EKOTECHNIKA

ANNUAL REPORT

from 1 October 2017 to 30 September 2018

Modern equipment for efficient farming

CONTENT

FOREWORD OF THE EXECUTIVE BOARD

STEFAN DÜRR
Chairman of the Board

BJOERNE DRECHSLER
Board member

After a modest first half due to adverse weather conditions, our business caught up significantly in the second half of the year, with the result that we have raised our forecast for the full year 2017/2018 and can look back on a positive financial year overall.

Dear shareholders, business partners and friends of Ekotechnika AG, dear employees,

The 2017/2018 financial year started rather moderately in the agricultural machinery trade. Adverse weather conditions and the late onset of spring had a negative effect on sales of new agricultural machinery in the first half of the year. Moreover, local manufacturers, who continue to receive subsidies and are therefore much more favorably priced than suppliers of imported agricultural equipment, continue to exert high competitive pressure.

Sales nevertheless picked up significantly in the second half of the year, enabling us to raise our forecast for the full year 2017/18 and looking back on a positive financial year overall. We would also like to highlight the progress made in our youngest segment, smart farming, and the entry into the market for forestry machinery.

Total revenues increased significantly by 10% to just under EUR 164 million. Revenue growth was once again mainly driven by sales of new agricultural machinery (+18%), which account for close to 70% of our total revenues. Sales of tractors climbed from 241 to 283, while sales of combines and forage harvesters picked up from 58 to 70. In line with our exclusivity strategy, the share of John Deere brand machines was 67% (2017: 72%). The upward trend in grain prices and the associated higher investment propensity of our customers as well as major contracts signed with key accounts had a particularly positive effect.

The other business segments also delivered a positive performance although the spare parts segment was significantly impacted by the weaker ruble, resulting in a 9% decline in sales. In exchange rate adjusted terms, the segment was stable. Revenues in the services segment increased by 14%, and the new and still relatively small smart farming segment achieved impressive growth of 64%.

In the smart farming segment, the current fiscal year will see us intensify our joint work with John Deere in the "Lead Farms" project. The aim of this project is to achieve significant results using different smart farming technologies on a total area of 30,000 hectares, which should enable us to offer our customers attractive smart farming services as of 2020.

In addition, as part of our new strategic partnership with Tigercat Industries, we will also be entering the forestry machinery market from 2019. While Tigercat will benefit from our market expertise and the proximity to our customers, their first-class Canadian-made forestry machines will allow us to make inroads into a new business area, in which we want to generate revenues that are clearly in the double-digit million-euro range in the next two years.

Although the new fiscal year opens up numerous opportunities, we maintain our conservative planning approach due to our dependence on a small number of major customers and expect stable consolidated revenues of between EUR 153 million and EUR 164 million as well as EBIT of between about EUR 7 million and EUR 9 million for 2018/19.

Dear friends of Ekotechnika AG, dear employees, business partners and shareholders, we would like to thank you for the successful fiscal year 2017/18 and look forward to an exciting and hopefully equally successful year 2019.

Best regards,

Stefan Dürr   Bjoerne Drechsler

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ekotechnika AG (hereinafter referred to as the "Entity" or the "Company") successfully completed the financial year 2017/2018. The good results of the past fiscal year were achieved due to the positive development in all three business segments of the Company. The Company managed to improve its sales revenues for the fourth year in succession.

Cooperation between the Management Board and the Supervisory Board

In the course of FY 2017/2018, the Supervisory Board of Ekotechnika AG continuously monitored the activities of the Management Board and provided professional advice on the management of the Company. The Management Board demonstrated lawful and reasonable management and observance of the accepted operational procedures. The Management Board fulfilled its duties to provide information and informed us regularly, promptly and comprehensively in written and oral form about all issues of relevance to the Company and the Group concerning strategy, planning, business development, risk situation, risk development and compliance. This also included information on deviations of the actual development from previously reported targets and deviations of the course of business from planning.

The members of the Supervisory Board had the opportunity to critically examine the reports provided to them and the propositions of the Management Board and to offer their criticism and suggestions. In particular, we discussed all business processes important for the Company based on written and oral reports of the Management Board and checked the accuracy of the information provided.

The Supervisory Board gave its consent to individual operations where this was necessary due to legal requirements, the articles of associations or the rules of procedure for the Management Board.

The Chairperson of the Supervisory Board also maintained a close and regular exchange of information and ideas with the Management Board between Supervisory Board meetings and was kept informed of significant developments in the Company. The Chairperson of the Supervisory Board reported on important findings no later than in the following Supervisory Board meeting.

There was no evidence of conflicts of interest between the members of the Management Board and the Supervisory Board, which would have to be disclosed to the Supervisory Board without delay and about which the Annual General Meeting would have to be informed.

The Management Board and the Supervisory Board demonstrated productive cooperation in FY 2017/2018, which helped to enhance the positive development of Ekotechnika AG.

Meetings of the Supervisory Board

Six meetings of the Supervisory Board were held during the reporting period. The subject of the meetings attended by all members was the overall development of the Company in accordance with the strategic goals, including the development of revenue and EBIT, the financial position and the earnings of Ekotechnika AG. Besides, whenever it was necessary, the Supervisory Board members addressed important projects as well as certain risks of the Company. The Supervisory Board members worked in open and active cooperation with each other. The meetings were attended by all members of the Supervisory Board with the exception of the meeting held on 15 November 2017, which was not attended by Olga Ohly with the consent of the Deputy Chairperson of the Supervisory Board.

All members of the Supervisory Board took part in the meetings unless the Chairperson resolved otherwise. In the course of the meetings, we discussed the reports of the Management Board and debated over the development of the Company and the strategic issues. Besides, we discussed the general economic environment and the development of the business activity of Ekotechnika AG.

In the Supervisory Board meeting held on 15 November 2017 in Hannover, we mainly discussed the development of the Smart Farming project, which is currently being implemented by Ekotechnika AG in cooperation with its main supplier John Deere. The Management Board resolved that the key goal of the project is to support the development of more productive and environmentally-friendly agriculture by means of precise and efficient management of resources and investments. In this context, the Supervisory Board members were given detailed information on the concrete evaluation of the data collected and the development of a business model on the basis of the data collected. Apart from that, in the course of the meeting on 15 November 2017, the Supervisory Board discussed the possible consequences of the changes in the rules governing legal procedures and the significant regulations of the current legislation regarding the Regulation on Financial Rehabilitation. We also discussed the state of the Company's risk management.

In the course of the Supervisory Board meeting held on 28 January 2018 in Mannheim, we had a detailed discussion of the general development of the business activities in the first months of the fiscal year as well as the separate and the consolidated financial statements for FY 2016/2017 in the presence of the auditor. As a result, we approved the Company's separate financial statements (HGB) for the 2016/2017 fiscal year, which were thus approved pursuant to Section 172 Sentence 1 of the German Stock Corporation Act (AktG), and also the consolidated financial statements (IFRS) including the Company's Group management report for the fiscal year 2016/2017. Besides, we checked the auditor's report with regard to the dependency report pursuant to Section 314 of the German Stock Corporation Act.

The main topic of our meeting on 2 March 2018 in the form of a telephone conference was the adoption of a resolution on the invitation to the Annual Shareholder Meeting 2018, including the agenda and the proposals for the resolutions of the Supervisory Board.

In the course of the meeting held on 18 April 2018 in Wiesloch, we, in the first place, were engaged in the preparation for the Annual Shareholder Meeting 2018, which took place in Wiesloch on the next day. Among other topics discussed in the meeting were the current market environment, the actual development of the Company in the first quarter of fiscal year 2017/2018 and the updated risk management report. Besides, we discussed the current state of the Smart Farming project.

The next Supervisory Board meeting was held on 25 August 2018 in Detchino, Russia, at the premises of OOO EkoNiva-Technika, a subsidiary of Ekotechnika AG. The meeting was primarily dedicated to getting acquainted with the above-mentioned subsidiary, its management and the dealership facility. This gave us a deeper insight into the business processes of the Ekotechnika Group. Among other important topics discussed in our meeting in Detchino was the development of the Company in the current fiscal year and the planning for the fiscal year 2018/2019. Besides, we discussed the latest results achieved in risk management and the Smart Farming project. Apart from that, in the course of the meeting held on 25 August 2018, the Supervisory Board adopted a resolution on the change of the Chairperson of the Supervisory Board. Olga Ohly was appointed the new Chairperson of the Supervisory Board (see paragraph Changes in the Management Board and the Supervisory Board below).

In the course of the telephone conference held on 30 September 2018, based on the goals of the Company for fiscal year 2017/2018, we made a decision on the amount of variable remuneration of both members of the Management Board, Stefan Dürr and Bjoerne Drechsler.

Above and beyond the fiscal year 2017/2018, we would like to use this Supervisory Board Report to inform you, dear Shareholders, of the future expansion of the activities of Ekotechnika AG by adding new areas of activity.

In the course of the first meeting of the Supervisory Board after the end of the fiscal year 2017/2018, which was held on 16 November 2018 in Ilsenburg, the Supervisory Board approved two new areas of activity: the first one in the construction machinery market sector, the second one in the forestry sector (in relation to sales, maintenance and spare parts provision). The

Management Board provided detailed information and a financial plan with regard to the new areas of activity to the Supervisory Board before the meeting and gave precise explanations in relation to these new areas of activity during the meeting. In the forestry sector, Ekotechnika will work in cooperation with Tigercat. The decision on the supplier of construction machinery has not been made yet.

Audit of Annual Reports and Consolidated Financial Statements

The separate financial statements of the entity (HGB) and the consolidated financial statements (IFRS) including the group management report of Ekotechnika AG for the financial year 2017/2018 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Saarbrücken (hereinafter referred to as “auditor”) and each received an unqualified audit opinion with an explanatory note on risks that could jeopardize the continued existence of the Company.

The financial statements and the Group management report for FY 2017/2018 and the respective auditor’s reports and documents were timely sent to all members of the Supervisory Board for revision before the meeting. The Supervisory Board discussed the financial statements for fiscal year 2017/2018, the Group management report and the results of the audit in detail in the presence of the auditor on 21 January 2019. At the meeting, the auditor reported on the audits as a whole, the individual focal points of the audits and the main findings of the audits.

The auditor answered all the questions of the Supervisory Board in detail. Besides, the auditor explained that there had been no circumstances which could cast doubts on the impartiality of his approach. The Supervisory Board agreed with the results of the auditor's audit following its own comprehensive examination of the separate financial statements (HGB) and the consolidated financial statements (IFRS) including the Group management report of Ekotechnika AG for the financial year 2017/2018.

Following the final result of its own examination, the Supervisory Board approved the separate financial statements (HGB) of Ekotechnika AG, prepared by the Management Board, on 21 January 2019. Thus, the financial statements were approved pursuant to Section 172 sentence 1 of the German Stock Corporation Act (AktG). The Supervisory Board also approved the consolidated financial statements (IFRS) including the Group management report of Ekotechnika AG.

On this basis the Supervisory Board concurred with the Management Board's proposal for the appropriation of retained earnings.

Dependency Report

The report on relations with affiliated entities (Dependency Report) prepared by the Management Board pursuant to Section 312 of the German Stock Corporation Act (AktG) was also reviewed by the auditor pursuant to Section 313 of the German Stock Corporation Act (AktG). The auditor issued the following unrestricted auditor’s report:

“On the basis of our audit and assessment in accordance with professional standards, we confirm that

1. the factual information in the report is correct,

2. the payments made by the Company in respect of the legal transactions listed in the report were not unreasonably high

3. that in the measures mentioned in the report there are no circumstances indicating any essentially different appraisal than the one provided by the Management Board.“

The Supervisory Board reviewed the auditor’s report on the Dependency Report pursuant to Section 314 of the German Stock Corporation Act (AktG). The auditor took part in the discussions of the Supervisory Board dedicated to the Dependency Report and reported on the significant results of his audit.

The Supervisory Board stated that based on the results of its own audit of the Dependency Report, there are no objections to the Dependency Report and the final declaration of the Management Board on relationships with affiliated entities contained therein.

Changes in Management Board and Supervisory Board

There were no changes in the Management Board in the reporting year. The members of the Supervisory Board remained the same as in fiscal year 2017/2018.

However, there was a change of the Chairperson of the Supervisory Board. Since Mr Rolf Zürn assumed additional responsibilities as the Chairperson of the Supervisory Board of Ekosem-Agrar AG on 31 July 2018, he resigned as the Chairperson of the Supervisory Board of Ekotechnika AG, of which he remains a member. On 25 August 2018, the Supervisory Board elected Olga Ohly as the Chairperson of the Supervisory Board. Wolfgang Bläsi remains the Deputy Chairperson of the Supervisory Board.

The Supervisory Board would like to thank all employees of Ekotechnika and the members of the Management Board for their work, active involvement and huge contribution in the successful fiscal year 2017/2018.

The Supervisory Board thanks Rolf Zürn for the years of active work as the Chairperson and is pleased that he continues to be involved in the Company's activity as a permanent member of the Supervisory Board.

We also express our gratitude to you, our Shareholders, for your support and trust.for all your support and trust.

Walldorf, January 2018

On behalf of Supervisory Board

Ohly

Olga Ohly
Chairperson of the Supervisory Board

EKOTECHNIKA AG, Walldorf
Group management report
as of 30 September 2018

CONSOLIDATED MANAGEMENT REPORT

1. BACKGROUND OF THE GROUP

Group business model

The Ekotechnika Group, whose parent company is Ekotechnika AG, engages in trading in agricultural equipment. The range of activities comprises the trade in agricultural machinery (including consulting, buying and selling machinery), the trade in spare parts and the provision of after-sales services. The Group is currently also starting to sell technological solutions and equipment for precision farming and furthermore is actively working on the development of services and products in the area of Smart Farming, as this area is considered to have great market potential.

The Group's sales territory is in Russia; some machinery and spare parts are sourced from Western Europe or North America. Most of the Group's products are now manufactured or assembled directly in Russia by local subsidiaries of foreign suppliers and purchased there. On the Russian market, the Group's companies operate under the EkoNiva-Technika brand.

The Group's principal supplier is the world's largest manufacturer of agricultural equipment, Deere & Company, Moline, Illinois, USA. The product portfolio also includes products of other leading suppliers such as JCB UK (telescopic handlers), Vaederstad, Sweden (tillage), Grimme, Germany (potato harvesting technology), Sulky, France (Fertilizer spreaders), and Fliegl, Germany (agricultural trailers).

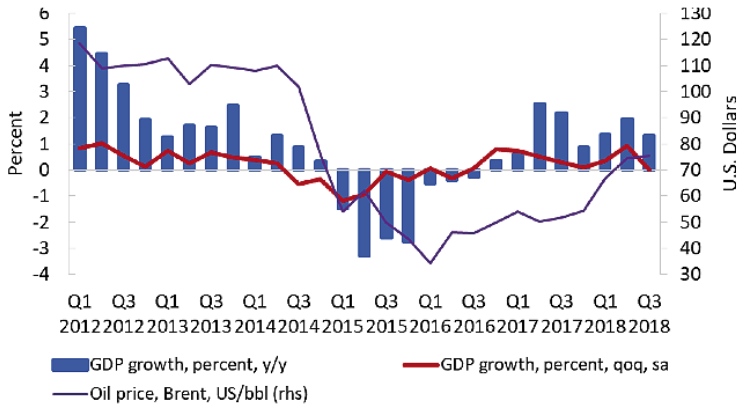
2. ECONOMIC REPORT

2.1 Macroeconomic and industry-specific framework conditions

Despite all political and economic issues in 2018, Russia has shown significant resilience. Even though the sanctions were extended and the rout in the emerging markets escalated in the second half of 2018, economic expansion could be maintained.

GDP in Russia increased by 1.9% (World Bank) in the first half of 2018, supported by robust global growth, rising oil prices and stability-enhancing macroeconomic conditions. It was broad-based and in line with the economy's potential. According to preliminary estimates, however, growth in the third quarter of 2018 appears to have slowed to 1.3% year-on-year (World Bank). This slowdown is due to weaker harvest and sluggish development in manufacturing and construction. Overall, Russia is well positioned to absorb external crises thanks to sound macroeconomic conditions with relatively high levels of foreign currency reserves (USD 461 billion), low foreign debt (about 29% of GDP) and a comfortable import cover (15.9 months).

The monetary policy remained consistent with the inflation target. Since July, inflation has been rising, but remains below the CBR target level of 4% per year. After a prolonged period of monetary easing, the Central Bank raised the key interested rate from 7.25% to 7.5% in September 2018 in view of increased inflation risks.



Source: Rosstat/World Bank Group, Russia Economic Report, November 2018

Source: USD/RUR-rate, xe.com

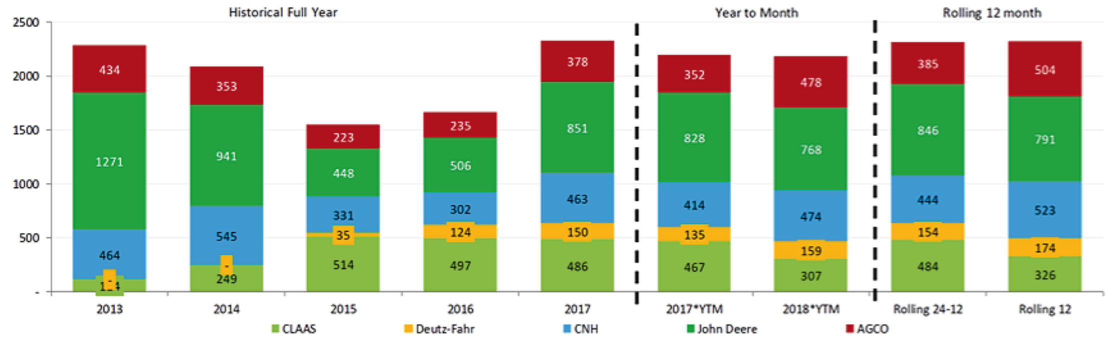
For the period from January to October 2018, the ruble depreciated by 11.1% from RUR 57.9 to RUR 66.8 against the US dollar, while the oil price (Brent) increased by 25.3%.

2.2. Performance in agricultural machine trading

Overall, the development in the general machinery market in Russia has slowed down significantly. Due to the low grain prices in end of 2017 and beginning of 2018, especially the combine market declined. In the first quarter, the market was 27% below the previous year's level (according to Rosspezmash). For example, the manufacturing of the local products of Rostselmash was reduced by 20%. As agricultural commodity prices recovered, the market for agricultural machinery also grew. By mid-2018, the market was still down 12%.

The Russian agricultural machinery market can be divided into two segments: Russian, locally manufactured and imported foreign machinery. The largest manufacturer of locally made products is Rostselmash with a market share of around 70% in the combine market. In 2016, the company also started a production line for larger tractors (Versatile) in their local production. For this purpose, an entire line was transferred from Canada to Russia and significant quantities were already produced in Russia in 2018. The tractor is a simple and standard quality product, which does not have the technological level of John Deere tractors, but is an alternative for a certain variety of application, e.g. transport works. Rostselmash has access to all government support programs and subsidized finance programs. Another manufacturer is Kirovez which produces low quality tractors with a declining production and market share. AGCO is mainly present in the tractor segment in Russia. The company has a growing market share at very competitive prices and is aggressive in terms of financing conditions for end customers. In 2018, AGCO increased its market share to over 20%. Case-New-Holland is a major importer and has a significant market share of around 20% in the tractor and combine business. Claas has a local manufacturing site in Krasnodar and produces combines in Russia. This has enabled the company to gain access to the ”1432” program and financing through the Rosagroleasing facilities (see below). This had a very strong impact on the competitiveness of pricing and financing costs. Our main supplier, John Deere, has two sites in Russia, one assembly close to Moscow and an implementation factory in Orenburg but no access to the ”1432” program or Rosagroleasing finance so far.

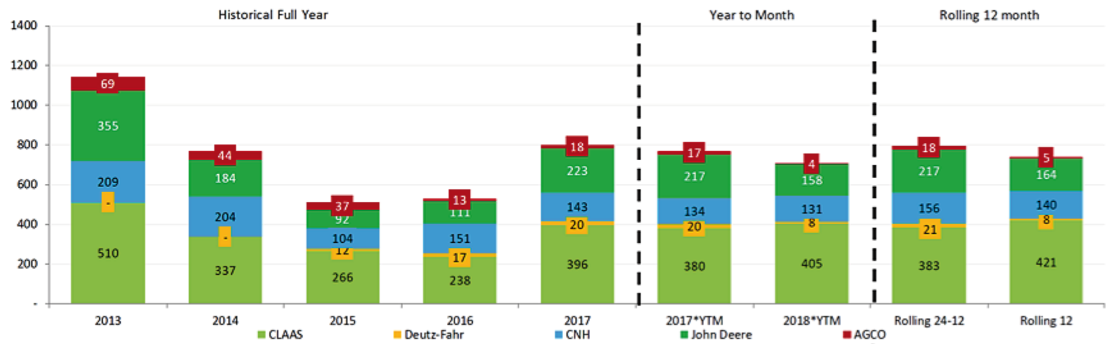
ALL-HP	2013		2014		2015		2016		2017		2017*YTM		2018*YTM		Rolling 24-12		Rolling 12	
Tractor	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS
AGCO	434	19,0%	353	16,9%	223	14,4%	235	14,1%	378	16,2%	352	16,0%	478	21,9%	385	16,6%	504	21,7%
CLAAS	114	5,0%	249	11,9%	514	33,1%	497	29,9%	486	20,9%	467	21,3%	307	14,0%	484	20,9%	326	14,1%
CNH	464	20,3%	545	26,1%	331	21,3%	302	18,1%	463	19,9%	414	18,9%	474	21,7%	444	19,2%	523	22,6%
John Deere	1271	55,7%	941	45,1%	448	28,9%	506	30,4%	851	36,6%	828	37,7%	768	35,1%	846	36,6%	791	34,1%
Deutz-Fahr	-	-	-	-	35	2,3%	124	7,5%	150	6,4%	135	6,1%	159	7,3%	154	6,7%	174	7,5%
TOTAL	2283	100%	2088	100%	1551	100%	1664	100%	2328	100%	2196	100%	2186	100%	2313	100%	2318	100%



Source: AEB-Data, October 2018

Concerning the market for imported tractors, imports were stable in the reporting period at around 2,300 units. John Deere's share of the total market decreased slightly from 36.6% to 34.1%. The main competitors, AGCO and CNH, were able to gain market share at the expense of Claas and John Deere. The main reason for this was the very competitive price and financing situation.

ALL-HP	2013		2014		2015		2016		2017		2017*YTM		2018*YTM		Rolling 24-12		Rolling 12	
Combine	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS	units	MS
AGCO	69	6,0%	44	5,7%	37	7,2%	13	2,5%	18	2,3%	17	2,2%	4	0,6%	18	2,3%	5	0,7%
CLAAS	510	44,6%	337	43,8%	266	52,1%	238	44,9%	396	49,5%	380	49,5%	405	57,4%	383	48,2%	421	57,0%
CNH	209	18,3%	204	26,5%	104	20,4%	151	28,5%	143	17,9%	134	17,4%	131	18,6%	156	19,6%	140	19,0%
John Deere	355	31,1%	184	23,9%	92	18,0%	111	20,9%	223	27,9%	217	28,3%	158	22,4%	217	27,3%	164	22,2%
Deutz-Fahr	-	-	-	-	12	2,3%	17	3,2%	20	2,5%	20	2,6%	8	1,1%	21	2,6%	8	1,1%
TOTAL	1143	100%	769	100%	511	100%	530	100%	800	100%	768	100%	706	100%	795	100%	738	100%



Source: AEB-Data, October 2018

In the combine market, which decreased by 8% in the 12 months starting from October 2017 Claas increased its market share from 48.2% to 57.0%. All competitors lost market share, most notably John Deere from 27.3% to 22.2%. The reason for this was the inclusion of combines produced by Claas in Russia in the government subsidy program for manufacturer support and governmental leasing programs.

The 1432 program

The 1432 program was introduced in 2013 and is planned to continue until 2020. The aim of this program is to support local manufacturers of agricultural equipment.

Any manufacturer who meets the requirements of the program receives a 15% subsidy on the manufacturing costs and can offer their equipment at this additional discount. The program peaked in 2017 with nearly RUR 16 billion in support. In 2018, it was approximately RUR 10 billion. In the last quarter of 2018, the 15% direct support were temporarily extended to 25%. The reason for this was that ample financial resources remained unused due to a general weak market. Although the first budget draft for 2019 contained only RUR 2 billion, it was expanded to RUR 8 billion. The program remains subject to further changes and it is very difficult to predict the volume or its termination.

Rosagroleasing Program

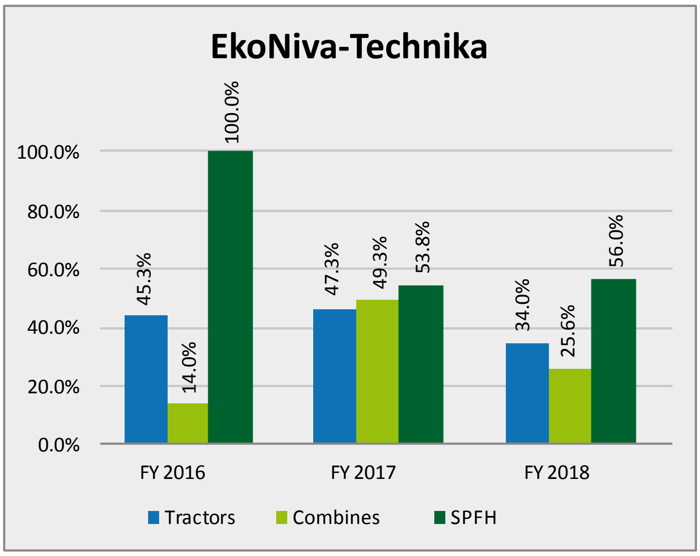
Rosagroleasing is the government leasing company for agricultural producers. It provides commercial leasing and leasing on preferred conditions for certified local manufacturers. Rostselmash, Claas and a broad variety of manufacturers of agricultural equipment are approved for this support program. The leasing conditions are much more favorable than in the commercial leasing and leasing cost can be below 4% p.a.. This offers local producers a great advantage.

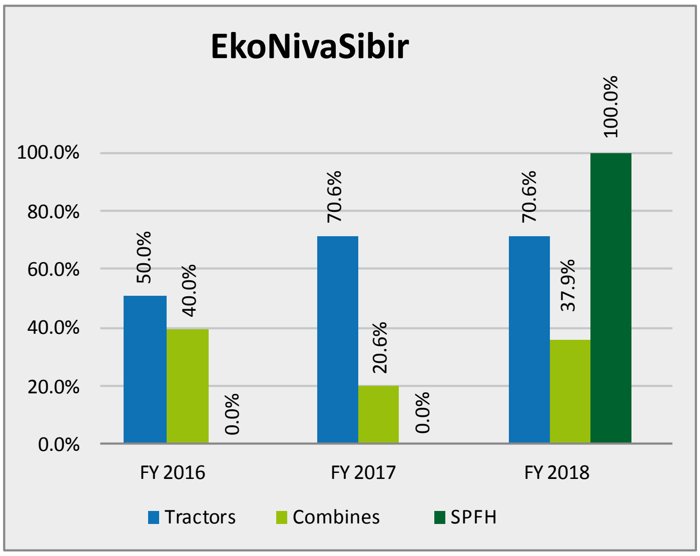
2.3. Business performance

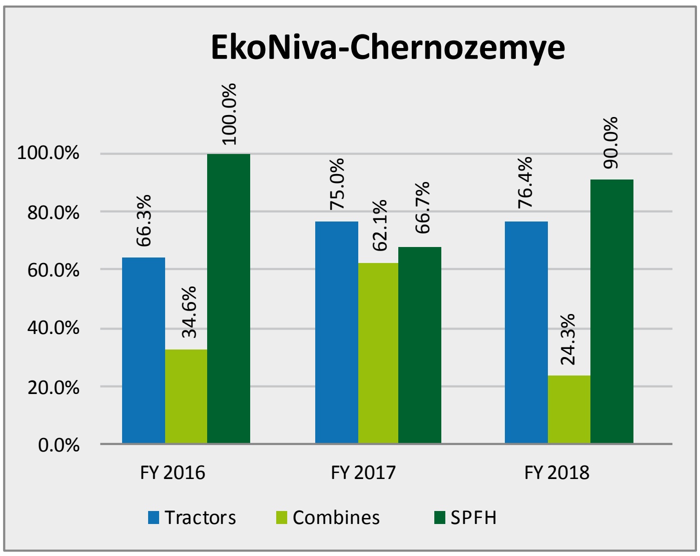
Because of lower commodity prices at the end of 2017, the general market for agricultural equipment started significantly weaker than in the previous year. Due to recovering grain prices and very large orders from key customers (mainly the associated Ekosem-Agrar AG - group), we were not only able to reach the previous year’s level, but also to increase sales of new machinery by 18.2%. This surpasses the overall market, which would probably be lower in 2017/18. We recorded particularly strong growth in forage-harvesters and large tractors, but a sharp decline in the combine segment. The latter was due to very strong government support for locally produced combines. Here, too, foreign manufactures are represented and certified in the support program. Sales of self-propelled forage harvesters (SPFH) developed very positively. Elevated investments in the dairy sector drove demand for this kind of equipment, and locally manufactured products are still not competitive. This compensated the reduction of sales in the combine business. Business with JCB (Telescopic handlers) increased by more than 30%. The equipment is mainly used in the livestock sector and also reflects intense investments in the milk and meat production. Sales of Vaederstad (implement) equipment increased by 3.5 times. As John Deere agreed an exclusive sales approach with the Swedish manufacturer and returned this business to the Ekotechnika AG, we were able to benefit from our many years of experience and very good market perception of this brand.

Furthermore, the market trend of consolidation towards large agroholdings continues and we are observing an increasing share of business with key and strategic customers. This has a negative effect on margins in new machinery business. However, the management currently expects this trend to continue and this is challenging the group for finding the right approach for this kind of customers which have special demands and conditions.

As can be seen from the graphs below, Ekotechnika AG is the market leader in the trade of imported tractors in all of its regions. It is also worth mentioning that in all regions we exceed the general market share of John Deere, which was possible thanks to a very well-organized sales network and very tight relationships with our end customers.







Source: AEB-report 2018 based on John Deere data
(SPFH - self-propelled forage harvesters)

3. BUSINESS PERFORMANCE INDICATORS

3.1 Financial performance indicators:

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

- Number of machines sold
- Revenues
- EBIT
- Financial result

Non-financial performance indicators:

Employees

Apart from technology, the Group's performance largely depends on its employees, who are always in direct contact with customers when selling machines and spare parts and when providing services, and are therefore the company's calling card. For this reason, we pay great attention to finding the right employees and retaining and continually developing our existing employees. This includes providing regular professional training and personal development seminars. In addition, our employees visit the largest agricultural exhibitions (at which the company also exhibits) in Germany and other countries together with customer groups. In this way, we ensure that our employees identify with the company and the products we implement. Moreover, Ekotechnika conducted an employee survey in 2018 and is permanently working on improving employee satisfaction.

Organizational structure

The management is actively working on measures to further automatize the whole business process with the implementation and further development of ERP systems. Especially the electronic document exchange leads to efficiency increases. Another important aspect is the CRM system set up in the past fiscal year, which is applied to the entire sales process, and a mobile app for coordinating aftersales employees, which is currently being implemented. The management plans to increase the number of employees directly involved in sales without increasing the administrative effort. The increase in productivity should enable the company to boost sales without increasing the number of non-operational employees. The number of employees on the reporting date was 538.

EkoNivaTekhnika-Holding

95 employees

EkoNiva-Tekhnika

199 employees

Representative offices: Smolensk, Ivanovo and Yaroslavl oblasts

Tula oblast
(Tula branch)
- Building area 2,804 sq. m
- Service area 1,300 sq. m
- Spare parts warehouse 1,320 sq. m
- 14 service technicians

Kaluga oblast
(Kaluga branch)
- Building area 7,028 sq. m
- Service area 924 sq. m
- Spare parts warehouse 2,044 sq. m
- 5 service technicians

Tver oblast
(Tver branch)
- Building area 100 sq. m
- Service area 50 sq. m
- Spare parts warehouse 50 sq. m
- 1 service technician

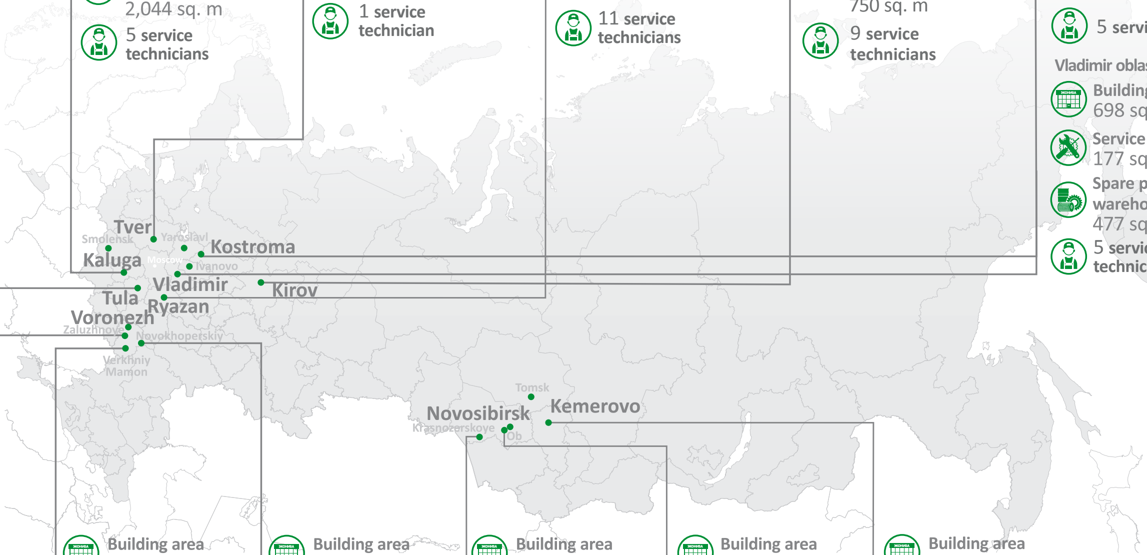
Ryazan oblast
(Ryazan branch)
- Building area 2,500 sq. m
- Service area 800 sq. m
- Spare parts warehouse 750 sq. m
- 11 service technicians

Kirov oblast
(Kirov branch)
- Building area 2,500 sq. m
- Service area 800 sq. m
- Spare parts warehouse 750 sq. m
- 9 service technicians

Kostroma and Vladimir oblasts
(North East)

Kostroma oblast
- Building area 948 sq. m
- Service area 414 sq. m
- Spare parts warehouse 361 sq. m
- 5 service technicians

Vladimir oblast
- Building area 698 sq. m
- Service area 177 sq. m
- Spare parts warehouse 477 sq. m
- 5 service technicians



Voronezh oblast, Zaluzhnoye
(Service centre)
- Building area 1,200 sq. m
- Service area 297 sq. m
- Spare parts warehouse 534 sq. m
- 19 service technicians

Voronezh oblast, Verkhniy Mamon
(Service centre)
- Building area 1,500 sq. m
- Service area 324 sq. m
- Spare parts warehouse 437 sq. m
- 14 service technicians

Voronezh oblast, Novokhoperskiy
(Service centre)
- Building area 1,200 sq. m
- Service area 360 sq. m
- Spare parts warehouse 155 sq. m
- 6 service technicians

Novosibirsk oblast, Krasnozerskoye
(Service centre)
- Building area 743 sq. m
- Service area 415 sq. m
- Spare parts warehouse 180 sq. m
- 7 service technicians

Novosibirsk oblast, Ob
(Service centre)
- Building area 3,218 sq. m
- Service area 601 sq. m
- Spare parts warehouse 1,651 sq. m
- 20 service technicians

Kemerovo oblast, Metallploshchadk
(Service centre)
- Building area 736 sq. m
- Service area 484 sq. m
- Spare parts warehouse 100 sq. m
- 2 service technicians

EkoNiva-Chernozemye

165 employees

EkoNivaSibir

79 employees

Representative office: Tomsk oblast

3.2 Situation

a) Results of operations

In June 2018, the management of Ekotechnika AG raised its conservative forecast for the full year and expected consolidated sales revenues of more than EUR 150 million, attributable to key customer orders and a general recovery in the retail market. The company has clearly exceeded this forecast.

In financial year 2017/2018, the company generated total revenues of EUR 163,666 thousand (2017: EUR 148,142 thousand), which was significantly better than planned, representing an increase of 32.0% over the EUR 124,032 thousand originally budgeted by the management. Of these revenues, 69.5%, or EUR 113,736 thousand were attributable to the sale of agricultural machinery and equipment (2017: 65.0% or EUR 96,249 thousand). The increase in revenue from sales of agricultural machinery and equipment mainly resulted from the sale of tractors and combines and SPFH. In the reporting year, Ekotechnika AG recorded a strong increase in number of tractors sold from 241 in prior year to 283 (+17.4%) and combines and SPFH from 58 to 70 (+20.7%).

Another important share of 23.9% or EUR 39,099 thousand (2017: 28.9% or EUR 42,741 thousand) was generated from the sales of spare parts – adjusted for exchange rate effects, it remained stable (EUR 42,916 thousand; 2017: EUR 42,741 thousand).

Revenues from customer services of EUR 3,445 thousand were EUR 411 thousand higher than in the financial year 2016/2017 (EUR 3,034 thousand). The stable increase in revenues from customer services is in line with management's assessment that the volume of services provided is one of the key competitive factors.

EUR '000	2017/18	2016/17	2015/16	2014/15	2013/14
Revenues	**163,666**	**148,142**	**117,212**	**109,038**	**171,042**
Sale of agricultural machinery and equipment	113,736	96,249	75,543	69,040	127,074
Sale of trade-in machinery	1,131	1 156	1,198	-	-
Sale of spare parts	39,099	42,741	33,896	31,888	34,844
Sale of tires	2,286	1,458	1,776	-	-
Sale from intelligent farming solutions	932	569	-	-	-
Sale of lubricants	3,037	2,935	2,478	2,614	3,122
Revenue from rendering of construction services	-	-	-	1,819	1,778
Revenue from rendering of services	3,445	3,034	2,321	3,677	4,224
EBIT	**9,403**	**11,594**	**5,305**	**(1,180)**	**1,894**

The budget was prepared on the assumption of 236 tractor sales for the reporting period and resulting revenues of EUR 37,918 thousand. Due to good order development in the second half of the financial year we could surpass our budget and 283 units were actually sold, generating revenues of EUR 43,206 thousand. Sales of 55 combines and SPFH, generating revenues of EUR 11,296 thousand, were budgeted. The actual figures in the reporting period were sales of 70 units and revenues of EUR 16,848 thousand.

	Actual 2018 Quantity	Budgted 2018 Quantity	Actual 2017 Quantity
Tractors > 160 PS	283	236	241
Combines and chippers	70	55	58

The forecast for other machinery and add-ons was also exceeded, with revenues of EUR 33,210 thousand budgeted and EUR 53,682 thousand actually earned. This amount includes sales of telehandlers (actual: EUR 11,868 thousand; budget: EUR 7,207 thousand), cultivators (actual: EUR 3,246 thousand; budget: EUR 2,117 thousand) and other mounted implements. The deviations from the forecasts are mainly attributable to differences in sales figures and machinery prices.

The purchase cost of agricultural machinery and equipment sold rose by EUR 16,963 thousand (+20.9%) and are thus slightly higher the sales growth (by +18.2%).

The purchase cost of the machines sold also developed slightly better than planned. The cost of tractors sold rose by only 8.8% compared with the plan, while revenues rose by 13.9%. With sales of EUR 16,848 thousand from combines and SPFH, which were 49.2% higher than planned (EUR 11,296 thousand), the purchase cost of combines and SPFH sold amounted to EUR 14,827 thousand and was thus 43.8% higher than planned (EUR 10,312 thousand), while the other sales drivers caused costs of sale amounted EUR 45,549 thousand and thus 49.8% more than planned (EUR 30,400 thousand).

The exchange rate adjusted costs of spare parts sold remained stable in the reporting period the same as sales of spare parts. The gross profit amounted to EUR 30,820 thousand was 50.7% higher than planned (EUR 20,451 thousand) and increased by EUR 652 thousand in comparison with prior period (2017: EUR 30,168 thousand).

Total depreciation and amortization expenses remained stable and were EUR 1,829 thousand (2017: EUR 1,737 thousand). The same trend was shown in payroll expenses amounted to EUR 9,831 thousand (2017: EUR 9,781 thousand). Other operating expenses increased by EUR 4,152 thousand from EUR 8,551 thousand to EUR 12,703 thousand, which mainly consist of the increase of forex loss by EUR 2,158 thousand, which is explained by ruble rate volatility, the increase in the change in warranty provisions by EUR 1,580 and the increase of bad debt expenses by EUR 474 thousand. The increase in change in warranty provision is almost completely offset by the growth (by EUR 1,627 thousand) in change in warrantee reimbursement assets, which is part of other operating income that increased by EUR 1,451 thousand.

EBITDA (earnings before interest, taxes, depreciation and amortization) of EUR 11,232 thousand were EUR 2,650 thousand (30.9%) higher than planned (EUR 8,582 thousand) and fell by EUR 2,099 thousand compared to financial year 2016/2017 (EUR 13,331 thousand). The same applies to the operating result (EBIT – earnings before interest and taxes), which at EUR 9,403 thousand was 35.9% (EUR 2,484 thousand) better than budgeted (EUR 6,919 thousand). The EBIT was EUR 2,191 thousand (18.9%) below the previous year's figure (2017: EUR 11,594 thousand). Such a decrease in operating result is fully explained by the negative volatility of the ruble and thus by the forex loss indicated above.

The net financial result (financial expenses plus financial income) of EUR -2,929 thousand was slightly (EUR 327 thousand) below the level of the prior year (2017: EUR -2,602 thousand) and, by EUR 804 thousand below plan (EUR -2,125 thousand) due to lower interest income earned on loans issued.

Earnings before taxes (EBT) amounted to EUR 6,474 thousand (2017: EUR 8,992 thousand). The significant decrease in EBT by EUR 2,518 thousand is in line with EBIT development and mainly explained by forex loss.

In the financial year 2016/2017, Ekotechnika AG used most of the tax losses retained in previous years, which resulted in an exceptionally low tax expenses then (EUR 408 thousand). Tax expenses amounting to EUR 1,650 thousand was EUR 1,242 thousand higher than in the prior financial year 2017/2018.

The net income amounted to EUR 4,824 thousand (2017: EUR 8,584 thousand) and is therefore still EUR 838 thousand higher than planned (planned: EUR 3,986 thousand).

b) Financial position

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

The main instruments for managing relations with suppliers are letters of credit and bank guarantees.

As of 30 September 2018 the Group's borrowings totaled EUR 32,828 thousand (2017: EUR 32,505 thousand), from which the biggest share is current ruble bank loans (2018: EUR 30,715 thousand - 94%; 2017: EUR 30,253 thousand - 93%). The reason for this is the need for short-term financing while at the same time reducing currency risks.

The Group does not use material financial instruments as a hedge of its interest rate or currency risks.

Further information on the financial position and on currency, interest rate and liquidity risks can be found in the notes to the consolidated financial statements.

c) Capital structure

As of the reporting date, non-current liabilities amounted to EUR 608 thousand (2017: EUR 500 thousand); this includes long-term lease liabilities (EUR 393 thousand; 2017: EUR 258 thousand) and long-term borrowings received (EUR 178 thousand; 2017: EUR 242).

At EUR 83,267 thousand (2017: EUR 62,235 thousand), current liabilities were EUR 21,032 thousand higher than in the previous year. This change can be explained by higher trade account payables which increased by EUR 20,412 thousand to EUR 40,848 thousand (2017: EUR 20,436 thousand). This is a consequence of the increased business volume. Short-term bank borrowings amounting to EUR 32,650 thousand remained stable (2017: EUR 32,263 thousand). Furthermore, advances received decreased by EUR 415 thousand to EUR 1,548 thousand (2017: EUR 1,963 thousand) and other short-term liabilities by EUR 677 thousand to EUR 2,367 thousand (2017: EUR 3,044 thousand). This can mainly be attributed to a decrease of VAT payable.

Group equity amounts to EUR 24,304 and is higher than in previous year (2017: EUR 21,034 thousand). This is a result of net financial income for the financial year 2017/2018. The equity ratio is 22.5% (2017: 25.1%).

d) Investments

In the reporting period, capital expenditures amounting to EUR 4,679 thousand (2017: EUR 531 thousand) were made for the construction of the new service center in Blackearth region (city of Dobrino), which was financed and prepaid from cash flow. In the same region (city of Belui Kolodez), a further service center is to be constructed and financed from the cash flow.

e) Liquidity

As of 30 September 2018, cash and cash equivalents totaled EUR 452 thousand (2017: EUR 2,572 thousand). Cash flow from operating activities before changes in net working capital came to EUR 14,810 thousand (2017: EUR 14,490 thousand) in the reporting year.

The increase in inventories by EUR 11,822 thousand to EUR 30,058 thousand (2017: EUR 18,236 thousand) as well as the increase in trade receivables by EUR 10,934 thousand to EUR 33,826 thousand (2017: EUR 22,892 thousand) had a negative effect on the cash flow, which was compensated by positive effects due to the increase of trade accounts payable by EUR 20,412 thousand from EUR 20,436 thousand to EUR 40,848 thousand. These effects resulted in a cash inflow from operating activities after income taxes and interests of EUR 3,957 thousand (2017: cash outflow of EUR 6,947 thousand).

The total cash outflow from investing activities amounted to EUR 7,597 thousand (2017: EUR 1,046 thousand). This includes outflows for investments in property, plant and equipment amounting to EUR 4,679 thousand (2017: EUR 531 thousand). Cash inflows from the settlement of loans issued amounted to EUR 47,281 thousand

(2017: EUR 18,415 thousand), with cash outflows from the issue of loans totaling EUR 50,817 thousand (2017: EUR 19,133 thousand). These assets primarily relate to the granting and repayment of loans to related parties.

Cash inflow from bank loans rose from EUR 101,406 thousand in the prior year to EUR 121,536 thousand in the reporting year. Taking into account loan repayments in the amount of EUR 119,429 thousand (2017: EUR 98,156 thousand), financial activities resulted in a net cash inflow of EUR 1,479 thousand (2017: EUR 2,783 thousand).

f) Net assets

On the reporting date 30 September 2018, total assets amounted to EUR 108,179 thousand and were thus 29.1% higher than in the prior year (2017: EUR 83,769 thousand). 21.7% of total assets are non-current (EUR 23,422 thousand; 2017: EUR 21,834 thousand; 26.1%). Of these non-current assets, 87.0% are property, plant and equipment (2017: 87.7%). In addition, there are long-term loans issued in the amount of EUR 2,671 thousand (2017: EUR 1,939 thousand). Further details on the various types of assets can be found in the notes to the consolidated financial statements (note 15).

Current assets increased by EUR 22,822 thousand to EUR 84,757 thousand (2017: EUR 61,935 thousand). The main reason for this is the increase in inventories by EUR 11,822 thousand and in trade receivables by EUR 10,934 thousand. The increase of warehouse inventory by EUR 11,822 thousand from EUR 18,236 thousand to EUR 30,058 thousand is the consequence of increased demand and the lower level of stock in previous years. During financial year 2017/2018, trade receivables increased to EUR 33,826 thousand (2017: EUR 22,892 thousand) because of the increase of sales and renegotiation of terms of agreements with the key customers. Another factor was the increasing share of sales to large agroholdings and the associated less favorable payment terms. However, the payment discipline in this customer segment is considerably higher and the default risk is lower than in the regular retail business. Both developments are attributable to the expansion of the Group's operating activities. At the same time, cash and cash equivalents decreased by EUR 2,120 thousand to EUR 452 thousand (2017: EUR 2,572 thousand).

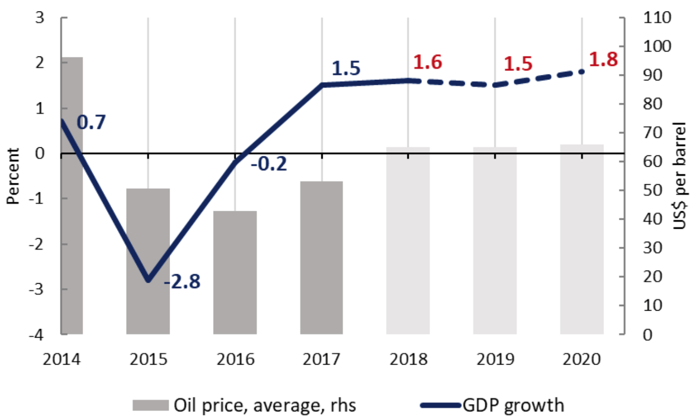
In summary, the management is satisfied with the operating performance in the past financial year.

4. OUTLOOK, OPPORTUNITY AND RISK REPORT

4.1 Outlook

Macroeconomic and industry-specific framework conditions

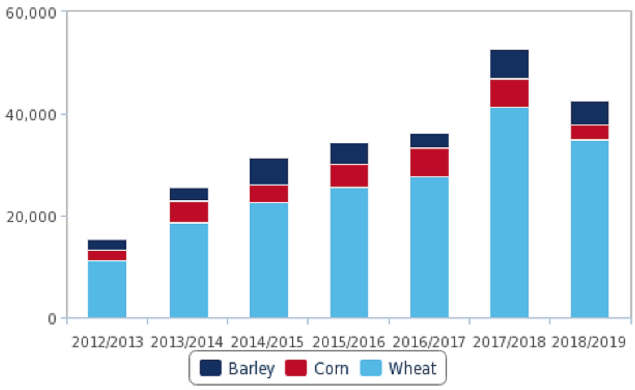
Russia's growth prospects for 2018 to 2020 remain modest and are estimated at 1.5% to 1.8% (World Bank). For 2018, we expect growth in the fourth quarter to accelerate slightly compared to the previous year's period. Consumption would support growth driven by higher demand for durable goods before the increase in VAT rates. Overall growth of 1.6% compared to 2017 is expected for 2018. Fixed capital investment growth will accelerate, supported by public spending on infrastructure projects and the slightly positive contribution from restocking (compared to destocking in 2018). However, private household demand is expected to weaken due to lower real wage growth. Meanwhile, credit growth will continue support consumer demand. Export growth will decelerate slightly as growth of the main Russian trade partners is expected to slow.



Source: Rosstat/World Bank Group, Russia Economic Report, November 2018

Developments in the agricultural sector

In the 2018/2019 season, which began with the harvest in June, wheat production will weaken from the record grain harvest of the 2017/2018 season. Nonetheless, according to Fitch agribusiness report, the forecast is the third highest for wheat production of all time. In the long term, Russia will continue to expand its share of the global wheat export market.



Source: Fitch Agricultural report 2019 Grain exports, 000 Tonnen (2012/13 - 2018/19)

The outlook for farmers in Russia is also largely improving, albeit at a slower pace than experts had previously expected. The economic environment in Russia has stabilized in recent quarters, leading to significantly reduced inflation concerns and a stabilizing currency. Russia's leading inflation rate remains near its lowest levels in modern history. However, Fitch believes that an increase in inflationary pressures and risks will halt the Central Bank of Russia's easing cycle until the latter stages of the first half of 2019. Nevertheless, we expect the central bank's policy rate to end 2018 at 7.8% and 2019 at 7.0% among the lowest rates since the dissolution of the Soviet Union. This will improve credit conditions and increase demand for agricultural machinery despite a somewhat poorer harvest in the 2018 calendar year.

Development of the Ekotechnika Group

The dependency on the geopolitical and macroeconomic situation in Russia makes it very challenging to provide a forecast for the financial year 2019.

The average exchange rate for the reporting period was 72.1544 RUR/EUR, slightly lower than the assumptions for the coming year (75.00 RUR/EUR). In its planning for the coming year as a whole, the management is anticipating a stable RUR/EUR exchange rate.

The management currently expects revenues between EUR 153 and 164 million, which is around the fact-number for the reporting period. This can be explained by a conservative management planning approach and mainly by an uncertain economic outlook and political risks. With 334 tractors (2018: 283) and 65 combines and SPFH (2018: 70), the planned sales volume for next year for tractors is above the prior financial year level and for combines and SPFH slightly below the prior financial year. According to the forecast, selling expenses will be reduced slightly less than sales decreases, therefore the gross profit margin will be reduced to around 16% (2017/18: 18.8%). The management therefore expects a decline in gross profit to approx. EUR 24-27 million and an EBIT to approx. of EUR 7-9 million.

In view of the long-standing and trustful cooperation with John Deere, the management of the EkoNiva Group plans to strengthen this partnership in 2019. The objective is to channel the demand for ever more complex and highly interconnected agricultural machinery solutions and services through close collaboration between manufacturer and dealer and with a clear focus on the target market.

Two new brands will be added to the agricultural machinery portfolio in 2018/19. Sulky, a manufacturer for fertilizer spreader from France, will enable Ekotechnika Group to sell adequate fertilizer equipment and to capture this market segment for the Group. Grégoire Besson, a French manufacturer for ploughs and cultivators, will also be added to the portfolio. Both brands will be exclusively represented in our regions by the Ekoniva Group. This is a further step towards our full-line approach and enables us to provide our customers the full scope of equipment for the agricultural operation.

Furthermore, Ekotechnika AG wants to enter the forestry machinery market and for this purpose signed a strategic partnership agreement with one of the world leading companies in forestry machinery – Canadian company Tigercat Industries – in November 2018. Under the agreement, EkoNiva is the exclusive distributor of Tigercat forestry machinery in its sales areas in Central Russia, the Chernozem region as well as in large parts of Siberia. The Russian forestry market has a great potential as it has the largest forests in the world and the forestry industry is starting to take a new stage of development. According to international market research institute Freedonia, the global market for forestry machines will grow by 4.5% to USD 9.3 billion next year, with above-average growth rates expected in Russia.

Furthermore, two service centers are currently being constructed and will be put in operation in 2019. This is necessary to provide the Voronezh region with space for future growth and get closer to our customers. The new centers will replace the existing main service center in Zaluzhnoe.

4.2 Risks

Risk management system

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

In the framework of the risk management process, Ekotechnika provides a clear definition, classification and evaluation of corporate risks and takes responsibility for them. The company uses the risk management system not only to identify the risks threatening its existence as going concern but also the risks which do not threaten its existence but can have a significant negative effect on the Group's assets, its financial situation and business results. Besides, the Group has performed a comprehensive identification of risks within the entire company in FY 2017/2018.

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

Below the main risks and uncertainties of Ekotechnika Group are depicted.

Financing opportunities and costs for customers and the Group:

In Russia, agricultural machinery is largely financed for our customers via Russian banks and other finance companies. The general economic weakness, sanctions as a result of the Ukraine crisis and oil prices drop down, had dramatic impacts on these financing opportunities, which in turn had a negative effect on banks' financing activities. But recently the financial conditions were improved by higher oil prices, improvement of the refinancing conditions offered by Russian banks and decrease of the inflation level. Moreover, the interest of professional investors was increased.

The nature of the credit portfolio continues to pose a risk to the company with regard to the short-term financing of its business. But the management closely monitors the finance and credit situation and as a result expects to be able to renew the revolving credit facilities at regular intervals. Also the liquidity situation for Russian banks has changed substantially and the banks are not as reluctant to finance as in previous years.

Development of the exchange rate:

The development of the Russian ruble has a dual impact on the business of the group. A stronger ruble makes our imported equipment more competitive in comparison with locally manufactured equipment, but reduces the competitive advantage of our customers, as the main agricultural input costs are recorded in rubles, making our customers' production more expensive. This results in lower margins and less purchasing power for the farming operations. A weaker ruble makes our equipment less competitive with locally manufactured equipment, but increases the margin for our end customers' operations.

Oil price

One factor which has a decisive influence on exchange rates and the economic development in Russia is the oil price. The oil price gained through the whole FY, which resulted in a stronger ruble and increased budget spending – also on agriculture. In the last month the correlation between the ruble and oil price decreased and the Group's management expects that even if the oil price increases the ruble may not reflect this development. As Russian budget highly depends on the development of oil prices, a decrease might affect government subsidies.

Government subsidies for farms:

As farming operations, the customers of the Ekotechnika Group, are to a certain extent dependent on government support in the form of direct subsidies and interest subsidies, which have become more difficult to predict due to the conditions described above. It is also possible that the Russian government could increase subsidies promoting production and sale of local machinery or even raise barriers to the sale of imported machinery and spare parts. If this situation continues to deteriorate, it could have an impact on the Group's results of operations.

Solvency of customers:

In the reporting period, it became easier for our customers to finance the purchase of agricultural machinery. In particular, the large agroholdings enjoy easy access to financing. This applies to both, new sales and to a certain extent to existing customer receivables. Bad debt could have a negative impact on the earnings situation for the current financial year. This risk is mitigated by maintaining close relations between sales teams and customers. The salespeople of the Ekotechnika Group can draw on their vast experience in assessing customer credit quality. They are also closely involved in negotiating finance and share the responsibility for customers' bad debts via bonus arrangements. After extensive bad debt allowances were recognized in the reporting period and the prior year, management assumes that there are currently no exposures that have not been provided for. Nevertheless the concentration of the industry on the large agroholdings represents a cluster risk in terms of receivables and granulation of those assets.

Sales risk:

Certain machinery for sale often has to be ordered by the Group around six months before the sales season, when the companies do not get a lot of orders from customers. This means that the Group ultimately bears the risk that not all machinery will be sold. This, in its turn, poses a liquidity risk and a sales risk in the current volatile environment. Thus, there is a general sales risk arising out of changing customer demands and market environment which Ekotechnika is reliant on, but which can change between purchase and sale.

At the same time, the share of major customers is growing. This leads to a higher dependence on tenders, which increases the risk of a particular customer placing an order for technical equipment, as the company may not win the tender and may not be able to sell this technology to other end customers with a sufficient margin. Furthermore, the sales risk conceals a specific currency risk, as the machines are purchased at a certain exchange rate and subsequently sold to the end customer at a completely different exchange rate. In the last three years, the company has taken greater care to minimize the inventory risk due to uncertain future prospects.

Taxation of the restructuring profit

Since the latest legislation changes related to the taxation of the profit from the financial restructuring turned out to be not clear enough, at present, the following situation has occurred:

The nominal amount of the holders' waivers, e.g. within the frameworks of debt-to-equity swaps, from tax authority perspective, means profit resulting from restructuring in the amount of EUR 57.4 million.

Under the procedure of so called "Resolution on Restructuring", the German Federal Ministry of Finance instructed tax authorities to release (under certain subsequent conditions) of the tax load resulting from the restructuring profit after recalculation of, as a rule existing retained losses.

In autumn 2016, the procedure was deemed as unconstitutional by Supreme judicial authorities. As the next resolution of the Federal Ministry "About Holders' Trust Protection" was also deemed as void by the court, at the moment, full restructuring profit is to be taxed.

Ekotechnika AG is potentially subject to face an estimated tax load of EUR 5 to 6 million, which implies a substantial financial and economic risk. Currently, the management considers this risk as unlikely and assumes that the legislating authority will make a decision in favor of the company.

Competition and reputation loss

Although John Deere and all other suppliers are doing their best to keep their products and manufacturing costs competitive, there are some risks: For example, there is a risk that competitors may gain extraordinary advantages (e.g. local producers with access to government subsidies and funding) and a risk of increased import tariffs that would raise the cost of our machinery and give a competitive advantage to other manufacturers not affected by this change. As far as the loss of reputation is concerned, a scenario would be conceivable in which a large supplier would be confronted with massive quality or logistics problems that would lead to a very bad image and loss of reputation. All these risks would lead to a significant decline in sales.

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

Renewal of credit facilities:

Because the Group depends on being able to generate adequate cash and cash equivalents from its operations to cover its liabilities, there is a major uncertainty concerning the Group's ability to continue as a going concern. Based on the Group's current plans and taking into account the related uncertainty, the management believes that the Group will be able to secure sufficient financial resources to continue its operations in the foreseeable future as of the date of preparation of the financial statements for fiscal year 2018. This also includes the refinancing of bank loans which are due for repayment in 2019 to the extent that these exceed the cash flow from operating activities. The reason for this is that the group companies use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis. The management assumes that this will continue to be the case in future. If, contrary to management expectations, the company is no longer able to generate adequate liquidity from its operating activities or external financing, or if external financing can only be obtained on significantly worsened terms, the company could face insolvency.

Covenants breaks:

During the years ended 30 September 2018 and 2017 the Group has complied with all the covenants, except technical covenants relating to the loans and borrowings amounted to EUR 32,433 thousand as of 30 September 2018 and EUR 25,686 thousand as of 30 September 2017. As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants. By 30 September 2017 the Group received the waivers from the banks relating to the loans with the breached covenants of EUR 4,107 thousand stating that the banks would not claim early repayment of the loans.

Summing up, there are no significant changes to the prior year risk and opportunities. Management believes that the main risks today the same as in prior year lie in the political and economic environment. As these factors are largely beyond the company's control, management is working hard to ensure that the company is able to respond appropriately to all types of change.

4.4. Opportunity report

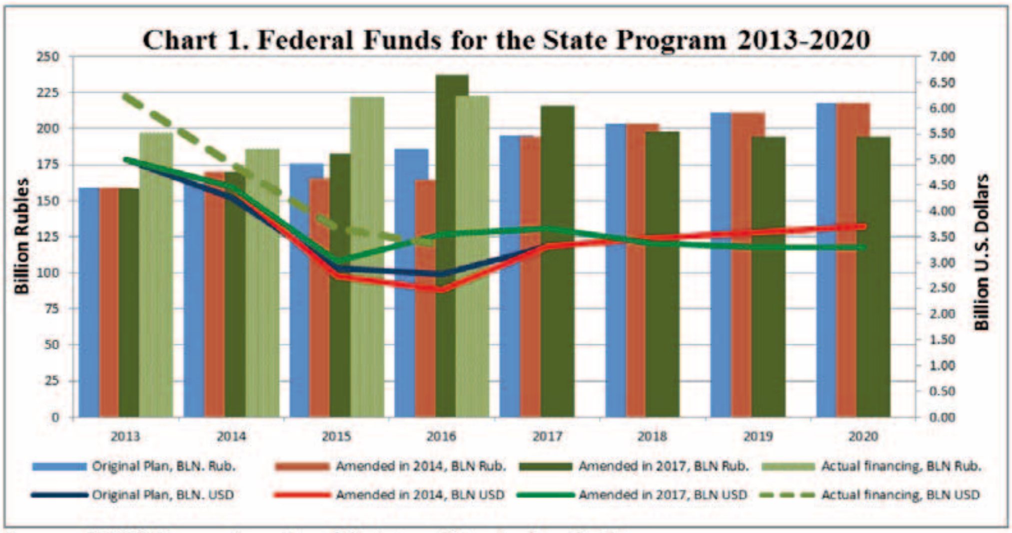
The management currently sees the following significant opportunities:

Performance of the global and Russian agricultural sectors:

The rising global population and changing eating habits due to rising prosperity or the imitation of Western life-styles are the main drivers of the positive global development in the agricultural sector. Besides, energy production using plant-based raw materials largely contributes to a sustainable increase in demand. Agricultural technology makes a significant contribution to the expansion of production and the necessary efficiency enhancements. The sanctions imposed by the Russian government in the summer of 2014, namely a ban on food imports from the EU, the US and other countries, reinforced the need to develop local production. This ban on imports covers dairy products, meat and meat products, fish, fruit and vegetables.

Investment subsidies in Russia:

For quite a time already, the Russian government has pursued the medium-term target of producing approximately 85% of all key agricultural commodities consumed in the country locally. The abovementioned import restrictions have added to the pressure. In order to support expansion, investment incentives are granted as subsidies for the acquisition and financing of agricultural machinery and primary agricultural production is exempted from income tax. These measures significantly bolster our sales activities.

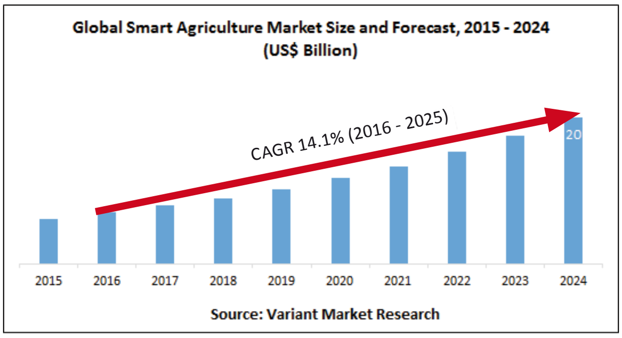


Source: FAS/Moscow based on Ministry of Agriculture's data.

Development of Smart Farming technology:

Smart Farming represents the employment of cutting-edge information and communication technology in agriculture. The purpose of Smart Farming is to create an optimal efficient balance between the cost and the produced goods volume using reasonable specific analysis, planning and observation. Its significance will increase in the future and cause an ultimate impact on customer satisfaction and long-lasting relationship with customers. Goldman Sachs estimates the global market share affected by Smart Farming to go up to USD 240 billion. Since John Deere, an exclusive partner of Ekotechnika AG, is a pioneer in this market sector, the company's management sees particularly high chances to occupy a considerable market share in this sector and is therefore looking into Smart Farming requirements. Currently, the company is working on the concept of a new department within the structure of Ekotechnika. It is a dedicated Smart Farming department responsible for identifying opportunities and designing IT solutions and products for farming. A pilot project launched in cooperation with related company Ekosem-Agrar AG will specifically contribute to collecting valuable experience, as Smart Farming is particularly relevant for the development of large companies. In the 2017/2018 season, the company launched the ”Lead Farms” project in the Voronezh region together with John Deere. In the course of the project, the new technologies were tested under real conditions on a total area of almost 1,000 hectares. Variable sowing and fertilizing processes were used on several fields for winter wheat, maize and soy beans, adjusted to the respective soil type. The initial results are very satisfactory. For winter wheat, for example, less fertilizer than the conventional standard quantity was used for the same yield. The ultimate goal for the prior season was to get experience with the different technologies and to acquaint the staff with the new technologies.

It is now planned to expand the tests in the next season and to improve the data collection and quality over a much larger area of roughly 30,000 hectares. While grid samples have been taken on areas of 10 hectares, for example, smart farming technology allows a more accurate picture of the actual soil condition on smaller sub-areas, also referred to as “management zones”, by means of soil sampling and drone measurements. This enables even more individual sowing and fertilization and consequently even better results. As soon as the results of the first two harvest phases are analyzed and evaluated, Ekotechnika wants its customers to benefit from the advantages of smart farming as quickly as possible. Management therefore plans to start offering smart farming services in addition to the sale of agricultural machinery by 2020. The service staff will offer advice and training to customers and take care of technical installation and data processing, as well as the preventive maintenance and service of the smart farming technologies. Russian farmers will thus benefit from the reduced use of materials such as seeds, fertilizers, pesticides and fuel, while at the same time increasing grain quality and yields.



Besides, the Group’s management is considering the idea of selling the solutions, designed based on livestock farms of the Ekosem Group, to the customers. In this relation, trialed solutions and concepts can be developed into products that could subsequently be offered in the market. The management estimates that this project’s potential will continue to grow further, as investments in beef and milk production will remain at a high level in the next 5 to 8 years.

Expansion of sales area and product portfolios:
The chance of getting a larger sales area from our key suppliers increases with the improvement of the financial situation. The expansion of the product portfolio in the context of Forestry and Smart Farming also represents an interesting growth perspective. This development is currently still in its beginnings in Russia. In the field of meat and milk production, there are also many possibilities to grow with dedicated machinery.

Walldorf, 18 January 2019

Stefan Dürr	Björne Drechsler
Chairman of the Board	Board Member

EKOTECHNIKA AG, Walldorf
Consolidated financial statement for the year ended 30 September 2018

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	09/30/2018 EUR'000	09/30/2017 EUR'000
Non-current assets :			
Intangible assets		55	44
Property, plant and equipment	15	20,374	19,140
Long-term loans issued	16	2,671	1,939
Deferred tax assets	14	322	711
		23,422	**21,834**
Current assets:			
Inventories	17	30,058	18,236
Short-term loans issued	16	15,498	12,830
Trade receivables	18	33,826	22,892
Taxes receivable		155	110
Prepayments		784	3,466
Other financial assets		203	167
Other short-term assets	19	3,781	1,662
Cash and cash equivalents	20	452	2,572
		84,757	**61,935**
		108,179	**83,769**

LIABILITIES AND EQUITY	Notes	09/30/2018 EUR'000	09/30/2017 EUR'000
Equity attributable to shareholders of parent company			
Share capital	21	3,140	3,140
Additional paid in capital	21	6,830	6,830
Foreign currency translation reserve	21	(19,060)	(17,506)
Retained Earnings		28,561	19,992
Income for the year		4,821	8,569
		24,292	21,025
Non-controlling interests		12	9
		24,304	**21,034**
Non-current liabilities:			
Long-term borrowings	24	178	242
Other long-term liabilities		393	258
Deferred tax liability	14	37	-
		608	**500**
Current liabilities:			
Provisions	23	1,981	742
Short-term borrowings	24	32,650	32,263
Trade accounts payable	25	40,848	20,436
Income tax payable		80	291
Advances received	26	1,548	1,963
Other financial liabilities	27	3,793	3,496
Other short-term liabilities	28	2,367	3,044
		83,267	**62,235**
		108,179	**83,769**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	10/01/2017-09/30/2018 EUR'000	10/01/2016-09/30/2017 EUR'000
Revenues	8	163,666	148,142
Purchase cost of goods sold	9	(132,846)	(117,974)
Gross profit		**30,820**	**30,168**
Other operating income	10	2,946	1,495
Payroll expenses	11	(9,831)	(9,781)
Depreciation and amortization		(1,829)	(1,737)
Other operating expenses	12	(12,703)	(8,551)
		(21,417)	(18,574)
Operating profit		**9,403**	**11,594**
Financial income	13	1,910	2,699
Financial expenses	13	(4,839)	(5,301)
		(2,929)	(2,602)
Income before tax		**6,474**	**8,992**
Income tax expense	14	(1,650)	(408)
Income for the year		**4,824**	**8,584**
Attributable to:			
Parent company's shareholders		4,821	8,569
Non-controlling interests		3	15
Other comprehensive income for the year			
Items that may be classified subsequently to profit:			
Exchange differences on translation of foreign operations		(1,554)	(120)
Attributable to:			
Parent company's shareholders		(1,554)	(120)
Non-controlling interests		-	-
Comprehensive income for the year		**3,270**	**8,464**
Attributable to:			
Parent company's shareholders		3,267	8,449
Non-controlling interests		3	15
Earnings per share (basic and diluted)			
Shares Series A	22	1.96	3.48
Shares Series B	22	1.13	2.01

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	10/01/2017-09/30/2018 EUR'000	10/01/2016-09/30/2017 EUR'000
OPERATING ACTIVITIES			
Income for the year		4,824	8,584
Amortization and depreciation of non-current assets		1,829	1,737
(Gain)/loss on disposal of property, plant and equipment		(268)	7
Net foreign exchange losses/(gains), net		2,662	(14)
Interest expense	13	3,734	4,466
Interest income	13	(1,897)	(2,594)
Income taxes recognized in profit or loss	14	1,650	408
Impairment of financial assets		1,695	1,861
Other non-cash items		581	35
Operating cash flows before changes in working capital, provisions, income taxes and interests paid		**14,810**	**14,490**
Change in inventories		(14,456)	(1,601)
Change in trade receivables and prepayments		(12,780)	(13,598)
Change in other financial and short-term assets		(1,758)	(48)
Change in trade payables and advances received		22,147	763
Change in other financial and short-term liabilities		136	(2,161)
Cash flows before income taxes and interest paid		**8,099**	**(2,155)**
Income taxes paid		(1,342)	(999)
Interest paid		(3,505)	(4,193)
Interest received		705	400
Net cash generated/(used) from operating activities		**3,957**	**(6,947)**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		709	228
Acquisition of property, plant and equipment		(4,679)	(531)
Acquisition of intangible assets		(91)	(25)
Issuance of loans		(50,817)	(19,133)
Proceeds from settlement of loans issued		47,281	18,415
Net cash used in investing activities		**(7,597)**	**(1,046)**
FINANCING ACTIVITIES			
Proceeds from borrowings		121,536	101,406
Repayment of borrowing		(119,429)	(98,156)
Payment of finance lease liabilities		(628)	(467)
Net cash flows from financing activities		**1,479**	**2,783**
Net decrease in cash and cash equivalents		**(2,161)**	**(5,210)**
Cash and cash equivalents at beginning of year		2,572	7,293
Effect of exchange rate fluctuations on cash and cash equivalents		41	489
Cash and cash equivalents at end of year		**452**	**2,572**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Additional paid in capital	Foreign currency translation reserve
As of 30 September 2016	**3,140**	**6,830**	**(17,386)**
Reclassifications	-	-	-
Income for the year	-	-	-
Other comprehensive income/(loss)	-	-	(120)
Total comprehensive income/(loss)	**-**	**-**	**(120)**
As of 30 September 2017	**3,140**	**6,830**	**(17,506)**
Reclassifications	-	-	-
Income for the year	-	-	-
Other comprehensive loss	-	-	(1,554)
Total comprehensive income/(loss)	**-**	**-**	**(1,554)**
As of 30 September 2018	**3,140**	**6,830**	**(19,060)**

Retained earnings/ (losses)	Net profit	Non-controlling interests	Total equity
(42,314)	**62,306**	**(6)**	**12,570**
62,306	(62,306)	-	-
-	8,569	15	8,584
-	-	-	(120)
-	**8,569**	**15**	**8,464**
19,992	**8,569**	**9**	**21,034**
8,569	(8,569)	-	-
-	4,821	3	4,824
-	-	-	(1,554)
-	**4,821**	**3**	**3,270**
28,561	**4,821**	**12**	**24,304**

Ekotechnika AG, Walldorf
CONSOLIDATED NOTES

1. GENERAL INFORMATION

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

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

The Group has leading positions in the area of farm machinery supplies and servicing; it is one of the largest dealers of John Deere in the Russian Federation and overall in Europe. It is also the official representative of such manufacturers of agricultural machines as Vaderstad, JCB, Lemken, Poettinger, Kverneland and AGI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. All standards and interpretations are mandatorly applicable for the period beginning on 1 October 2017 have been adopted.

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries as at 30 September 2018 and 2017 and for the years ended 30 September 2018 and 2017.

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

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

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

2.3 Business combinations

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

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

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

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

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

2.4 Foreign currencies

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

Currency	09/30/2018	Average rate for 2018	09/30/2017	Average rate for 2017 FY
RUR/EUR	76.2294	72.1544	68.4483	65.7372

	Average rate		Average rate
Three months ended 12/31/17	68.7783	Three months ended 12/31/16	68.127
Three months ended 03/31/18	69.8727	Three months ended 03/31/17	62.6474
Three months ended 06/30/18	73.7505	Three months ended 06/30/17	62.7892
Three months ended 09/30/18	76.1837	Three months ended 09/30/17	69.286

2.4.1 Transactions and balances

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

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

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

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

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

2.4.2 Group companies

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

2.5 Fair value measurement

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding value added taxes, and must be reduced by the value of customer discounts, rebates and other similar deductions when attached conditions for provision of such deductions are expected to be satisfied. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

2.6.1 Sale of goods

Revenue from the sale of goods is recognized when the following criteria have been satisfied:

- The Group has transferred the significant risks and rewards of ownership of the goods to the buyer, usually on delivery of the goods to the customer;

- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- The amount of revenue can be established reliably;

- It is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6.2 Rendering of services

Revenue from sale of services is recognized by reference to the stage of completion. Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

2.6.3 Interest income

For all financial instruments measured at amortised cost interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

2.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

2.7.1 Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in financial expenses in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group. Operating lease payments are recognized within other operating expenses in the statement of comprehensive income on a straight-line basis over the lease term.

2.8 Taxation

2.8.1 Current income tax

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

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

2.8.2 Deferred taxes

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

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

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

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

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

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

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

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

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

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

2.8.3 Uncertain tax positions

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

2.8.4 Value added tax (VAT)

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

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

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

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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

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

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

2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Minor repair and day-to-day maintenance costs are recognized in profit or loss as incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 5 – 30 years
- Transport 3 – 10 years
- Equipment 3 – 15 years
- Office equipment and furniture 2 – 7 years
- Other fixed assets 2 – 7 years

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

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

2.11 Borrowing costs

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

2.12 Impairments of non-financial assets

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

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

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

Impairment losses are recognized in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

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

2.13 Financial assets

2.13.1 Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets of the Group except for those classified as financial assets at fair value through profit or loss are recognized initially at fair value plus transaction costs.

The Group's financial assets currently only include cash and cash equivalents, loans issued, trade and other receivables.

2.13.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs for loans and in other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when

(a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or;

(b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst;

(i) also transferring substantially all the risks and rewards of ownership of the assets or;

(ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

2.14 Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

2.15 Inventories

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

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

- Agricultural machinery, trade-in machinery and intelligent farming: Purchase cost on a cost of individual item;
- Spare parts, tires, lubricants and other inventories: Purchase cost on a weighted average basis.

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

2.16 Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position and the consolidated statement of cash flows comprise cash at banks and on hand and short-term deposits with an initial maturity of three months or less at inception.

2.17 Financial liabilities

2.17.1 Initial recognition and measurement

Financial liabilities have the following measurement categories:

(a) held for trading which also includes financial derivatives and

(b) other financial liabilities.

Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise.

Other financial liabilities are carried at amortised cost. The Group's other financial liabilities comprise of "trade and other payables" and "borrowings" in the statement of financial position.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

2.17.2 Subsequent measurement

The future measurement of the financial liabilities depends on their classification:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

2.18 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.19 Provisions

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

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

2.20 Recognition of transactions between related parties

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

- If, in accordance with IFRS, initial recognition is to be performed at fair value, the Group measures such transactions at fair value irrespective of the actual amount of consideration;

- In all other cases, the Group recognizes operations based on the value of the consideration in accordance with the transaction arrangement.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following new standards and interpretations became effective for Ekotechnika AG on 1 October 2017:

- The amendments to IAS 7 *Statement of Cash Flows* require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments has resulted in additional disclosure provided by the Group, see Note 24.

- The IASB issued the amendments to IAS 12 *Income Taxes* to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. This amendment did not have effect on the Group’s financial statement as the Group has no deferred tax assets for unrealized losses on debt instruments measured ar fair value.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Applicable to the Group's financial statements standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective.

- IFRS 15 – Revenue from Contracts with Customers
- IFRS 9 – Financial Instruments
- Amendments to IFRS 2 – Share-based Payment
- Amendments to IAS 40 – Transfers of investment property
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRS 16 – Leases
- IFRIC 23 – Unsertainty over Income Tax Treatments
- IFRS 12 – Disclosure of Interests in Other Entities
- Amendments to IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (not yet endorsed by the EU)
- Amendments to IFRS 1 and IAS 28 – Annual improvements to IFRSs 2014-2016 cycleJ
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Annual improvements to IFRSs 2015-2017 cycle (not yet endorsed by the EU)
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement (not yet endorsed by the EU)
- Amendments to Conceptual Framework for Financial Reporting (not yet endorsed by the EU)
- IAS 28 – Investments in Associates and Joint Ventures (Amendment) (not yet endorsed by the EU)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (not yet endorsed by the EU)
- Amendments to IFRS 3 – Definition of a business (not yet endorsed by the EU)
- Amendments to IAS 1 and IAS 8 – Definition of materiality (not yet endorsed by the EU)

From the before named new standards or amendment to the standards only IFRS 15, IFRS 9, IFRIC 22, IFRS 16 and IFRIC 23 may have effect on the financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers* sets out when and in what amount an entity reporting in accordance with IFRSs shall recognize revenue. In addition, preparers of financial statements are required to provide more informative and more relevant disclosures to users of financial statements. The standard establishes a single, principle-based, five-step model that will apply to all contracts with customers. IFRS 15 was issued in May 2015 and is applicable for financial years beginning on or after 1 January 2018. The Group expects that adoption of IFRS 15 will not have a significant impact on its consolidated financial statements as at 1 October 2018.

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. Main impact will be a result of the application of the expected loss model which will most probably lead to higher impairment but the amount of the effect is not expected to be significant in the consolidated financial statements as at 30 September 2018.

The objective of IFRS 16 *Leases* was to develop a new leases standard that sets out the principles that both parties of contract apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lease is required to recognised assets and liabilities arising from a lease. The standard is effective beginning from 1 January 2019. The Group is in process of analyzing the effect of the standards on the Group's financial results and disclosures. Generally most of the current obligation under operate leases will have to be capitalized and hence the sum of assets and liabilities will increase leading to a lower equity ratio. On the other hand earnings before interest and taxes will increase as part of the current lease expense will in future be recognized as interest expense.
The Group is currently assessing the impact of the new standard on its consolidated financial statements.

In June 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* which clarifies application of the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Application of this amendment will result in additional disclosure provided by the Group. IFRIC Interpretation 23 is effective for annual periods beginning on or after 1 January 2019.

In December 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* which clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. The Group expects that adoption of IFRIC 22 will not have a significant impact on its consolidated financial statements as at 30 September 2018.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

Indicators of impairment of property, plant and equipment and related party cash-generating units

Property, plant and equipment are tested for impairment when circumstances indicate there may be a potential impairment. Factors the Group considers important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and other factors. If an impairment test is required, the Group estimates the asset's recoverable amount. As of 30 September 2018, the management of the Group concluded that there were no indicators of impairment of its assets (as in the previous year). See Note 15 for more details.

Estimates and assumptions

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

Writing down of inventories to net realizable value

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

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

As the Group has the contracted option to return unused spare parts bought from John Deer with discount of 15% the impairment on such spare parts is accrued in an amount of 15% of carrying amount of these spare parts agreed more than 1 year.

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

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

Impairment of trade receivables and loans issued

The Group determines an allowance for impairment of accounts receivable and for loans issued at the end of the reporting period. The Group assesses whether objective evidence of impairment exists individually for receivable that are individually significant, or collectively for accounts receivable that are not individually significant. The Group assesses whether objective evidence of impairment exists individually for loans issued on an individual basis. The Group recognizes an impairment loss on an individual receivable and loans issued or a group of receivable if the loss expectation at initial recognition of the receivables or loans issued has not changed, but it could be estimated reliably, based on past history, that loss events have occurred after initial recognition, but before the reporting date. In certain cases it may not be possible for the Group to identify a single, discrete event that caused the impairment; rather, the combined effect of several events may have caused the impairment. However, losses expected as a result of future events, no matter how likely, are not recognized. Details are disclosed in Note 16, 18 and 32.

Taxes

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

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

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

Tax exposure items, which were identified by management at the end of the reporting period as those, that can be subject to different interpretations of the laws, approximated to EUR 4,137 thousand with respect of the corporate income tax as of 30 September 2018 (2017: EUR 4,073 thousand) and EUR 3,547 thousand with respect of value added tax (2017: EUR 6,054 thousand). Those are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; these obligations are not recorded as the Group's liabilities.

Since the latest legislation changes related to the taxation of the profit from the financial rehabilitation turned out to be not clear enough, at present, the following situation has occurred:

The nominal amount of the holders' receivables waiver, e.g. within the frameworks of debt-to-equity swaps, from tax authority perspective, means a tax restructuring gain of EUR 57.4 million under the procedure of so called "resolution on restructuring", the German Federal Ministry of Finance instructed tax authorities to write off the debt balance under certain conditions after setting off the retained losses, which usually result from taxation of the profit from rehabilitation. In autumn 2016, this approach was deemed as unconstitional by Supreme authorities. As the next resolution of the Federal Ministry "About Holders' Trust Protection" was also deemed as void by the court, at the moment, full rehabilitation profit is to be taxed. Ekotechnika AG is potentially subject to face an estimated tax load of EUR 5 to 6 million, which implies a substantial financial and economic risk. Currently, the management considers this risk as unlikely and assumes that the legislating authority will make a decision in favor of the company.

Warranty provision

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

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

As of 30 September 2018, warranty provision amounted to EUR 1,450 thousand (2017: EUR 742 thousand). As of 30 September 2018, reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 1,411 thousand (2017: EUR 736 thousand).

6. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which envisages the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the year ended 30 September 2018 the Group reported net income of EUR 4,824 thousand (2017: net income of EUR 8,584 thousand). As of 30 September 2018 the Group's equity amounted to EUR 24,304 thousand (30 September 2017: EUR 21,034 thousand) and current assets exceed current liabilities by EUR 1,490 thousand (30 September 2017: current liabilities exceed current assets by EUR 300 thousand).

As of 30 September 2018, the Group had short-term bank loans in the amount of EUR 32,433 thousand (30 September 2017: EUR 32,092 thousand). Subsequent to 30 September 2018 and as of the date of approval of these financial statements, the Group has serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 20,221 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 24,491 thousand (subsequent to 30 September 2017 and as of the date of approval of the financial statements for the year ended 30 September 2017: The Group serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 17,758 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 20,759 thousand). The current bank loans as per signing date amounted to approximately EUR 36,408 thousand (per signing date of the financial statements for the year ended 30 September 2017: EUR 34,946 thousand).

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

After consideration of the related major uncertainty, based on the current view on the market and the plans for the coming years that have been made management believes that the Group will be able to secure sufficient resources to continue its operations in the foreseeable future.

7. SUBSIDIARIES

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

Designation	Domicile	Type of company	As of 30 September 2018	As of 30 September 2017
OOO "EkoNivaTechnika-Holding"	Moscow, Russland	Holding	99.99%	99.99%
OOO "EkoNiva-Chernozemie"	Voronezh, Russland	Machinery sales	99.99%	99.99%
OOO "EkoNivaSibir"	Novosibirsk, Russland	Machinery sales	99.99%	99.99%
OOO "EkoNiva-Kaluga"	Kaluga, Russland	Machinery sales	99.99%	99.99%
OOO "EkoNiva-Tekhnika"	Moscow, Russland	Machinery sales	99.99%	99.99%
OOO "Abris"	Voronezh, Russland	Advertising	99.99%	99.99%

The equity interests above represent interests of the parent company in each respective subsidiary.

8. REVENUES

Revenue comprises the following:

	2017/18 EUR'000	2016/17 EUR'000
Sale of agricultural machinery and equipment	113,736	96,249
Sale of spare parts	39,099	42,741
Sale of lubricants	3,037	2,935
Sale of tires	2,286	1,458
Sale of trade-in machinery	1,131	1,156
Sale of intelligent farming solutions	932	569
Revenue from rendering of services	3,445	3,034
	163,666	**148,142**

9. PURCHASE COST OF GOODS SOLD

Purchase cost of goods sold comprise the following:

	2017/18 EUR'000	2016/17 EUR'000
Cost of agricultural machinery and equipment	98,133	81,170
Cost of spare parts	28,711	31,652
Cost of lubricants	2,361	2,344
Cost of tires	1,995	1,335
Cost of trade-in machinery	998	1,039
Cost of intelligent farming	648	434
	132,846	**117,974**

10. OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2017/18 EUR'000	2016/17 EUR'000
Reimbursement of warranty costs	1,067	703
Changes in warranty reimbursement assets	821	(806)
Reimbursement of marketing expenses	364	324
Contractual penalties income	47	85
Commission / agent remuneration	24	342
FOREX gain	1	290
Other income	622	557
	2,946	**1,495**

11. PAYROLL EXPENSES

Personnel costs break down as follows:

	2017/18 EUR'000	2016/17 EUR'000
Wages and salaries	4,450	4,628
Bonuses	3,665	3,607
Social contributions	1,716	1,546
	9,831	**9,781**

The total salaries and social contributions of key management personnel in the year ended 30 September 2018 comprised EUR 1,052 thousand (2017: EUR 1,379 thousand) and EUR 163 thousand (2017: EUR 278 thousand), respectively.

The average number of staff in the Group during the year ended 30 September 2018 was 502 employees (2017: 474). Of these 167 (2017: 165) work in administration, 176 (2017: 155) in customer service, and 159 (2017: 154) in sales department.

12. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2017/18 EUR'000	2016/17 EUR'000
FOREX loss	2,533	375
Bad debt expense	1,734	1,260
Expenses on transport vehicles	1,103	1,050
Expenses on premises	902	776
Warranty costs	855	680
Change in warranty provision	828	(752)
Audit, consulting and legal fees	740	1,031
Travel and representation expenses	683	558
Other taxes	675	1,010
Marketing and advertising expenses	569	379
Cost of workshops	395	256
Bank charges	231	217
Contractual penalties and litigation losses	205	519
Office expenses	159	122
Communication expenses	114	118
Other expenses	977	952
	12,703	**8,551**

13. FINANCIAL INCOME / FINANCIAL EXPENSES

Financial income comprises the following:

	2017/18 EUR'000	2016/17 EUR'000
Interest income	1,897	2,594
FOREX gain	4	105
Other financial income	9	-
	1,910	**2,699**

Financial expenses comprise the following:

	2017/18 EUR'000	2016/17 EUR'000
Interest expenses	3,734	4,466
Bank charges	865	817
FOREX loss	134	6
Other financial expenses	106	12
	4,839	**5,301**

14. INCOME TAX EXPENSE

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

Income tax expense is constituted as follows:

	2017/18 EUR'000	2016/17 EUR'000
Current year income tax expense	1,276	1,060
Deferred income tax expenses/ (credit)	374	(652)
Income tax expense	**1,650**	**408**

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

14.2 Tax reconciliation

	2017/18 EUR'000	2016/17 EUR'000
Income before tax	6,474	8,992
Income tax at a tax rate of 25%	(1,619)	(2,227)
Influence of differences in tax rates of different countries	324	425
Change in unrecognized deferred tax assets	(75)	2,810
Effect of expenses that are not deductible in determining taxable profit	(280)	(1,416)
Total	**(1,650)**	**(408)**

14.3 Composition of deferred tax assets and liabilities

	As of 1 October 2017 EUR'000	Change to profit and loss EUR'000	Foreign currecy translation EUR'000	As of 30 September 2018 EUR'000
Property, plant and equipment	82	(25)	(7)	**50**
Inventories	1,869	1,138	(252)	**2,755**
Short-term financial assets	65	(11)	(6)	**48**
Trade receivables	(1,198)	(1,689)	213	**(2,674)**
Other financial assets	(8)	(16)	2	**(22)**
Other short-term assets	(165)	(164)	26	**(303)**
Other long-term liabilities	38	61	(7)	**92**
Provisions	117	113	(18)	**212**
Trade accounts payable	41	(34)	(2)	**5**
Advances received	(548)	15	55	**(478)**
Other financial liabilities	74	42	(10)	**106**
Other short-term liabilities	451	243	(60)	**634**
Prepayments	24	(1)	(2)	**21**
Tax loss carryforwards	496	29	(52)	**473**
Total	**1,338**	**(299)**	**(120)**	**919**
Unrecognised deferred tax assets	**(627)**	(75)	68	**(634)**
Net deferred tax assets/(liabilities)	**711**	**(374)**	**(52)**	**285**

	As of 30 September 2016 EUR'000	Change to profit and loss EUR'000	Foreign currecy translation EUR'000	As of 30 September 2017 EUR'000
Property, plant and equipment	353	(295)	24	**82**
Inventories	1,915	(119)	73	**1,869**
Short-term financial assets	52	12	1	**65**
Trade receivables	(172)	(1,062)	36	**(1,198)**
Other financial assets	-	(8)	-	**(8)**
Other short-term assets	(314)	167	(18)	**(165)**
Other long-term liabilities	33	4	1	**38**
Provisions	538	(458)	37	**117**
Trade accounts payable	4	38	(1)	**41**
Advances received	(252)	(299)	3	**(548)**
Other financial liabilities	-	77	(3)	**74**
Other short-term liabilities	580	(154)	25	**451**
Prepayments	54	(33)	3	**24**
Tax loss carryforwards	505	(28)	19	**496**
Total	**3,296**	**(2,158)**	**200**	**1,338**
Unrecognised deferred tax assets	**(3,296)**	2,810	(141)	**(627)**
Net deferred tax assets	-	**652**	**59**	**711**

As of 30 September 2018 and 2017, deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries was no recognized. The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, aggregate to EUR 8,889 as of 30 September 2018 (2017: EUR 6,904).

As of 30 September 2018, the Group has loss carryforwards amounting to EUR 2,365 thousand (2017: EUR 2,480 thousand) available for which no deferred tax asset has been recognised as it is not probable that those loss carryforwards can be used in foreseeable future.

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise the following:

EUR'000	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Gross book value as of 1 October 2016	**1,312**	**19,304**	**14**	**453**	**3,200**	**1,349**	**1,028**	**152**	**26,812**
Additions	20	160	44	24	688	141	131	10	**1,218**
Disposals	(166)	(335)	-	-	(273)	(129)	(179)	(8)	**(1,090)**
Transfer	10	166	(15)	(176)	-	-	15	-	**-**
Foreign currency translation	53	689	(1)	22	96	49	38	4	**950**
as of 30 September 2017	**1,229**	**19,984**	**42**	**323**	**3,711**	**1,410**	**1,033**	**158**	**27,890**
Additions	93	370	3,178	711	914	91	227	7	**5,591**
Disposals	(21)	(533)	-	(40)	(270)	(12)	(49)	(2)	**(927)**
Transfer	-	-	(40)	40	-	-	-	-	**-**
Foreign currency translation	(130)	(2,032)	(172)	(70)	(411)	(148)	(115)	(19)	**(3,097)**
as of 30 September 2018	**1,171**	**17,789**	**3,008**	**964**	**3,944**	**1,341**	**1,096**	**144**	**29,457**

EUR'000	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Accumulated depreciation as of 1 October 2016	-	(3,217)	-	-	(2,692)	(879)	(772)	(104)	(7,664)
Disposals	-	334	-	-	237	127	149	8	855
Depreciation charge for the year		(986)			(400)	(148)	(144)	(25)	(1,703)
Transfer		-			-	-	-	-	-
Foreign currency translation	-	(87)	-	-	(88)	(31)	(28)	(4)	(238)
as of 30 September 2017	**-**	**(3,956)**	**-**	**-**	**(2,943)**	**(931)**	**(795)**	**(125)**	**(8,750)**
Disposals	-	156	-	-	244	7	49	2	458
Depreciation charge for the year	-	(921)	-	-	(563)	(107)	(149)	(13)	(1,753)
Transfer	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	444	-	-	316	100	87	15	962
as of 30 September 2018	**-**	**(4,277)**	**-**	**-**	**(2,946)**	**(931)**	**(808)**	**(121)**	**(9,083)**

EUR'000	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Net book value									
as of 30 September 2017	**1,229**	**16,028**	**42**	**323**	**768**	**479**	**238**	**33**	**19,140**
as of 30 September 2018	**1,171**	**13,512**	**3,008**	**964**	**998**	**410**	**288**	**23**	**20,374**

During 2018 financial year depreciation charge was EUR 1,753 thousand (2017: EUR 1,703 thousand) on property, plant and equipment and amortization charge was EUR 76 thousand (2017: EUR 34 thousand) on intangible assets.

As of 30 September 2018 and 2017 there were no commitments to acquire property, plant and equipment.

The carrying amount of the assets recognized under finance lease agreements amounted to EUR 898 thousand as of 30 September 2018 (2017: EUR 560 thousand). The leased assets are represented by transportation vehicles.

As of 30 September 2018 and as of 30 September 2017, the management of the Group concluded that there were no indicators of impairment of its assets and consequently no impairment test on assets had been performed.

Assets pledged as security

The Group's property, plant and equipment with carrying amount of EUR 10,727 thousand as of 30 September 2018 (2017: EUR 13,665 thousand) was pledged as a security for the Group's bank loans and borrowings. The Group does not have the right to sell these assets before having settled the related liabilities or having obtained a written permission from the banks.

16. LONG-TERM AND SHORT-TERM LOANS ISSUED

The long-term and short-term loans issued comprise the following:

					30 September 2018 EUR'000		30 September 2017 EUR'000	
Type	**Interest rate in % 09/30/2018**	**Interest rate in % 09/30/2017**	**Maturity**	**Level**	**BV**	**FV**	**BV**	**FV**
Long-term loans to related parties [35]	9.0%	12.0%	01/31/2020	Level 2	2,536	2,564	82	81
Long-term loans to 3rd parties				Level 2	-	-	1,787	1,787
Other long-term financial assets				Level 2	135	135	70	70
Long-term loans issued					**2,671**	**2,699**	**1,939**	**1,938**
Short-term loans to related parties [35]	8.0 - 12.5%	8.0 - 12.5%	12/31/2018 - 04/03/2019	Level 2	15,378	15,239	12,717	12,714
Short-term loans to 3rd parties				Level 2	-	-	3	3
Short-term loans issued to employees				Level 2	120	120	110	110
Short-term loans issued					**15,498**	**15,359**	**12,830**	**12,827**
Total					**18,169**	**18,058**	**14,769**	**14,765**

All loans issued are unsecured.

17. INVENTORIES

Inventories comprise the following:

	09/30/2018 EUR'000	09/30/2017 EUR'000
Agricultural machines	18,518	10,987
Trade-in machinery	276	361
Spare parts	9,732	5,874
Lubricants	578	436
Tires	707	397
Intelligent farming	176	112
Other inventory	71	69
	30,058	**18,236**

During the year ended 30 September 2018, EUR 235 thousand was recognized as an expense within purchase cost of goods sold related to write-downs of inventories to net realisable value (2017: EUR 1,029 thousand).

Inventories with carrying amount of EUR 1,515 thousand as of 30 September 2018 (2017: EUR 4,438 thousand) were pledged to secure the Group's bank loans and borrowings. The Group does not have the right to sell these inventories before having settled the related loans and borrowings or having obtained a written permission from the banks.

18. TRADE RECEIVABLES

Trade receivables comprise the following:

	09/30/2018 EUR'000	09/30/2017 EUR'000
Trade receivables, gross	35,434	24,947
Allowance for doubtful accounts of Trade receivables	(1,608)	(2,055)
Trade receivable, net	**33,826**	**22,892**

The movement in the allowance for impairment of trade receivables was as follows:

	EUR'000
as of 1 October 2016	**(2,876)**
Unused amounts reversed	582
Foreign currency translation	(124)
Utilised	363
as of 30 September 2017	**(2,055)**
Bad debt expense	(28)
Foreign currency translation	196
Utilised	279
as of 30 September 2018	**(1,609)**

Impairment expense of receivables in the amount of EUR 28 thousand (2017: reversal of impairment of EUR 582 thousand) is recognized in the consolidated statement of profit or loss and other comprehensive income under other operating expenses.

Trade receivables are mainly non-interest bearing and payable within 30-90 days.

The ageing analysis of trade receivables is as follows:

Ageing of trade receivables	09/30/2018 EUR'000	09/30/2017 EUR'000
Neither past due nor impaired	10,642	5,821
Impaired	1,608	2,054
Past due	23,184	17,072
less than 6 months	18,568	13,735
from 6 to 12 months	2,343	2,570
more than 1 year	2,273	768
	35,434	**24,947**

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

19. OTHER SHORT-TERM ASSETS

Other short-term assets comprise the following:

	09/30/2018 EUR'000	09/30/2017 EUR'000
Other taxes receivable	2,370	886
Other current assets	1,411	776
	3,781	**1,662**

Other taxes receivable are primarily VAT receivable. Other current assets mainly consist of assets for reimbursement of warranty provision in the amount of EUR 1,411 thousand (2017: EUR 736 thousand).

20. CASH ON HAND AND BANK BALANCES

Cash and cash equivalents comprise the following:

	09/30/2018 EUR'000	09/30/2017 EUR'000
Bank balances	446	2,567
Cash on hand	6	5
	452	**2,572**

21. SHARE CAPITAL AND CAPITAL RESERVES

Fully paid in share capital as of 30 September 2018 and 2017 is EUR 3,140 thousand consisting of 3,140,000 shares. The amount of additional paid in capital as of 30 September 2018 and 2017 is EUR 6,830 thousand. Additional paid in capital is the excess of the placement value over the par value of shares issued.

The foreign currency translation reserve is influenced by exchange difference arising from translation of the financial statements of Russian subsidiaries denominated in rubles into euro which is used for presentation of consolidated financial statements. As of 30 September 2018 it amounted to EUR (19,060) thousand (2017: EUR (17,506) thousand).

22. EARNINGS PER SHARE (EPS)

In the course of executing the debt to equity swap (Note 5) two types of shares were issued:

- Shares Series A are only the shares that were issued in 2015 due to the swap of the corporate bond into equity. Shares Series A are eligible to receive a preferred dividend in case the company decides to pay any dividends;

- Shares Series B are the ones that existed before the debt-to-equity swap plus those which were issued due to capital increase against cash contribution.

If there is a dividend:

- 1. Step: 26.47% of total dividend are given to Series A shareholders only;

- 2. Step: the remaining amount is distributed to all Series A/B shareholders proportionally.

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

	2018	2017
Income for the year attributable to the parent company's shareholders	4,821	8,569
Weighted average number of shares	**3,140,000**	**3,140,000**
Shares Series A	1,539,000	1,539,000
Shares Series B	1,601,000	1,601,000
Earnings per share		
Shares Series A	1.96	3.48
Shares Series B	1.13	2.01

As comparison figures it is represented earnings per share calculated as if the same number of shares and the same conditions exist during the whole prior year. There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

23. PROVISIONS

Provisions comprise as the following:

EUR'000	Warrantee reserve	Tax risks	Court litigations	Total
as of 1 October 2016	**1,451**	**-**	**-**	**1,451**
Charge for the year	806	-	-	806
Foreign currency translation	50	-	-	50
Utilised	(1,565)	-	-	(1,565)
Unused amounts reversed	-	-	-	-
as of 30 September 2017	**742**	**-**	**-**	**742**
Charge for the year	1,532	448	113	2,093
Foreign currency translation	(120)	(24)	(6)	(150)
Utilised	(704)	-	-	(704)
as of 30 September 2018	**1,450**	**424**	**107**	**1,981**
Current	1,450	424	107	1,981
Non-current	-	-	-	-

24. BORROWINGS

The borrowings comprise the following:

		30 September 2018 EUR'000		30 September 2017 EUR'000	
	Level	**GBV**	**FV**	**GBV**	**FV**
Non-current borrowings from key management	Level 2	178	183	242	244
Current bank loans	Level 2	32,433	32,345	32,092	32,042
Current borrowings from key management	Level 2	217	219	171	172
		32,828	**32,747**	**32,505**	**32,458**

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

	Liabilities from financing activities		
EUR'000	**Borrowings**	**Finance lease**	**Total**
Liabilities from financing activities at 1 October 2016	**(27,486)**	**(234)**	**(27,720)**
Cash flows	943	467	1,410
Foreign exchange adjustments	(809)	2	(807)
Interest expenses	(4,403)	(63)	(4,466)
Other non-cash movements	**(750)**	**(669)**	**(1,419)**
Liabilities from financing activities at 30 September 2017	**(32,505)**	**(497)**	**(33,002)**
Cash flows	1,398	628	2,026
Foreign exchange adjustments	3,523	67	3,590
Interest expenses	(3,647)	(87)	(3,734)
Other non-cash movements	(1,597)	(884)	(2,481)
Liabilities from financing activities at 30 September 2018	**(32,828)**	**(773)**	**(33,601)**

As of 30 September 2018 borrowings in the amount of EUR 30,850 thousand (30 September 2017: 32,092 thousand) were secured with guarantees of the related parties. Other non-cash movements in column “Liabilities from financing activities – Borrowings” relate to reclassification of amounts owed for purchases of machinery, spare parts and other goods from trade payables to borrowings upon settlement of trade payables using letters of credit.

The effective annual interest rates were as follows:

	Non-current loans and borrowings		Current loans and borrowings	
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
USD	-	-	1.5%	1.5%
RUR	12.0%	12.0%	9.0% - 12.0%	9.5% - 15.5%
EUR	-	-	1.5%	1.5%

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

- the Group is obliged to comply with certain ratios of loans and borrowings to EBITDA, calculated as profit before tax net of finance income, finance expenses and depreciation;
- the Group is obliged to comply with certain level of EBITDA;
- the Group is obliged to ensure that the certain level of loans and borrowings in the consolidated statement of financial position is not exceeded;
- the Group is limited in terms of the level of finance provided to other entities (inc. loans issued).

If covenants are breached the borrowers can increase interest rate or demand early repayment. During the years ended 30 September 2018 and 2017 the Group has complied with all covenants, except covenants relating to borrowings of EUR 32,433 thousand as of 30 September 2018 and EUR 25,686 thousand as of 30 September 2017. As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants. By 30 September 2017 the Group received the waivers from the banks relating to the loans with the breached covenants of EUR 4,107 thousand stating that the banks would not claim early repayment of the loans.

25. TRADE ACCOUNTS PAYABLES

Trade payables are mainly comprised of trade payables due to third parties in the amount of EUR 40,678 thousand as of 30 September 2018 (30 September 2017: EUR 20,408 thousand) and due to related party in the amount of EUR 170 thousand (30 September 2017: EUR 28 thousand). Trade payables can be non-interest bearing and interest bearing. As of 30 September 2018 trade payables in the amount of EUR 21,966 thousand (30 September 2017: EUR 12,869 thousand) were secured with guarantees of the related parties. Fair value of the payables approximates their carrying amount due to the short remaining term.

26. ADVANCES RECEIVED

Prepayments received in the amount of EUR 1,548 thousand (30 September 2017: EUR 1,963 thousand) represent advance payments from customers.

27. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

	09/30/2018 EUR'000	09/30/2017 EUR'000
Employee benefit liabilities	2,494	2,245
Other financial liabilities	919	1,012
Short-term finance lease payable	380	239
	3,793	**3,496**

The employee benefit liabilities represent wages and salary, bonuses to staff, unused vacation accruals and related contributions with regards to pension, medical and social insurance.

As of 30 September 2018 long-term finance lease liabilities of EUR 393 thousand (30 September 2017: EUR 258 thousand) were included in other long-term liabilities.

28. OTHER SHORT-TERM LIABILITIES

Other current liabilities comprise the following:

	09/30/2018 EUR'000	09/30/2017 EUR'000
VAT payable	2,145	2,625
Other taxes payable	222	419
	2,367	**3,044**

29. FINANCE LEASE LIABILITIES

The Group has finance leases for vehicles, generally passenger cars. These leases have no terms of renewal and escalation clauses. These leases have purchase option at the end of lease term.

Future minimum payments under finance lease and present value of the net minimum lease payments are as follows:

	30 September 2018		30 September 2017	
	Present value EUR'000	Minimum lease payments EUR'000	Present value EUR'000	Minimum lease payments EUR'000
Less than 1 year	379	446	240	277
More than 1 year but less than 5 years	393	426	257	293
More than 5 years	-	-	-	-
	772	**872**	**497**	**570**
Future interest	**100**		**73**	

30. FUTURE OPERATING LEASE PAYMENTS

As of the reporting date, the Group had non-cancellable operating lease contracts which oblige it to pay leasing installments. They pertain almost exclusively to long-term contracts for land and buildings. The aggregate amounts of future rent payments are as follows:

	09/30/2018 EUR'000	09/30/2017 EUR'000
Due within one year	247	270
Due within one up to five years	777	621
Due in more than five years	56	60
	1,081	**951**

31. OPERATING ENVIRONMENT

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian ruble was moderately volatile in the financial year. On 30 September 2017 the exchange rate was about 68.45 RUR/EUR, it continued to rise, reaching its first peak of 79.28 RUR/EUR in April 2018 and subsequently falling to 72.01 RUR/EUR. In September 2018, the ruble reached its second peak of 81.39 RUR/EUR and fell back to 76.23 RUR/EUR as a closing rate on 30 September 2018. The average rate for the financial year was 72.15 RUR/EUR (2017: 65.74 RUR/EUR).

During 2018 financial year the steadily decrease of key rate was indicated beginning from 9.0% on 19 June 2017 to 7.25% on 26 March 2018 with the following light increase to 7.5% on 17 September 2018.

These factors could have an impact on the groups net assets, financial position and results of operations. The management believes it has taken appropriate measures to support the sustainability of the Group's business development in the current circumstances.

32. FINANCIAL RISK MANAGEMENT

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

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

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

The sensitivity analyses in the following sections relate to the position as of 30 September 2018 and 2017.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.

Foreign currency risk

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

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

30 September 2018 EUR'000	**Level**	**USD**	**RUR**	**EUR**	**GBP, CNY, CAD**	**Total**
Long-term loans issued	Level 2	-	135	2,536	-	**2,671**
Short-term loans issued	Level 2	-	11,787	3,711	-	**15,498**
Trade receivable	Level 2	8,039	19,761	5,949	77	**33,826**
Other financial assets	Level 2	-	202	1	-	**203**
Cash and cash equivalents	Level 1	2	421	29	-	**452**
Total monetary financial assets		**8,041**	**32,306**	**12,226**	**77**	**52,650**
Long-term loans and credits	Level 2	-	178	-	-	**178**
Other long-term liabilities	Level 2	-	393	-	-	**393**
Short-term loans and credits	Level 2	347	30,932	1,371	-	**32,650**
Trade payables	Level 2	13,839	9,914	17,041	54	**40,848**
Other financial liabilities	Level 2	25	664	610	-	**1,299**
Total monetary financial liabilities		**14,211**	**42,081**	**19,022**	**54**	**75,368**
Net monetary position		**(6,170)**	**(9,775)**	**(6,796)**	**23**	**(22,718)**

30 September 2017 EUR'000	**Level**	**USD**	**RUR**	**EUR**	**GBP**	**Summe**
Long-term loans issued	Level 2	-	1,814	125	-	**1,939**
Short-term loans issued	Level 2	-	11,265	1,565	-	**12,830**
Trade receivable	Level 2	3,050	15,798	4,044	-	**22,892**
Other short-term assets	Level 2	3	163	1	-	**167**
Cash and cash equivalents	Level 1	-	2,560	12	-	**2,572**
Total monetary financial assets		**3,053**	**31,600**	**5,747**	**-**	**40,400**
Long-term loans and credits	Level 2	-	242	-	-	**242**
Other long-term liabilities	Level 2	-	258	-	-	**258**
Short-term loans and credits	Level 2	390	30,424	1,449	-	**32,263**
Trade payables	Level 2	4,038	9,744	6,596	58	**20,436**
Other financial liabilities	Level 2	4	2,902	590	-	**3,496**
Total monetary financial liabilities		**4,432**	**43,570**	**8,635**	**58**	**56,695**
Net monetary position		**(1,379)**	**(11,970)**	**(2,888)**	**(58)**	**(16,295)**

The Group is primarily exposed to risks from changes in the exchange rate between euro (EUR), Russian ruble (RUR) and US dollar (USD). The following tables demonstrate the sensitivity to a reasonable possible change in US dollar and ruble exchange rates in relation to euro (EUR), with all other variables held constant.

USD/RUR	Change in USD/ RUR rate	Effect on loss before income tax (EUR'000)
2018	10.00%	(617)
	-15.00%	926
2017	10.00%	(138)
	-15.00%	207

EUR/RUR	Change in RUR/ EUR rate	Effect on loss before income tax (EUR'000)
2018	10.00%	(680)
	-15.00%	1.019
2017	10.00%	(289)
	-15.00%	433

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to the Group's debt obligations with floating interest rates as of 30 September 2018 and 2017 of EUR 0 thousand and EUR 0 thousand, respectively. With all other variables held constant the Group's result before tax is affected insignificantly through the impact on floating rate borrowings.

Credit risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding trade receivables are regularly monitored. As of 30 September 2018, the Group had seven customers that owed the Group more than EUR 1,000 thousand each and made up 60% of trade receivables balance (2017: five customers owed more than EUR 1,000 thousand each acconted for 46% of trade receivables balance), from which five customers were related parties counting for 50% of the balance (2017: two customers counting for 28% of the balance) and two customers were third parties counting for 10% of the balance (2017: three customers counting for 18% of the balance).

The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Notes 18. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as medium, as its customers are located in several regions, however, their markets are not always independent.

Loans issued

Loans issued credit risk is managed on the Group's level by the Group's top management. Loans are issued in limited cases to certain third parties and quite regularly to the related. Outstanding loan principle or interest receivables are regularly monitored.

The requirement for impairment is analyzed at each reporting date on an individual basis. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Notes 16. The Group does not hold collateral as security.

The Group evaluates the concentration of risk with respect to loans issued as high.

Cash and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Counterparty credit limits are reviewed by the Group's management. The Group's maximum exposure to credit risk for the components of the statement of financial position as of 30 September 2018 and 2017 is the carrying amounts as illustrated in Note 20.

Excessive risk concentration

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

33. LIQUIDITY RISK MANAGEMENT

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

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

as of 30 September 2018 EUR'000	On demand	Less than 3 months	Between 4 months and 12 months	Between 1 and 2 years	Between 2 and 5 years
Loans and borrowings	32,433	217	-	178	-
Trade payables	-	40,848	-	-	-
Other financial liabilities	-	1,299	-	393	-
Total	**32,433**	**42,364**	**-**	**571**	**-**

as of 30 September 2017 EUR'000	On demand	Less than 3 months	Between 4 months and 12 months	Between 1 and 2 years	Between 2 and 5 years
Loans and borrowings	25,686	2,746	4,470	249	-
Trade payables	-	20,436	-	-	-
Other financial liabilities	-	3,496	-	258	-
Total	**25,686**	**26,678**	**4,470**	**507**	**-**

Capital management

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

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

	09/30/2018 EUR'000	09/30/2017 EUR'000
Loans and borrowings	32,828	32,505
Less: cash and cash equivalents	(452)	(2,572)
Net debt	**32,376**	**29,933**
Total capital	24,304	21,034
Capital and net debt	**(8,072)**	**(8,899)**

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2018 and 2017.

According to the Russian legislation, as of 30 September 2018 and 2017 minimum share capital amount was RUR 10 thousand for limited liability companies. If the value of the net assets of a company is found to be less than the minimum share capital amount required by law, the company must go into liquidation. As of 30 September 2018, OOO "EkoNiva-Kaluga" does not comply with the minimum share capital requirement. OOO "EkoNiva-Kaluga" is planned to be merged with OOO EkoNivaTechnika in the following financial year.

34. SEGMENT REPORTING

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

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

- The Central segment includes activities of subsidiaries in Central region of the Russian Federation;

- The Blackearth Region segment includes activities of subsidiaries in Blackearth region of the Russian Fede-ration;

- The Siberian segment includes activities of subsidiaries in Siberian region of the Russian Federation.

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

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

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

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

30 September 2018	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	**75,559**	**67,876**	**25,221**	**967**	**(5,957)**	**163,666**
Sales of goods for resale – third parties	72,326	65,774	24,246	116	(2,241)	160,221
Sales (all) – Group companies	1,797	931	122	851	(3,701)	-
Revenue from rendering of services	1,436	1,171	853	-	(15)	3,445
Purchase cost of goods sold	**(61,453)**	**(55,793)**	**(20,373)**	**(959)**	**5,732**	**(132,846)**
Gross profit/(loss)	**14,106**	**12,083**	**4,848**	**8**	**(225)**	**30,820**
Other operating income	1,302	930	610	6,644	(6,540)	2,946
Payroll expenses	(2,996)	(2,655)	(1,009)	(3,171)	-	(9,831)
Depreciation and amortization	(1,045)	(520)	(194)	(191)	121	(1,829)
Other operating expenses	(6,966)	(5,875)	(2,716)	(3,895)	6,749	(12,703)
Results from operating activities	**4,401**	**3,963**	**1,539**	**(605)**	**105**	**9,403**

30 September 2017	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	**65,909**	**62,963**	**21,479**	**740**	**(2,949)**	**148,142**
Sales of goods for resale – third parties	61,789	61,311	20,820	38	1,150	145,108
Sales (all) – Group companies	2,883	608	(104)	702	(4,089)	-
Revenue from rendering of services	1,237	1,044	763	-	(10)	3,034
Purchase cost of goods sold	**(51,712)**	**(51,708)**	**(17,171)**	**(729)**	**3,346**	**(117,974)**
Gross profit/(loss)	**14,197**	**11,255**	**4,308**	**11**	**397**	**30,168**
Other income	973	649	(104)	6,472	(6,495)	1,495
Payroll expenses	(2,763)	(2,745)	(1,138)	(3,037)	(98)	(9,781)
Depreciation and amortization	(1,118)	(433)	(145)	(118)	77	(1,737)
Other operating expenses	(3,713)	(5,387)	(1,873)	(4,007)	6,429	(8,551)
Results from operating activities	**7,576**	**3,339**	**1,048**	**(679)**	**310**	**11,594**

	2017/18 EUR'000	2016/17 EUR'000
Result from operating activity	**9,403**	**11,594**
Financial income	1,910	2,699
Financial expenses	(4,839)	(5,301)
	6,474	**8,992**
Income tax expense	(1,650)	(408)
Income for the year	**4,824**	**8,584**

In the financial year 2018 two customer made 34% of Central segment revenue (2017: one customer made 33% of revenue), one customers made 38% of Siberian segment revenue (2017: one customer made 36%) and one main customers made 35% of Black Earth segment revenue (2017: two customers made 33%).

35. BUSINESS ACTIVITIES WITH RELATED PARTIES

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

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

	Other related parties		Associates		Key management personnel		Total	
EUR'000	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**
Sale of agricultural machinery and equipment	45,412	16,118	-	-	-	-	45,412	16,118
Sale of spareparts	8,568	6,743	-	-	-	-	8,568	6,743
Sale of tires	605	225	-	-	-	-	605	225
Sale of lubricants	641	360	-	-	-	-	641	360
Sale from intelligent farming	135	43	-	-	-	-	135	43
Revenue from rendering of services	192	110	-	-	-	-	192	110
Other income	346	70	-	-	-	-	346	70
Purchase of goods and other services	(1,399)	(723)	(2)	(12)	(1,061)	(1,671)	(2,462)	(2,406)

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

EUR'000		Trade receivable, other financial assets and other short-term assets	Trade accounts payable, other financial liabilities and other short-term liabilities
Other related parties	09/30/2018	19,046	289
	09/30/2017	9,711	497
Associates	09/30/2018	1	1
	09/30/2017	-	-
Key management personnel	09/30/2018	-	660
	09/30/2017	-	575
Total	09/30/2018	**19,047**	**950**
	09/30/2017	**9,711**	**1,072**

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

EUR'000		Long-term loans granted	Short-term loans granted
Other related parties	09/30/2018	2,536	14,249
	09/30/2017	-	11,670
Parent company	09/30/2018	-	1,033
	09/30/2017	-	1,032
Associates	09/30/2018	-	96
	09/30/2017	125	15
Total	09/30/2018	**2,536**	**15,378**
	09/30/2017	**125**	**12,717**

EUR'000		Interest income	Interest expenses
Other related parties	2017/18	1,774	-
	2016/17	1,696	-
Parent company	2017/18	1	-
	2016/17	410	-
Associates	2017/18	9	-
	2016/17	3	-
Key management personnel	2017/18	-	42
	2016/17	-	80
Total	2017/18	**1,784**	**42**
	2016/17	**2,109**	**80**

EUR'000		Short-term borrowings	Long-term borrowings
Key management personnel	09/30/2018	217	178
	09/30/2017	177	242
Total	09/30/2018	**217**	**178**
	09/30/2017	**177**	**242**

During the year ended 30 September 2018 EUR 45,653 thousand (2017: EUR 18,862 thousand) of loans were issued to the related parties, which is included into the line “Issuance of loans“ in the consolidated cash flow statement. During the year ended 30 September 2018 the Group received settlement of loans issued to related parties of EUR 42,315 thousand (2017: EUR 17,710 thousand), which is included into the line “Proceeds from settlement of loans issued“ in the consolidated cash flow statement.

As of 30 September 2018 borrowings in the amount of EUR 30,850 (2017: 32,092) thousand were secured by the key management personnel.

As of 30 September 2018 the Group acted as a guarantor on the bank loans of the companies of Ekosem-Agrar group (other related parties), amounting to EUR 533 thousand (2017: EUR 1,462 thousand). The carrying amount of guarantees was EUR 8 thousand (2017: EUR 22 thousand). The guarantees were issued to support Ekosem-Agrar group’s purchase of machines from the Group. As the date of issuing these financial statement management doesn’t expect that the parties holding the warrantee will demand any payment.

Additionally, as of 30 September 2018 the Group had guarantees issued by its related parties to secure the Group’s loans and trade payables. See Notes 24 and 25.

Management remuneration is covered in Note 11.

36. PROPOSAL FOR THE APPROPRIATION OF INCOME FOR THE YEAR

The Management Board and the Supervisory Board of Ekotechnika AG propose to the Annual General Meeting to carry forward in full income for the year of EUR 4,824 thousand reported for the 2018 financial year (2017: EUR 8,584 thousand) to Retained earnings.

37. AUDITOR'S FEE

The fee for the annual audit (total remuneration plus expenses without VAT) recorded as an expense in the year ended 30 September 2018 was EUR 157 thousand (2017: EUR 178 thousand).

38. RELEASE

The consolidated financial statement of Ekotechnika AG for the financial year from 1 October 2017 to 30 September 2018 was not approved yet and is released for publication by executive management only preliminary, unaudited and subject to change (which can be significant) on 18 January 2019.

Walldorf, 18 January 2019

Stefan Dürr	Björne Drechsler
Chairman of the Board	Board Member

INDEPENDENT AUDITOR'S REPORT

Audit Opinions

We have audited the consolidated financial statements of Ekotechnika AG, Walldorf, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2017 to September 30, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Ekotechnika AG for the financial year from October 1, 2017 to September 30, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2018, and of its financial performance for the financial year from October 1, 2017 to September 30, 2018, and

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

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

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

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

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

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

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to the disclosures in section “6. Going Concern“ of the notes to the consolidated financial statements as well as the disclosures in section “4.3. Risks Threatening the Group's Ability to Continue as a Going Concern“ of the group management report, where the executive directors indicate that the Group's ability to continue as a going concern depends on the expiring bank loans being extended or refinanced and the existing extraordinary termination rights not being exercised as a result of non-compliance with lending terms and conditions. As stated in section “6. Going Concern“ of the notes to the consolidated financial statements and section “4.3. Risks Threatening the Group's Ability to Continue as a Going Concern“ of the group management report, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and represents a risk that the Group's ability to continue as a going concern is threatened pursuant to § 322 Abs. 2 Satz 3 HGB. Our audit opinions are not modified in respect of this matter.

Saarbrücken, January 21, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Frank Evers)	(sgd. ppa. Elena Yorgova-Ramanauskas)
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

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