** | --- | 33 043 | 299 698 | 222 314 | 189 867 | 11 787 | 756 709 |
| **Balance value** | | | | | | | |
| **December 31, 2016** | | | 598 964 | 32 700 | 87 416 | 1 680 | 720 760 |
| **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 |

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

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

As at December 31, 2018 and December 31, 2017 the Company did not operate any tangible assets received free-of-charge.

Depreciation of Company's non-current tangible assets was recognized in the profit (loss) statement, item of comprehensive costs.

**Depreciated Assets in Use**

| Asset group | Acquisition cost (EUR) |
|---|---|
| Transport | 113 676 |
| Plant and machinery | 11 469 |
| Other equipment | 25 303 |
| **Total** | **150 448** |

**Balance Value of Leased Assets**

| Asset group | 31.12. 2018 | 31.12.2017 |
|---|---|---|
| Transport | 216 101 | 213 683 |
| Plant and machinery | 2 556 319 | |

### 3. Amounts Receivable after One Year

As at December 31 amounts receivable after one year include advance deposits from Oranžinis turtas, UAB ir Joldija NT, UAB in the amount of EUR 104 000 and on the basis of long-term lease contract.

## 4. Deferred Income Tax Assets

| Taxable and deductible temporary differences | Basis for deferred tax assets | Rate % | Deferred income tax assets |
|---|---|---|---|
| **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** |
| **31.12.2018** | | | |
| Holiday accumulations | 42 749 | 15 | 6 412 |
| Inventory devaluation | 57 768 | 15 | 8 665 |
| Devaluation of bad and doubtful debts | 41 752 | 15 | 6 263 |
| **Total** | **142 269** | **X** | **21 340** |

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

## 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 | 1 228 | 9 777 980 | 100 837 | 9 880 045 |
| At the end of financial year | 1 450 | 14 454 740 | 215 399 | 14 671 589 |
| **b) Devaluation to net realizable value (reversal)** | | | | --- |
| At the end of previous financial year | | 58 317 | | 58 317 |
| At the end of financial year | | 122 887 | | 122 887 |
| **c) Net realizable value at the end of financial year (a) - (b)** | 1 450 | 14 331 853 | 215 399 | 14 548 702 |
| Differences in evaluation, if LIFO method was applied | | | | --- |
| Value of pledged inventories | | 14 331 853 | | --- |
| Inventories held by third parties | | | | --- |

As at December 31, 2018 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

| | **31.12.2018** | **31.12.2017** |
|---|---|---|
| Insurance | 235 900 | 143 708 |
| Subscription | 256 | 249 |
| Other costs of future periods | 5 762 | 3 624 |
| **Total** | **241 918** | **147 581** |

## 7. Amounts Receivable within One Year

| | **31.12.2018** | **31.12.2017** |
|---|---|---|
| Trade receivables | 6 163 071 | 8 174 451 |
| Provided loans | 900 244 | 621 071 |
| Accountable persons | 25 096 | 7 942 |
| Income tax receivable from the budget | 47 564 | 28 652 |
| Other amounts receivable | 438 511 | 828 422 |
| Doubtful debts (-) | (21 685) | (41 752) |
| **Total:** | **7 552 801** | **9 618 786** |

As at December 31, 2018 all amounts receivable are pledged to Swedbank, AB as a guaranty for loan coverage. The pledge ends on June 30, 2022.

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

## 8. Cash

| | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Cash in bank | 42 069 | 286 |
| Cash on hand | 2 672 | 6 576 |
| **Total:** | **44 741** | **6 862** |

As at December 31, 2018 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, 2018 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, 2018 legal reserve concluded to EUR 62.500, as at December 31, 2017 – EUR 50.000.

## 10. Profit Appropriation Project

| Items | Year | Amount (EUR) |
|---|---|---|
| Retained result – profit (loss) | 31.12.2017 | 551 663 |
| Net financial year result – profit (loss) | | 929 930 |
| Result – profit (loss) – available for appropriation | 31.12.2018 | 1 481 593 |
| Contributions by shareholders to cover losses | | |
| Transferred from reserves | | |
| Profit available for appropriation | | 1 481 593 |
| Profit appropriation: | | |
| - Reserves provided for by law | | 37 500 |
| - Increase of authorized capital | | |
| - Dividends | | |
| - Other | | |
| Retained result – profit (loss) | | 1 444 093 |

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

## 11. Financial Payables

| | 31.12.2018 | 31.12.2017 |
|---|---|---|
| **Non-current payables (over 5 years)** | **---** | **---** |
| **Non-current payables (2 to 5 years)** | **3 671 790** | **1 981 551** |
| Credit lines and loans | 1 760 944 | 1 500 000 |
| Lease liabilities | 1 760 846 | 160 447 |
| Investment loan | 150 000 | 321 104 |
| **Current liabilities** | **5 617 542** | **5 065 127** |
| Investment loan | 171 104 | 393 336 |
| Credit line and loans | 4 469 986 | 4 029 236 |
| Lease liabilities | 476 452 | 42 555 |
| Factoring | --- | --- |
| Amounts payable on the basis of bills of exchange | 500 000 | 600 000 |
| **Total:** | **9 289 332** | **7 046 678** |

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

(a) The loan received from Swedbank was EUR 111.104 with 3.14% annual interest rate, maturity date of 30-06-2019.
(b) The loan received from Swedbank was EUR 210 000 with 2.9% annual interest rate, maturity date of 30-06-2022.
(c) From the Swedbank under the overdraft agreement (limit EUR 6 500 000) EUR 4 469 986 was used with 2.4% annual interest rate, maturity date of 30-06-2019.
(d) Leasing liabilities for Swedbank leasing, maturity date 2018-2022.
(e) The loan received from Practica Venture Capital KŪB, unpaid amount of EUR 1.760.944

## 12. Accumulated Costs and Income from Future Periods

| | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Accumulated costs | 336 297 | 495 465 |

## 13. Amounts Payable within One Year

| | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Amounts received in advance | 167 665 | 292 048 |
| Trade payables | 9 740 292 | 7 728 008 |
| Holiday accumulations | 158 479 | 180 850 |
| Social insurance liabilities | 40 914 | 36 448 |
| Income tax liabilities | --- | --- |
| VAT liabilities | 926 696 | 1 146 076 |
| Other amounts payable | 903 | 3 395 |
| **Total:** | **11 034 949** | **9 386 825** |

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

## 14. Income

| | 2018 | 2017 |
|---|---|---|
| **Income from sold services and goods** | **27 051 582** | **26 049 856** |
| Income from sold goods | 26 454 556 | 25 742 560 |
| Income from provided services | 597 026 | 307 296 |
| **Income from other activities** | **198 595** | **149 729** |
| Profit from sold non-current assets | 101 209 | 57 633 |
| Other income | 103 499 | 92 096 |

## 15. Costs

| | 2018 | 2017 |
|---|---|---|
| **Cost of sales** | **22 049 560** | **21 480 788** |
| Cost of sold goods | 22 049 560 | 21 480 788 |
| **Sales costs** | **213 864** | **213 820** |
| Marketing costs | 213 864 | 213 820 |
| **General and administrative costs** | **3 577 519** | **3 015 707** |
| Salaries and social insurance | 1 815 084 | 1 413 734 |
| Depreciation and amortization costs | 671 235 | 329 070 |
| Consulting costs | 61 733 | 177 041 |
| Other costs | 1 029 467 | 1 095 862 |

## 16. Financing and Investing Activities

| | 2018 | 2017 |
|---|---|---|
| **Income** | **271 092** | **60 028** |
| Interest | 95 043 | 38 113 |
| Fines and charges on overdue payments | 176 049 | 21 915 |
| **Costs** | **662 004** | **559 400** |
| Interest on received loans | 550 712 | 426 395 |
| Lease and factoring interest costs | 25 490 | 8 647 |
| Fines and charges on overdue payments | 33 090 | 3 934 |
| Negative effect of changes in currency rates | 90 | 2 308 |
| Interest on provided guarantees | 52 622 | 118 116 |
| **Results** | **(390 912)** | **(499372)** |

## 17. Income Tax Costs

Income tax costs of the Company included declared income tax, which for 2018 concluded to EUR 129 529, EUR 124.177 for 2017. Income tax for 2016 has been adjusted and increased by EUR 153 for 2016. after the balance sheet date. Also, the income tax income from the deferred tax asset is reduced by EUR 4.708.

## 18. Transactions with Management and Other Related Persons

Managers of administration (3 persons) were paid EUR 189.245 of salary within 2018 (EUR 182.454 within 2017). Managers of administration received no other income, loans, guarantees or pay-outs.

## 19. Rights and Obligations of the Company Not Indicated in the Balance Sheet

The Company issued a guarantee in the amount of EUR 1.550.000 in favor of third persons, which was opened on 07/12/2015 and shall be valid until 30/06/2019.

## 20. Contingent Liabilities

At the end of the reporting year the Company was not subject to any contingent liabilities.

## 21. Events after the Balance Sheet Date

No events took place in the Company before the date of financial statement preparation.

General director ______________ Gediminas Kvietkauskas

Chied accountant ______________ Rasa Venslovienė

April 10, 2019