# EKOTECHNIKA

## ANNUAL REPORT

from 1. October 2016 to 30. September 2017


Modern equipment for efficient farming

# CONTENTS

# FOREWORD OF THE EXECUTIVE BOARD

STEFAN DÜRR
Board member

BJÖRNE DRECHSLER
Board member

Both, external factors and internal improvements contributed to the success of the financial year. The overall situation in Russia stabilized significantly due to the political calm and the positive development of the oil price compared with previous years. Internally, we achieved important enhancements through increased cost control and process optimization.

**Dear shareholders, business partners and friends of Ekotechnika AG, dear colleagues,**

we are looking back at the intensive and efficient financial year 2016/2017. Despite the intense competitve pressure in the Russian agricultural machinery market, we have clearly exceeded our goals. Both, the sales volumes of new machines and the demand in the spare parts business showed a significant increase and, together with the generally higher sales prices, led to a very satisfactory result.

This has become possible through the improvement of the overall situation in Russia, which has stabilized due to a more favorable political environment and the positive development of oil prices in comparison with the prior year. While trading sales at the beginning of the 2016/17 financial year were lower than in the same period of the previous year, the situation on the agricultural machinery market improved considerably in the further course of the year thanks to a profitable harvest, relatively good prices and the recovery of the ruble. In the reporting period, the average RUR/EUR rate was 65.74 RUR/EUR (2015/16: 75.27 RUR/EUR) and thus improved the competitiveness of imported agricultural machinery compared with Russian manufacturers.

Sales of new agricultural machinery in the reporting year in EUR were 27% higher than in the previous year and amounted to EUR 96.2 million. Sales of spare parts increased also by 26% to EUR 42.7 million. The overall revenue for the financial year is EUR 148.1 million, which is 26% higher than in the previous year. The operating results (EBIT) improved and reached approximately EUR 11.6 million, while the total financial result stood at EUR 8.6 million.

Both, external factors and internal improvements contributed to the success of the financial year. In addition to good cost control, we were also able to further optimize the processes within our company. The exclusive cooperation with John Deere as part of the "Green on Green" strategy is already bearing fruit. We were also able to win back an important supplier: Väderstad.

We are also planning to enhance the cost control and spare parts business optimization in FY 1027/2018. In addition, we are currently working on the conception of a special organizational unit for the development of smart farming solutions to strengthen our positions in this market sector in future.

Despite the good development in the past year, we have chosen a conservative planning approach for the current financial year, partly due to low grain and sugar prices. For example, we are forecasting a decline in sales of tractors and combines, resulting in a lower sales volume of 122 to 126 million euros. However, the first quarter developed more positively than expected, partly as a result of higher incoming orders, so that the decline in sales for the year as a whole is likely to be lower than originally planned.

Dear friends of Ekotechnika, dear colleagues, business partners and customers, we would like to thank you for the successful financial year 2016/2017 and we are looking forward to our cooperation in the financial year 2018.

Best regards,

Stefan Dürr    Björne Drechsler

# REPORT OF THE SUPERVISORY BOARD

**Dear Shareholders,**
Ekotechnika AG, (hereinafter referred to as the „Entity“ or the „Company“) has successfully completed FY 2016/2017. Due to the increased demand for imported agricultural machinery in Russia and a stable currency exchange rate, the business results have exceeded the initial expectations. The company has exercised a lot of effort to improve the internal structures to provide opportunities for further growth at the same costs.

## Cooperation between the Management Board and the Supervisory Board

In the course of FY 2016/2017 the Supervisory Board of Ekotechnika AG continously monitored 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 critcally examine the reports provided to them and the propositions of the Management Board and 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 and checked the accuracy of the provided information. On several occasions, the Supervisory Board dealt in detail with the company’s risk situation, solvency planning and equity situation.

The Supervisory Board provided its consent to the Management for the performance of single operations if it was necessary due to the law requirements, articles of associations or rules of procedure for the Management Board.

The Chairman 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 Chairman of the Supervisory Board reported on important findings no later than in the following Supervisory Board meeting.

There has not been any evidence of conflicts of interest between the members of the Management Board and the Supervisory Board, which must be disclosed to the Supervisory Board without delay and about which the Annual General Meeting is to be informed.

The management and the Supervisory Board demonstrated productive cooperation in FY 2016/2017, which helped to enhance the development of Ekotechnika AG.

## Meetings of the Supervisory Board

Eight meetings of the Supervisory Board were held during the reporting period. All members of the Supervisory Board took part in the meetings. The members of the management took part in the meetings if the Chairman of the Supervisory Board had not determined otherwise.

At all meetings, we discussed the reports of the Management Board and talked about strategic questions and the development of the company. We also discussed the general economic environment and the development of the business activity of Ekotechnika AG.

In the course of the Supervisory Board meeting held on November 3, 2016, we mainly discussed the changes in the management and the current business development.

The main topics of the meeting held in the form of a telephone conference on December 15, 2016 were the results of FY 2015/2016 stated in the IFRS Statements and the revision of plans for the finanial year 2016/2017.

In the course of the Supervisory Board meeting held on January 22, 2017, along with the discussion of the business activity in the first months of the financial year, we had a detailed discussion on the annual report and the consolidated financial statements for FY 2015/2016 in the presence of the auditor. As a result, we approved the Company's single-entity financial statements (HGB) for the 2015/2016 financial 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 2015/2016 financial year. In addition, we have audited the auditor's report on the dependency report pursuant to Section 314 of the German Stock Corporation Act.

In the course of the telephone conference held on January 25, 2017, the decision on increasing the number of Management Board members was made and Bjoerne Drechsler was appointed as a further member of Management Board of Ekotechnika AG.

In the course of the telephone conference on February 14, 2017, the Supervisory Board approved the invitation to the Anual General Meeting on March 28, 2017.

The center of our attention at the meeting held on March 11, 2017, was the preparation to the Annual General Meeting held on March 28, 2017. Further topics included ongoing legal disputes of the Company in connection with the completed bond restructuring (claims for damages against plaintiffs acting in violation of the law; actions for rescission).

At our constitutive meeting of the extended Supervisory-Board on May 29,2017, we convened the new Supervisory Board members Wolfgang Bläsi and Lars Bjarne Buwitt. At this meeting, we re-elected Rolf Zürn as Chairman of the Supervisory Board and Wolfgang Bläsi as Deputy Chairman of the Supervisory Board.

At the meeting held on 8th September, 2017, the focus was on the development of the business activities in the third quarter of the financial year 2016/2017 and the planning for the financial year 2017/2018. Other topics included in particular the discussion of risk management.

## Audit of Annual Reports and Consolidated Financial Statements

The financial statements of the individual entity (HGB) and the consolidated financial statements (IFRS) including the consolidated statement of facts of Ekotechnika AG for the financial year 2016/2017 were audited by Ernst & Young GmbH, Eschborn/Frankfurt am Main (which was appointed as auditor) and each issued an unqualified audit opinion with an explanatory note on risks that could jeopardize the continued existence of the Company.

The reports and the consolidated Statement of Facts for FY 2016/2017 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 2016/2017, the Group management report and the results of the audit in detail in the presence of the auditor on January 28, 2018. At the meeting, the auditor reported on the audits as a whole, the individual focal points of the audit 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 2016/2017.

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 January 28, 2018. 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. The Supervisory Board concurred with the Management Board's proposal for the appropriation of retained earnings.

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 to 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 or have been compensated for disadvantages."

The Supervisory Board reviewed the auditor's 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 told about 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.

## Personnel changes in the Management Board and the Supervisory Board

On January 25, 2017, the Supervisory Board ressolved to expand the Management Board of Ekotechnika AG and appointed Björne Drechsler as a member of the Management Board with effect from March 1, 2017, with responsibility for sales, logistics, purchasing, controlling and IT at Ekotechnika AG.

On March 28, 2017, the Annual General Meeting resolved to increase the number of Supervisory Board members from three to five and to amend the articles of association accordingly. In addition, the Annual General Meeting on March 28, 2017 resolved to appoint Lars Bjarne Buwitt and Wolfgang Bläsi as additional members of the Supervisory Board. From the moment of the entry of the amendment to the Articles of Association for the purpose of enlarging the Supervisory Board in the Commercial Register on May 19, 2017, the two new members of the Supervisory Board Lars Bjarne Buwitt and Wolfgang Blaesi started their work.

The Supervisory Board would like to express its sincere thanks to all employees of the Ekotechnika Group and its management for their efforts and achievements in the financial year 2016/2017 and their dedicated contribution.

We would also like to thank you, our shareholders, for continuing to accompany us on our path with confidence.

Walldorf, 28 January 2018

On behalf of the Supervisory Board

Rolf Zürn
Chairman of the Supervisory Boards

# EKOTECHNIKA AG, Walldorf
# Consolidated management report (IFRS)
# as of 30. September 2017

# CONSOLIDATED MANAGEMENT REPORT

## 1. BACKGROUND OF THE GROUP

### 1.1 Group business model

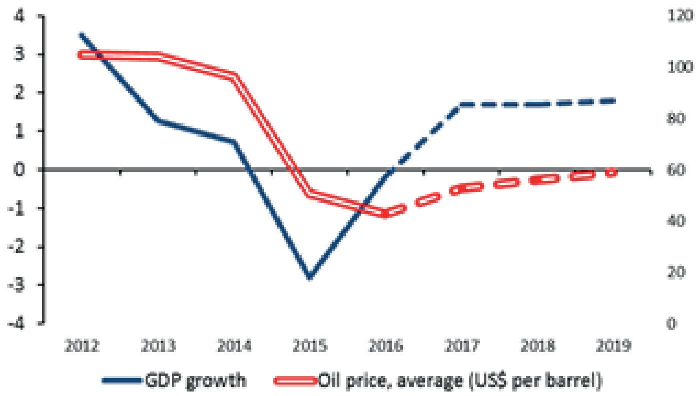
The Ekotechnika Group, whose parent is Ekotechnika AG, engages in trade in agricultural equipment. The range of activity comprises trade in agricultural machinery (including consulting, buying and selling machinery), trade in spare parts and after-sales services. The Group is currently also starting to trade technological solutions and equipment in precision farming and works equally active with development of services and products in the sphere of Smart Farming as this area has very large potential on the market. The Group's sales territory is 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 (tillage), Grimme (potato harvesting technology).

## 2. ECONOMIC REPORT

### 2.1 Macroeconomic and industry-specific framework conditions

Following the current positive trends in the world's economy, e.g. the renewed growth of oil prices and the enhancement of macroeconomic stability, the Russian economy continues to gain momentum after the intensive growth in the second half of 2016. The manufacturing industry, the transport sector and the government-controlled industries, including the defense industry, sowed an intensive upward trend in the first quarter of 2017. Due to the increase in the domestic demand in the first half of 2017, the above-mentioned sectors continued to grow. However, starting with the third quarter, the growth rate has slowed down.




(Russia Real GDP growth, percent;
Source: Rosstat, World Bank staff calculations.)

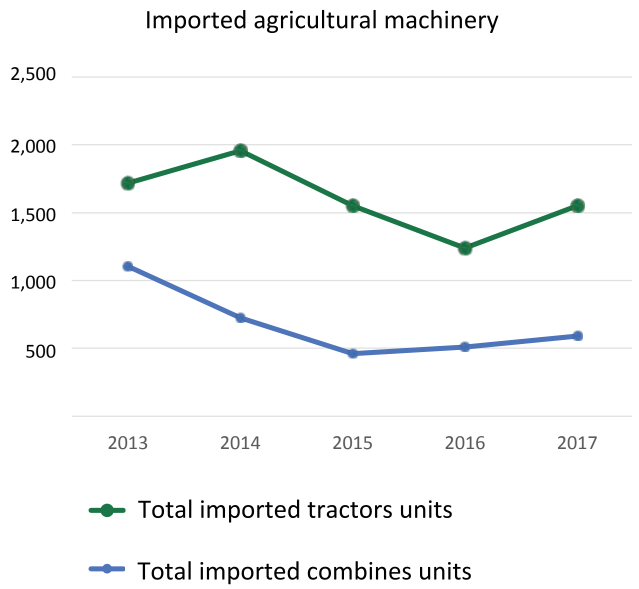
Inflation has continued to decelerate and is now projected to decline to below 3% at end of 2017. This has led to the fact that the finance costs started decreasing at an accelerating pace in Russia. At the beginning of 2017 financial year, the key bank rate was 9.5%, but this was declined to 8.5% on September 2017. In all Russian regions a decrease of interest rates is projected which means a good support in financing of machinery purchase.

The Russian ruble was much less volatile in the financial year 2016/2017 than in the previous year's period, with one euro costing around 70.88 rubles on 30 September 2016, closing at around 68.45 rubles to one euro on 30 September 2017, the average exchange rate for the financial year was 65.74 RUR/EUR (2016: 75.27 RUR/EUR). The stable ruble affects Russia's agricultural business environment twofold: On the one hand it reduced the competitive edge for Russian producers of (USD based) agricultural goods, leading to lower prices in the local currency and lower purchase power for agricultural equipment. On the other hand, the prices of imported farm machinery are decreasing, which makes it more competitive in the Russian market.

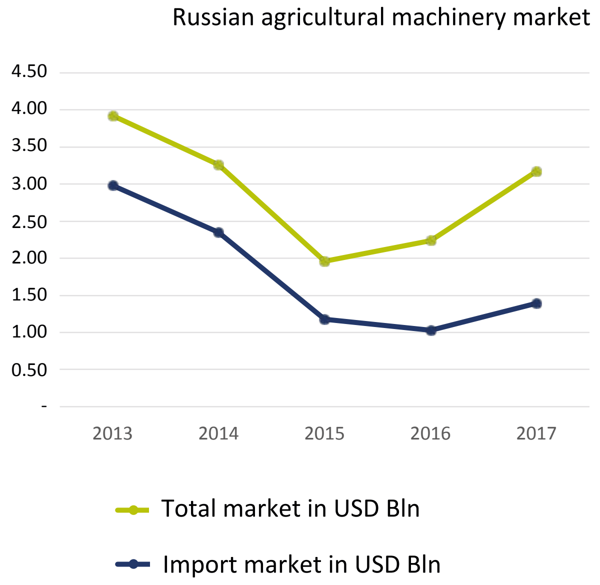
The world prices for agricultural commodities, especially in the local currency, remain lower than last year. The outlook for the agricultural industry is therefore cautiously optimistic, but, in view of the remaining political tensions between Russia and other countries, this situation is fragile and remains unpredictable. On the other hand, the need for high quality agricultural machinery is rising and with the cost pressure and the related optimization of costs, the new technological practices and intellectual solutions provide the key advantages in the competitive market environment.

### 2.2. Performance in agricultural machine trading

The VDMA's ("Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation) economists see good reasons to anticipate positive development. The first quarters had a promising result. Nevertheless, the raising import restrictions represent a hurdle that gets raised by the Russian government every year. Based on VDMA's data the total market for tractors (locally made and imported) went up from January to September 2017 by 27% – the market for combines still stagnated with a low growth of 3%.



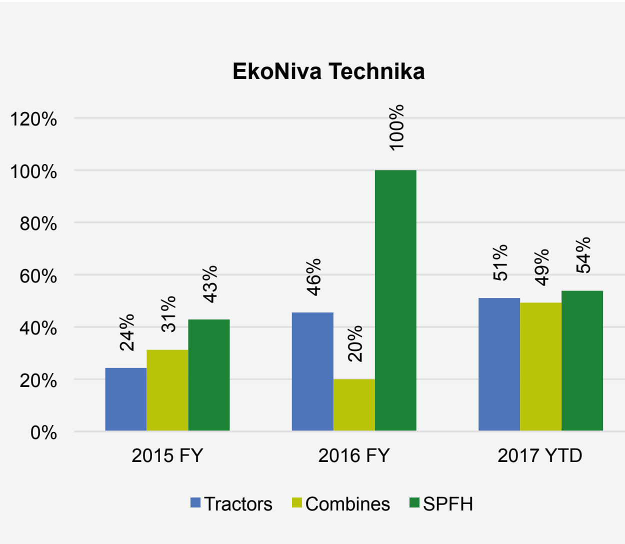

Source: AEB Report 2017

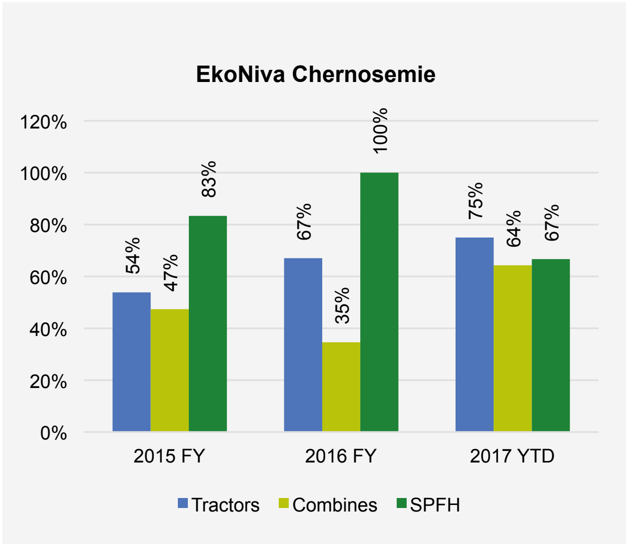



Source: Customs database Russia / statement of local manufacturers 2017

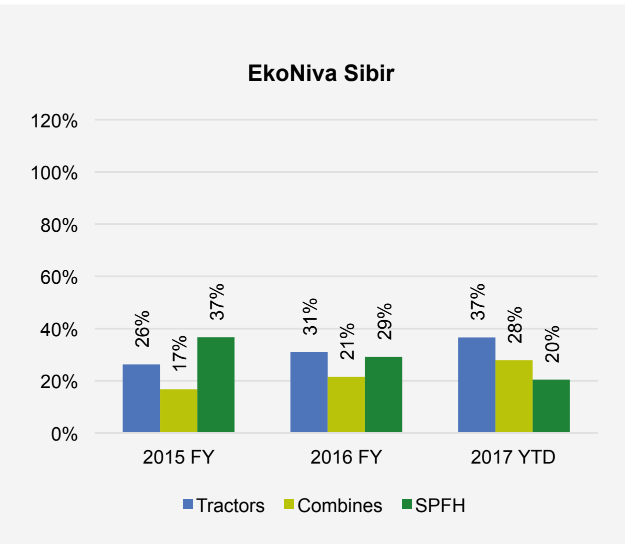
### 2.3. Business performance

The financial year 2016/2017 started weaker than 2015/16 but picked up significantly due to good harvest results and a strengthening ruble. The business performed much better than expected with strong growth of sales volumes and strict cost control. In the course of the year we had a good order intake from key customers such as Prodimex, Dominant and a related party, the Ekoniva-APK Holding. As it is seen from the graphs below Ekotechnika is the market leader in trade of imported machinery in all regions.




Source: AEB Report 2017 based on John Deere data




The results of operations were much better than planned in the financial year, with revenues amounting to EUR 148,142 thousand, which is up by around 25.3% compared to the EUR 118,253 thousand originally budgeted by the management. The gross profit was 40.0% higher than planned (EUR 21,542 thousand) and amounted to EUR 30,168 thousand.

On 30 September 2017 the Group's RUR loans amounted to EUR 30,424 thousand (2016: EUR 25,807 thousand), the USD loans to EUR 390 thousand (2016: EUR 1,679 thousand) and the EUR loans to EUR 1,449 thousand (2016: EUR 0). Financing during the current financial year was undertaken almost fully in ruble. Such measures and lower volatility of the ruble brought the company a foreign currency loss of EUR 14 thousand.

The EBITDA (earnings before interest, taxes, depreciation and amortization) amounting to EUR 13,331 thousand (2016: EUR 6,989 thousand) was EUR 5,040 thousand (60.8%) higher than planned (EUR 8,291 thousand). The same applies to the EBIT (earnings before interest and taxes) which came in at EUR 11,594 thousand (2016: EUR 5,305 thousand) and hence was 75.8% (EUR 5,000 thousand) better than planned (EUR 6,594 thousand). The net financial loss (financial expenses plus financial income) amounted to EUR -2,602 thousand, which is on the same level as it was planned (EUR -2,620 thousand).

| EUR'000 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Revenues | **148,142** | **117,212** | **109,038** | **171,042** | **212,391** |
| Sales of agricultural machinery and equipment, spare parts, tires, lubricants and intelligent farming solutions | 145,107 | 114,891 | 103,542 | 165,040 | 206,637 |
| **Sale of agricultural machinery and equipment** | 96,249 | 75,543 | 69,040 | 127,074 | 169,285 |
| **Sale of trade-in machinery** | 1,156 | 1,198 | - | - | - |
| **Sale of spare parts** | 42,741 | 33,896 | 31,888 | 34,844 | 34,257 |
| **Sale of tires** | 1,458 | 1,776 | - | - | - |
| **Sale of intelligent farming solutions** | 569 | - | - | - | - |
| **Sale of lubricants** | 2,935 | 2,478 | 2,614 | 3,122 | 3,095 |
| Revenue from rendering of construction services | - | - | 1,819 | 1,778 | 2,680 |
| After-Sales-Services | 3,035 | 2,321 | 3,677 | 4,224 | 3,074 |
| EBIT | **11,594** | **5,305** | **-1,180** | **1,894** | **16,908** |

## 2.4. Situation

### a) Results of operations

As the company acts within the framework of the John Deere "Green on Green" strategy, Ekotechnika AG gave up sales of approximately EUR 15 million in the past fiscal year by discontinuing the distribution of brands that did not correspond to the exclusivity strategy. In spite of this the company was able to generate total revenue of EUR 148,142 thousand in 2016/2017 financial year (2016: EUR 117,212 thousand). 65.0%, or EUR 96,249 thousand, of this revenue came from sales of agricultural machinery and equipment (2016: 64.4% or EUR 75,543 thousand). A further larger share of 28.9% or EUR 42,741 thousand (2016: 28.9% or EUR 33,896 thousand) was earned with the sales of spare parts. Revenue from customer services amounted to EUR 3,034 thousand (2016: EUR 2,321 thousand).

Increase of revenue from sales of agricultural machinery and equipment came mainly from tractor and combine sales. The better-than-expected performance in the 2016/2017 financial year is attributable to increased demand for imported agricultural machinery and the stable ruble exchange rate. In the reporting financial year, Ekotechnika recorded a strong increase in incoming orders for tractors from 199 in prior year to 241 (+21.1%) and combines from 50 to 58 (+16.0%). The increase of revenue from sales of spare parts by EUR 8,845 thousand (26.1%) came mainly from the increase in population and the aging share of the population, which will consume more spare parts with increasing age. At the same time revenue from rendering services increased by EUR 713 thousand (30.7%).

The cost of agricultural machinery and equipment increased by EUR 17,825 thousand (+28.1%), which is slightly more than the increase of sales of agricultural machinery and equipment (by +27.4%). The costs of spare parts increased less than revenue (+26.1%) in the reporting period, up by some 24.9%. This fact demonstrates the successful work in cooperation with clients and in stock building optimization process. The gross profit came to EUR 30,168 thousand (2016: EUR 23,991 thousand). The total depreciation and amortization expenses increased by EUR 53 thousand (3.1%) to EUR 1,737 thousand (2016: EUR 1,684 thousand). The other operating expenses declined by EUR 2,210 thousand from EUR 10,761 thousand to EUR 8,551 thousand which mainly composes of a decrease of warrantee provision (by EUR 1,532 thousand). This can mainly be explained by changes in product portfolio. Furthermore, marketing and advertising expenses were reduced by EUR 517 thousand. Expenditure on auditing, consulting and legal support also decreased significantly (by EUR 466 thousand).

The decrease is due to the additional expenses for the debt-to-equity swap in the previous financial year. Write-downs of receivables classified as uncollectible (increase of EUR 586 thousand) were the opposite.

The operative result (EBIT) reached EUR 11,594 thousand in the reporting period (2016: EUR 5,305 thousand); the earnings before taxes (EBT) made up to EUR 8,992 thousand (2016: EUR 2,523 thousand; after deduction of the financial income from debt-to-equity swap). The significant increase of EBT by EUR 6,469 thousand mainly results from an increased revenue and stable gross profit margin with simultaneously reduced operating expenses.

The financial expenses decreased by EUR 751 thousand from EUR 6,052 thousand to EUR 5,301 thousand. The financial expenses mainly composed of bank interest expenses (EUR 4,466 thousand; 2016: EUR 4,945 thousand). The decrease of financial expenses came mainly from accrual of interests on bonds in the prior financial year (EUR 353 thousand).

The net income amounted to EUR 8,584 thousand (2016: EUR 62,303 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 satisfy their liabilities as and when they fall due.

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

Further information on the capital structure 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 came to EUR 500 thousand (2016: EUR 92 thousand); this amount includes a long-term lease liability (EUR 258 thousand; 2016: EUR 92 thousand) and long-term loans received (EUR 242 thousand; 2016: EUR 0). Current liabilities came to EUR 62,235 thousand (2016: EUR 60,157 thousand) being EUR 2,078 thousand higher than in the prior year. This change can be explained by higher short-term bank borrowings amounting to EUR 32,263 thousand which is EUR 4,777 thousand higher than in the prior year (2016: EUR 27,486 thousand) as well as increase of trade account payables by EUR 2,931 thousand to EUR 20,436 thousand (2016: EUR 17,505 thousand). This is a result of the growth of business volume. Further, the advances received decreased by EUR 1,502 thousand to EUR 1,963 thousand (2016: EUR 3,465 thousand) and other short-term liabilities reduced by EUR 3,061 thousand to EUR 3,044 thousand (2016: EUR 6,105 thousand). This mainly came from a decrease of VAT payable.

Group equity is positive at EUR 21,034 and higher than in prior year (2016: EUR 12,570 thousand). This is a result of net financial incomes for the current financial year. The equity share is 25.1% (2016: 17.3%).

### d) Investments

Low capital expenditure was made in the reporting period (EUR 531 thousand; 2016: EUR 845 thousand).

### e) Liquidity

As of 30 September 2017, cash and cash equivalents totaled EUR 2,572 thousand (2016: EUR 7,293 thousand). In the reporting year the cash flow from operating activities before changes in net working capital came in at EUR 14,490 thousand (2016: EUR 6,814 thousand). This sharp increase is mainly due to the significant increase of earnings before interest, taxes, depreciation and amortization (EBITDA), which went up by EUR 6,342 thousand to EUR 13,331 thousand (2016: EUR 6,989 thousand).

The increase in inventories by EUR 2,111 thousand to EUR 18,236 thousand (2016: EUR 16,125 thousand) as well as the increase of trade receivables by EUR 10,808 thousand to EUR 22,892 thousand (2016: EUR 12,084 thousand) had a negative effect on the cash flow, which, after changes in net working capital, amounted to EUR 2,155 thousand (2016: inflow of EUR 21,120 thousand). These effects resulted in cash outflow from operating activities after income tax and interests of EUR 6,947 thousand (2016: cash inflow of EUR 17,465 thousand).

The total cash outflow from investing activities amounted to EUR 1,046 thousand (2016: EUR 4,000 thousand). This includes outflows for investments in property, plant and equipment amounting to EUR 531 thousand (2016: EUR 845 thousand), which were offset by inflows from the sale of property, plant and equipment amounting to EUR 228 thousand (2016: EUR 688 thousand). Cash inflows from the settlement of other financial assets amounted to EUR 18,415 thousand (2016: EUR 12,720 thousand), whereby the cash outflows from the issue of such financial assets amounted to EUR 19,133 thousand (2016: EUR 16,525 thousand). These assets relate primarily to the issue and repayment of loans to related parties.

Cash inflow from bank loans decreased from EUR 83,284 thousand in the prior year to EUR 101,406 thousand in the reporting year. Taking into account loan repayments in the amount of EUR 98,156 thousand (2016: EUR 94,131 thousand) the financial activity resulted in a net cash inflow of EUR 3,250 thousand (2016: EUR 10,847 thousand – outflow). The capital increase and the increase of capital reserves resulted in a cash inflow in the amount of EUR 3,040 thousand in the prior year.

#### f) Net assets

On the reporting date 30 September 2017, total assets amounted to EUR 83,769 thousand, which was 15.0% higher than in the prior year (2016: EUR 72,819 thousand). 26.1% of total assets are non-current (EUR 21,834 thousand; 2016: EUR 29,944 thousand; 41.1%). Of these non-current assets, 87.7% are property, plant and equipment (2016: 63.9%). There are also non-current loans issued in the amount of EUR 1,939 thousand (2016: EUR 10,746 thousand). Further details on the various types of assets can be found in the statement of changes in non-current assets presented in the notes to the consolidated financial statements (note 15). Current assets increased by EUR 19,060 thousand to EUR 61,935 thousand (2016: EUR 42,875 thousand). The main reason for this is the reclassification of long-term loans granted to the related party Ekosem-Agrar (EUR 7,014 thousand) in short-term assets. Furthermore, the increase of inventory by EUR 2,111 thousand and of trade receivables by EUR 10,808 thousand had an impact.

The increase of the warehouse inventory by EUR 2,111 thousand from EUR 16,125 thousand to EUR 18,236 thousand is the consequence of an increased demand and the low level of stock in previous years. During 2016/2017 financial year trade receivables increased to EUR 22,892 thousand (2016: EUR 12,084 thousand) because of the significant growth. Another factor was the increasing share of sales from large agroholdings and the associated less favorable payment terms. However, payment discipline is considerably higher in this customer segment 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 4,721 thousand and amounted to EUR 2,572 thousand (2016: EUR 7,293 thousand). This was almost entirely due to the reduction in short-term deposits of EUR 5,882 thousand.

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

## 3. BUSINESS PERFORMANCE INDICATORS

#### Financial performance indicators:

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

- number of incoming orders
- revenues
- EBIT
- financial result and
- FOREX

#### Comparison of actual and budgeted figures for the reporting year:

The budget was prepared on the assumption of 203 tractor units sales for the reporting period and resulting revenue of EUR 35,247 thousand. 241 units were actually sold, generating revenue of EUR 39,638 thousand. Sales of 49 combines, generating a revenue of EUR 9,097 thousand, were budgeted. The actual figures in the reporting period were sales of 58 units and revenue of EUR 13,733 thousand.

| | Quantity 2018 Budgeted | Quantity 2017 Actual | Quantity 2016 Actual |
|---|---|---|---|
| Tractors > 160 PS | 236 | 241 | 199 |
| Combines and chippers | 55 | 58 | 50 |

The forecast for other machinery and add-ons was also surpassed, with revenue of EUR 28,917 thousand budgeted and EUR 42,878 thousand actually earned. This revenue amount includes sales of pick-ups (actual: EUR 11,550 thousand; budget: EUR 7,666 thousand), cultivators (actual: EUR 2,809 thousand; budget: EUR 871 thousand) and other mounted implements. The deviations from the forecasts are mainly attributable to differences in sales volume and machinery prices.

The cost of materials for the machines sold also developed slightly better than planned. The cost of materials for tractors rose by only 7.2% compared with the plan, while revenues rose by 12.5%. With a 51.0 % higher turnover of EUR 13,733 thousand with combines compared to the plan (EUR 9.097 thousand), the cost of materials amounted to EUR 11,641 thousand and was thus 43.4% higher than planned (EUR 8,119 thousand), while the other sales drivers caused material costs of EUR 35,453 thousand and thus 27.0% more than planned. However, taking into account the 48.3% improvement (EUR 42,878 thousand) in sales compared to the plan (EUR 28,917 thousand), this increase can be considered proportionate.

The EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to EUR 13,331 thousand and, with an increase of 60.8% (EUR 5,040 thousand), is considerably higher than planned (plan: EUR 8,291 thousand). The EBIT (earnings before interest and taxes) showed the same trend and increased by 75.8% compared to the planned figure of EUR 6,594 thousand. The financial result of EUR -2,602 thousand was at the planned level of EUR -2,620 thousand.

## 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 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 annually visit the largest agricultural exhibitions (in which the company is also an exhibitor) in Germany and other countries together with a customer group. In this way, we ensure that our employees identify with the company and the products we implement. In addition, a survey system was developed and implemented to determine employee satisfaction.

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 will result in efficiency gains. It is also important to have a CRM system that was set up in the past fiscal year and is applied to the entire sales process. The management plans to increase the number of employees directly involved in sales without increasing the administrative overhead. 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 490.

# EkoNivaTekhnika-Holding

81 employees

# EkoNiva-Tekhnika

180 employees

**Representative offices:** Smolensk, Ivanovo and Yaroslavl oblasts

Tula oblast
### (Tula branch)
- Building area 2,804 sq. m
- Service area 1,380 sq. m
- Spare parts warehouse 1,320 sq. m
- 13 service technicians

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

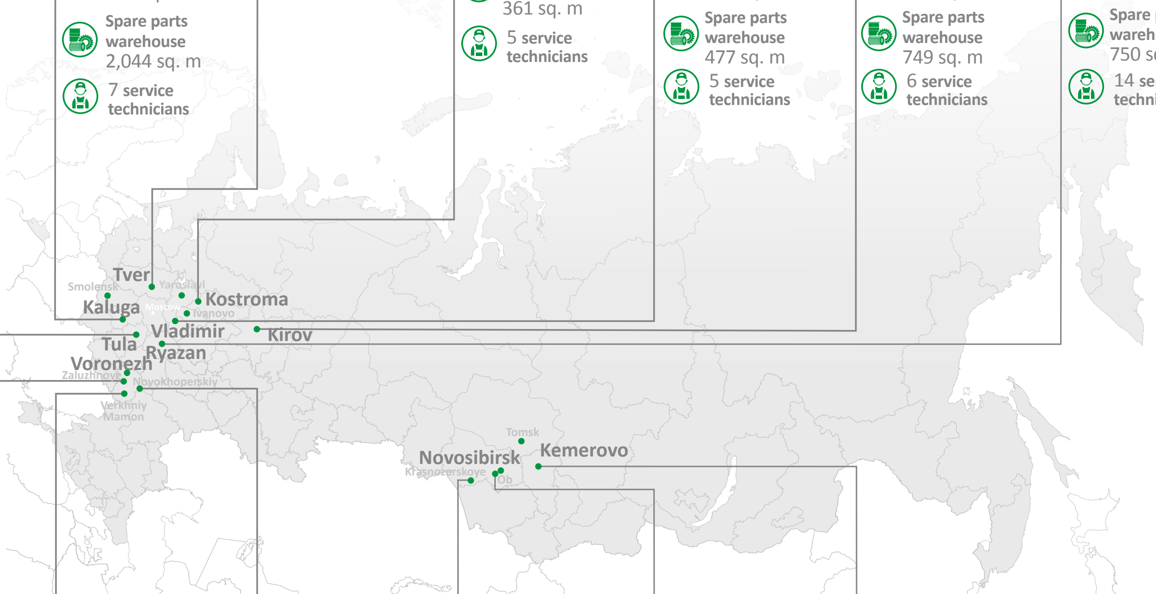
Tver oblast
### (Tver branch)
- Area 100 sq. m
- 1 service technician

Kostroma oblast
### (Kostroma branch)
- Building area 948 sq. m
- Spare parts warehouse 361 sq. m
- 5 service technicians

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

Kirov oblast
### (Kirov branch)
- Building area 2,916 sq. m
- Service area 794 sq. m
- Spare parts warehouse 749 sq. m
- 6 service technicians

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




Voronezh oblast, Zaluzhnoye
### (Service centre)
- Building area 1,200 sq. m
- Service area 297 sq. m
- Spare parts warehouse 534 sq. m
- 18 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
- 10 service technicians

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

Novosibirsk oblast, Krasnozerskoye
### (Service centre)
- Building area 743 sq. m
- Service area 415 sq. m
- Spare parts warehouse 180 sq. m
- 5 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
- 16 service technicians

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

# EkoNiva-Chernozemye

159 employees

19 service technicians

# EkoNivaSibir

70 employees

**Representative office:** Tomsk oblast

## 4. OUTLOOK, OPPORTUNITY AND RISK REPORT

### 4.1. Macroeconomic and industry-specific framework conditions

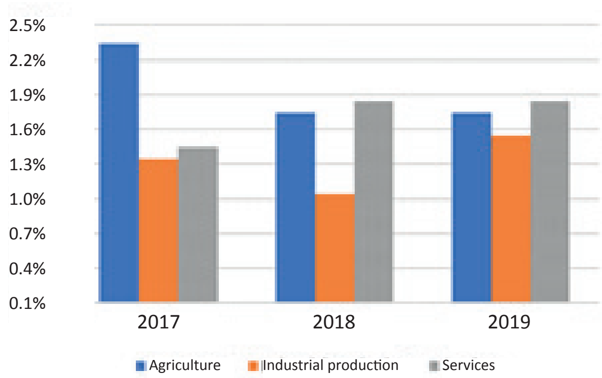
Due to higher oil prices and macroeconomic stability in 2017, which led to increased business and consumer confidence, the Russian economy returned to growth. GDP expanded by 1.6% from January to September 2017 (2016: 0.2%).

In the reporting period finance costs in Russia reduced significantly. The central bank lowered the key rate four times coming from 10.0% to 8.5% on 18 September 2017. On 30 October 2017, there was another cut to 8.25%. This expansionary fiscal stance was mainly based on a moderate inflation rate, which is currently on a level of under 3% for year 2017. The reduction in interest expenses will help finance the acquisition of agricultural equipment and stimulate demand from Russian agricultural producers. This coincides with the high backlog demand in the agricultural engineering sector and will allow the market to grow in the coming years.

#### Developments in the agricultural sector

The record harvest has led to an upturn in agricultural production. In the current year, the pace of growth in the agricultural sector will exceed the rate of growth of other industrial and service sectors. The share of agriculture in GDP remains low.

Russia is a leading producer of agricultural commodities and takes up an important position in global grain markets. In the past five years, Russia has not only become the world's largest exporter of wheat, but it has reached self-sufficiency in pork and poultry. Producers are benefiting from government support measures, relatively good ruble market prices and low land costs and wages. These factors helped the agriculture sector to resist the recent economic crisis: While the Russian economy in general declined in 2015 and 2016, the agricultural sector showed growth in these years.




(Projected Growth by Sector, percent;
Source: World Bank staff calculations)

Agricultural support policies and growing attention from professional investors have helped modernize Russian agriculture sector. Significant investments in new technologies have replaced old and obsolete ones as more financial resources became available, both from public and private investments. Nowadays, especially large, well-managed enterprises (so called agroholdings) are playing on a similar level as their global competitors in terms of productivity. In order to maintain competitiveness these large agroholdings generally demand modern imported agricultural machinery. In order to maintain and grow the global market share these producers will have to make further optimizations in terms of operating costs. This fact combined with the large scale they operate can only be achieved with modern tools.

Looking forward, ongoing improvement of the financing environment as well as rising productivity in the agricultural sector could let to a considerable and long-lasting demand in the segment of high quality import machinery.

#### 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 2018.

The average exchange rate for the reporting period was 65.74 RUR/EUR, which is significantly lower than assumed for the upcoming year – 73.00 RUR/EUR. In its planning, the management is anticipating a stable RUR/EUR exchange rate for the entire upcoming year.

In accordance with plans approved by the Supervisory board revenue is planned between EUR 122 and 126 million. This is explained by a conservative planning approach of the management and mainly by low grain and sugar prices. With 236 tractors (2017: 241) and 39 combines (2017: 55), the sales volume planned for next year is slightly lower than in the past fiscal year. It is further planned to sell 16 forage harvesters (2017: 3). According to the forecast, cost of sales will be reduced in proportion to sales. As a result, the management expects a decline in gross profit to approx. EUR 20-24 million and an EBIT of EUR 7 million.

Based on the good revenue development in the first quarter of the current financial year the Management Board expects that the decline in revenue will be lower than originally planned. This development is supported among other things by the strong ruble exchange rate, which continues to derivate from the planning rate of 73 RUR/EUR. Currently, the Management Board expects that the decline in revenue will be between 5% and 10% in comparison with the prior year.

Thus, in its conservative planning, the management expects a drop in sales after an extremely successful FY 2016/2017.

In view of the long-standing and trustful cooperation with John Deere, the management of the EkoNiva Group plans to strengthen this partnership in 2018. All locations are to be converted to an exclusive brand status and the product range of the “green agricultural machines” is to be expanded. 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.

## 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 2016/2017.

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 was much less volatile during the financial year 2016/2017 than in the previous years. On 30 September 2016 the exchange rate was about 70.88 RUR/EUR, in April it fall to 60 RUR/EUR, but then it continued to rise, peaking at up to 72 RUR/EUR in August 2017. On 30 September 2017 the closing rate was 68.45 RUR/EUR, the average rate for the reporting year was 65.74 RUR/EUR (2016: 75.27 RUR/EUR). The management expects a stable ruble exchange rate for the coming financial year, which means that exchange rate risks are considered to be low.

### 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 would 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.

### Sales risk:

Certain machinery stock 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 large customers is growing. This leads to a higher dependence on tenders, which increases the risk of a particular customer placing an order for machinery, as the company may not win the tender and may not be able to sell this machinery 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 two 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 rehabilitation 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 rehabilitation in the amount of EUR 57.4 million. Under the procedure of so called „Resolution on Rehabilitation", the German Federal Ministry of Finance instructed tax authorities to release (under certain subsequent conditions) of the tax load resulting from the rehabilitation 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 rehabilitation profit is to be taxed. Ekotechnika AG is likely 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 insignificant and assumes that the legislating authority will make a decision in favor of the company.

### 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 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, at the time of the preparation of the financial statements for fiscal year 2017, the management believes that the Group will be able to secure sufficient financial resources to continue its operations in the foreseeable future. This also includes the refinancing of bank loans which are due for repayment in 2018 to the extent that these exceed the cash flow from operating activities. The background to this is that the group companies use short-term loans from Russian banks. The vast majority of these credit facilities is renewed on a regular basis. The management assumes that this will continue to be the case in future.

If, contrary to the management's 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.

Summing up, management believes that the main risks today 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

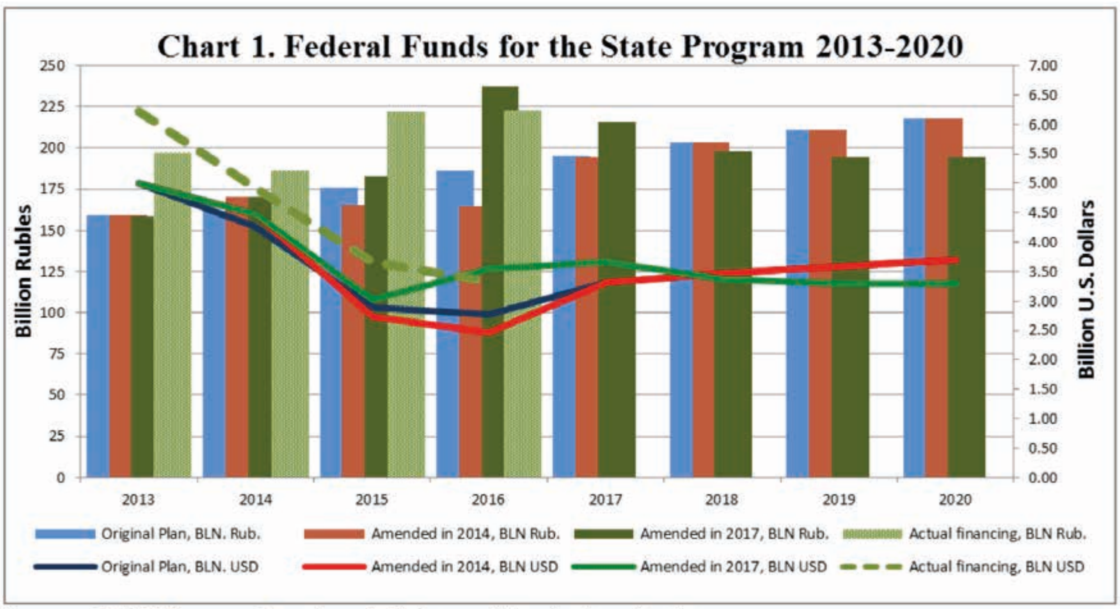
The management currently sees the following significant opportunities:

### 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 lifestyles 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. Goldmen Sachs estimates the global market share affected by Smart Farming to go up to $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 affiliated company Ekosem-Agrar will specifically help to collect valuable experience, as Smart Farming is relevant predominantly for the development of large enterprises. 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.


Market evaluation includes software and hardware incl. robotics, control systems and sensor technology.
Source: Roland Berger, Situation Report 2016/Gr.36-5

## 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 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, 17 January 2018

Stefan Dürr
Board Member

Björne Drechsler
Board Member

# EKOTECHNIKA AG, Walldorf
# Consolidated financial statement (IFRS) for the year from 1. October 2016 till 30. September 2017

# Ekotechnika AG, Walldorf
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| ASSETS | Notes | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | 44 | 50 |
| Property, plant and equipment | 15 | 19,140 | 19,148 |
| Long-term loans issued | 16 | 1,939 | 10,746 |
| Deferred tax asset | 14 | 711 | 0 |
| | | **21,834** | **29,944** |
| **Current assets** | | | |
| Inventories | 17 | 18,236 | 16,125 |
| Short-term loans issued | 16 | 12,830 | 3,431 |
| Trade receivables | 18 | 22,892 | 12,084 |
| Taxes receivable | | 110 | 244 |
| Prepayments | 19 | 3,466 | 906 |
| Other financial assets | | 167 | 142 |
| Other short-term assets | 20 | 1,662 | 2,650 |
| Cash and cash equivalents | 21 | 2,572 | 7,293 |
| | | **61,935** | **42,875** |
| | | **83,769** | **72,819** |

## LIABILITIES AND EQUITY

| | Notes | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|---|
| **Equity attributable to shareholders of parent company** | | | |
| Share capital | 22 | 3,140 | 3,140 |
| Additional paid in capital | 22 | 6,830 | 6,830 |
| Foreign currency translation reserve | 22 | (17,506) | (17,386) |
| Retained Earnings | | 19,992 | (42,314) |
| Income for the year | | 8,569 | 62,306 |
| **Equity attributable to shareholders of parent company** | | **21,025** | **12,576** |
| Non-controlling interests | | 9 | (6) |
| **Total amount of Group Equity** | | **21,034** | **12,570** |
| | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 25 | 242 | 0 |
| Other long-term liabilities | | 258 | 92 |
| Deferred tax liability | | 0 | 0 |
| | | **500** | **92** |
| **Current liabilities** | | | |
| Provisions | 24 | 742 | 1,451 |
| Short-term borrowings | 25 | 32,263 | 27,486 |
| Trade accounts payable | 26 | 20,436 | 17,505 |
| Income tax payable | | 291 | 314 |
| Advances received | 27 | 1,963 | 3,465 |
| Other financial liabilities | 28 | 3,496 | 3,831 |
| Other short-term liabilities | 29 | 3,044 | 6,105 |
| | | **62,235** | **60,157** |
| | | **83,769** | **72,819** |

# Ekotechnika AG, Walldorf
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 10/01/2016-09/30/2017 EUR'000 | 10/01/2015-09/30/2016 EUR'000 |
|---|---|---|---|
| Revenues | 8 | 148,142 | 117,212 |
| Cost of goods and services sold | 10 | (117,974) | (93,221) |
| **Gross profit** | | **30,168** | **23,991** |
| Other operating income | 9 | 1,495 | 3,334 |
| Payroll expenses | 11 | (9,781) | (9,575) |
| Depreciation, amortization and impairment | 15 | (1,737) | (1,684) |
| Other operating expenses | 12 | (8,551) | (10,761) |
| | | (18,574) | (18,686) |
| **Operating profit/(loss)** | | **11,594** | **5,305** |
| | | | |
| Financial income from debt-to-equity swap | | 0 | 60,341 |
| Financial income | 13 | 2,699 | 3,270 |
| Financial expenses | 13 | (5,301) | (6,052) |
| | | (2,602) | 57,559 |
| **Income/(loss) before tax** | | **8,992** | **62,864** |
| Income tax expense | 14 | (408) | (561) |
| **Income/(loss) for the period** | | **8,584** | **62,303** |
| Attributable to: | | | |
| Parent company's shareholders | | 8,569 | 62,306 |
| Non-controlling interests | | 15 | (3) |
| | | | |
| **Other comprehensive income for the year** | | | |
| **Items that may be classified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | | (120) | (413) |
| Attributable to: | | | |
| Parent company's shareholders | | (120) | (413) |
| Non-controlling interests | | 0 | 0 |
| | | | |
| **Comprehensive income for the year** | | **8,464** | **61,890** |
| Attributable to: | | | |
| Parent company's shareholders | | 8,449 | 61,893 |
| Non-controlling interests | | 15 | (3) |
| | | | |
| **Earnings per share** | | **2,73** | **19,84** |
| Shares Series A | 23 | 3,48 | 25,31 |
| Shares Series B | 23 | 2,01 | 14,59 |

# Ekotechnika AG, Walldorf
# CONSOLIDATED CASH FLOW STATEMENT

| | Notes | 10/01/2016-09/30/2017 EUR'000 | 10/01/2015-09/30/2016 EUR'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Income for the year | | 8,584 | 62,303 |
| Amortization, depreciation and impairment of non-current assets | 15 | 1,737 | 1,684 |
| (Gain) on disposal of property, plant and equipment | | 7 | (49) |
| Net foreign exchange (gains)/losses, net | | (14) | (430) |
| Income from disposal of subsidiary | | 0 | (469) |
| Financial income from debt-to-equity swap | | 0 | (60,341) |
| Other non-cash items | | 1,896 | 1,068 |
| Interest expense | 13 | 4,466 | 4,945 |
| Interest income | 13 | (2,594) | (2,458) |
| Income taxes recognized in profit or lossn | 14 | 408 | 561 |
| **Operating profit before changes in working capital** | | **14,490** | **6,814** |
| | | | |
| **Changes in working capital** | | | |
| Change in inventories | | (1,601) | 8,693 |
| Change in trade receivables and prepayments | | (13,598) | 5,843 |
| Change in other financial and short-term assets | | (48) | (700) |
| Change in trade payables and advances received | | 763 | 833 |
| Change in other liabilities | | (2,161) | (363) |
| **Cash flows from operations before income taxes and interest paid** | | **(2,155)** | **21,120** |
| | | | |
| Income taxes paid | | (999) | (1,254) |
| Interest paid | | (4,193) | (3,334) |
| Interest received | | 400 | 933 |
| **Cash flows from operating activities** | | **(6,947)** | **17,465** |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of property, plant and equipment | | 228 | 688 |
| Acquisition of property, plant and equipment | | (531) | (845) |
| Acquisition of intangible assets | | (25) | (38) |
| Cash used in issuance of other financial assets | 36 | (19,133) | (16,525) |
| Proceeds from settlement of other financial assets | 36 | 18,415 | 12,720 |
| **Cash flows from investing activities** | | **(1,046)** | **(4,000)** |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Cash capital increase | | 0 | 3,040 |
| Proceeds from borrowings | | 101,406 | 83,284 |
| Repayment of borrowing | | (98,156) | (94,131) |
| Payment of finance lease liabilities | | (467) | (400) |
| **Cash flows from financing activities** | | **2,783** | **(8,207)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(5,210)** | **5,258** |
| **Cash and cash equivalents at beginning of year** | | 7,293 | 1,177 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 489 | 858 |
| **Cash and cash equivalents at end of year** | | **2,572** | **7,293** |

# Ekotechnika AG, Walldorf
# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| EUR'000 | Share capital | Additional paid in capital | Foreign currency translation reserve |
|---|---|---|---|
| **As of 30 September 2015** | **2,025** | **6,000** | **(16,973)** |
| Reduction in capital | (1,944) | (6,000) | 0 |
| Non-cash capital increase (debt-to-equity swap) | 1,539 | 5,310 | 0 |
| Increase of share capital | 1,520 | 1,520 | 0 |
| Reclassifications | 0 | 0 | 0 |
| Income/(loss) for the year | 0 | 0 | 0 |
| Other comprehensive income/(loss) | 0 | 0 | (413) |
| **Total comprehensive income/(loss)** | **0** | **0** | **(413)** |
| **As of 30 September 2016** | **3,140** | **6,830** | **(17,386)** |
| Reclassifications | 0 | 0 | 0 |
| Income/(loss) for the year | 0 | 0 | 0 |
| Other comprehensive income/(loss) | 0 | 0 | (120) |
| **Total comprehensive income/(loss)** | **0** | **0** | **(120)** |
| **As of 30 September 2017** | **3,140** | **6,830** | **(17,506)** |

| Retained earnings | Equity attributable to majority shareholder | Non-controlling interests | Total equity |
|---|---|---|---|
| **(23,681)** | **(26,577)** | **(3)** | **(59,209)** |
| 7,944 | 0 | 0 | 0 |
| 0 | 0 | 0 | 6,849 |
| 0 | 0 | 0 | 3,040 |
| (26,577) | 26,577 | 0 | 0 |
| 0 | 62,306 | (3) | 62,303 |
| 0 | 0 | 0 | (413) |
| **0** | **62,306** | **(3)** | **61,890** |
| **(42,314)** | **62,306** | **(6)** | **12,570** |
| 62,306 | (62,306) | 0 | 0 |
| 0 | 8,569 | 15 | 8,584 |
| 0 | 0 | 0 | (120) |
| **0** | **8,569** | **15** | **8,464** |
| **19,992** | **8,569** | **9** | **21,034** |

# Ekotechnika AG, Walldorf
# CONSOLIDATED NOTES

## 1. GENERAL INFORMATION

Ekotechnika AG (also referred to below as “the corporation” or “parent company”, formerly Ekotechnika GmbH) voluntarily issues consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) based on Section 315a 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). Previously, Ekotechnika AG shares were listed on the Duesseldorf Stock Exchange’s primary market on 17 December 2015. For details please refer to Note 23.

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, GEA 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 mandatorily applicable for the period beginning on 1 October 2016 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.

The consolidated financial statements provide comparative information in respect of the previous period.

### 2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries as at 30 September 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 period and net assets of OOO “EkoNiva-Technika-Holding” attributable to shares not fully 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 companies (excluding NivaControl GmbH, for which the financial year corresponds to the calendar year) included, 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 administrative 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 cost, being the excess of the aggregate of the fair of consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

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 each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the ac-quiree 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. It was concluded that the functional currency for all Group's Russian subsidiaries is Russian Ruble (RUR).

| Currency | 09/30/2017 | Average rate for 2017FY | 09/30/2016 | Average rate for 2016FY |
|---|---|---|---|---|
| RUR/EUR | 68.4483 | 65.7372 | 70.8823 | 75.2730 |

| | Average rate |
|---|---|
| Three months ended 12/31/16 | 68.127 |
| Three months ended 03/31/17 | 62.6474 |
| Three months ended 06/30/17 | 62.7892 |
| 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 a monetary items that forms 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.

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.

### 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

The Group measures financial instruments at amortised cost.

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 by 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 reve-nue 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 taxes or duty, and must be reduced by the value of pending customer remittances, discounts, and other similar deductions. 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.
- 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 finance costs 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 and not in the statement of comprehensive income. 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 tax is provided using the 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 are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

#### *2.8.3 Uncertain tax positions*

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

#### *2.8.4 Value added tax (VAT)*

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

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

The net amount of sales tax 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. Repair and 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

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, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses, including impairment on inventories, 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 derivatives 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 the rights to receive cash flows from the asset have expired.

## 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 within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, loans and borrowings.

### 2.17.2 *Subsequent measurement*

#### 2.17.2.1 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 de-recognized 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.

#### 2.17.2.2 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 companies under common control

The Group recognizes transactions between companies under common control (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 AND RECLASSIFICATIONS

The accounting policies adopted are consistent with those used in prior year, except for the adoption of new standards and interpretations effective as of 1 October 2016:

- *IFRS 14 Regulatory Deferral Accounts*
- *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*
- *Amendments to IAS 27: Equity Method in Separate Financial Statements*
- *Annual Improvements (Cycle 2012-2014)*
- *Amendments to IAS 1: Disclosure Initiative*
- *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The application of those standards had no effect on the financial statement of the Group.

## 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.

- *IAS 7 – Disclosure Initiative (Amendment)*
- *IAS 12 – Recognition of Deferred Tax Assets for unrealized Losses (Amendment)*
- *IFRS 15 – Revenue from Contracts with Customers*
- *IFRS 9 – Financial Instruments: Classification and Measurement*

- *IFRS 2 – Classification and Measurement of Share-based Payment Transactions (Amendment)*
- *IFRS 4 – Financial Instruments with Insurance Contracts (Amendment)*
- *IAS 40 – Transfer of investment property (Amendment)*
- *IFRIC 22 – Foreign Currency Transaction and Advance Consideration*
- *IFRS 1 – First-time Adoption of IFRS (Amendment)*
- *IFRS 16 – Leases*
- *IFRIC 23 – Unsertainty over Income Tax Treatments*
- *IFRS 17 – Insurance Contracts*
- *IFRS 12 – Disclosure of Interests in Other Entities*
- *IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)*
- *IAS 28 – Investments in Associates and Joint Ventures (Amendment)*

From the before named new standards or amendment to the standards only IAS 7, IAS 12, IFRS 15, IFRS 9, IFRIC 22, IFRS 16 and IFRIC 23 may have effect on the financial statements of the Group.

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.

These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

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 will 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.

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 in-formative 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 orafter 1 January 2018. The Company is currently reviewing the effects of application on the consolidated financial statements.

In July 2015, 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 cannot be estimated reliably yet.

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.

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.

## 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 2017, 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 assumption

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 ageed more than 1 year.

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

Changes in write down of inventories are recognized within cost of goods and services sold in profit and loss. Details are disclosed in 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 33.3.

### 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.

At 1 January 2012, a new transfer pricing legislation came into effect in Russia. This legislation introduced additional significant requirements for the level of intra-group prices and documentation of transactions between companies that are considered interrelated according to the provisions of the Russian Tax Code. The international and domestic intra-group turnovers of the Russian Group companies became subject to the limitation and requirements established by the Tax Code. The Group is developing its transfer pricing policy and relevant documentation which are required by legislation to substantiate intra-group pricing.

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 4,073 thousand with respect of the corporate income tax as of 30 September 2017 (2016: EUR 2,620 thousand) and EUR 6,054 thousand with respect of value added tax (2016: EUR 3,787 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. However, based on the carried resolutions, it can be concluded that the legislator can legalize this debt write-off postfactum. Ekotechnika AG is likely 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 insiginificant 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 9).

As of 30 September 2017, warranty provision amounted to EUR 742 thousand (2016: EUR 1,451 thousand). As of 30 September 2017, reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 736 thousand (2016: EUR 1,472 thousand).

### Share capital and debt-to-equity swap

After the decision by the court of Karlsruhe was given as of 30 September 2015 the Group took the predetermined steps for the debt-to-equity swap[1] based on the bondholder resolution as of 6 May 2015. The final steps were concluded with the final entry in the trade register of the parent company as of 3 November 2015.

Before the recovery measures were taken, the Group had significantly negative equity, but the actual situation was improved by increasing the equity (shareholder capital) at the expense of the previous bondholders. In such situations it is challenging to estimate the actual value of the contribution in the amount of the shareholder capital by analyzing the values of the shares provided to new shareholders (IFRIC 19). It was determined that the shares of the parent company were almost fully impaired prior to the transaction and after the recovery they

1) Renegotiation of the terms of a financial liability with the result that the Group extinguishes the liability fully or partially by issuing equity instruments to the bondholders recognizes as debt-to-equity swap.

have actual value. Therefore, the Group concluded that the share price cannot be correct approach to measure the fair value received, as their value cannot be reliably measured. Instead, the Group concluded, that the bond represents exactly fair value as debt liabilities were listed at the Stuttgart Stock Exchange, their market value was daily tracked, and was moreover used for the first relevant measurement, and then verified in relation to the hypothetical bankrupt's estate.

Measurement of the financial liabilities amount accepted by the parent company during the charter capital increase shall be focused on their market price which can be traced through the daily stock market data until the bond withdrawal. Therefore, taking into account evaluating ratio, the bond had a trading value of EUR 10.18 (Frankfurt 10.07)[2].

In order to verify the value the Group management continued to take into consideration, for what amount unpaid debt liabilities of the parent company could be paid off in case of the bankruptcy proceedings by means of the bankruptcy estate which referred to competent assessment of the debt liabilities. The hypothetical expert expectation on the bankruptcy made by GORG law firm as of 9 March 2015, reflected an 8.18% expected quota for Group's liabilities in case of bankruptcy. Therefore, both assessment through the bond market and meeting the requirements of the bondholders arising from the possible bankruptcy were at about the same level.

At the actual date of the debt-to-equity swap the total outstanding amount of the debt liabilities amounted to EUR 68,495 thousand which consisted of EUR 60 million nominal value and EUR 8,495 thousand interest liabilities. Based on the valuation that results in the direct intake of TEUR 6,849 into equity capital of the parent company (split into EUR 1,539 thousand share capital and EUR 5,310 thousand capital reserve). The remaining amount of EUR 60,341 thousand was then recorded as an income. For details please refer to the Note 22.

## 6. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which envisages the realiza-tion of assets and satisfaction of liabilities and commitments in the normal course of business. For the year ended 30 September 2017 the Group reported net income of EUR 8,584 thousand (2016: net income of EUR 62,303 thousand). This includes financial income from the debt-to-equity swap of EUR 60,341 thousand) in the previous year, while the Group's equity amounted to EUR 21,034 thousand (2016: EUR 12,570 thousand) as of 30 September 2017. In 2016, the Group successfully undertook the swap of its euro-denominated bonds into equity (see Note above), which resulted in a decrease of financial liabilities and the related expenses.

As of 30 September 2017, the Group had short-term bank loans in the amount of EUR 32,092 thousand (2016: EUR 26,796 thousand). Subsequent to 30 September 2017 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 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 34,946 thousand. The undrawn credit limits of the Group as of 30 September 2017 were approx. EUR 10,502 thousand (2016: EUR 28,855 thousand).

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 will come due.

After consideration of the related 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.

2) Which was the bonds average trading value for the period from 7 May 2015 (date of bondholders' decision publishing untill 22 October 2015) the date of bond withdrawal.

## 7. SUBSIDIARIES

These consolidated financial statements includes 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 2017 | As of 30 September 2016 |
|---|---|---|---|---|
| OOO "EkoNivaTechnika-Holding" | Moscow, Russia | Holding | 99.99 % | 99.99 % |
| OOO "EkoNiva-Chernozemie" | Voronezh, Russia | Machinery sales | 99.99 % | 99.99 % |
| OOO "EkoNivaSibir" | Novosibirsk, Russia | Machinery sales | 99.99 % | 99.99 % |
| OOO "EkoNiva-Kaluga" | Kaluga, Russia | Machinery sales | 99.99 % | 99.99 % |
| OOO "EkoNiva-Tekhnika" | Moscow, Russia | Machinery sales | 99.99 % | 99.99 % |
| OOO "Abris" | Voronezh, Russia | Advertising | 99.99 % | 99.99 % |

In the previous year, OOO EkoNivaFarm was sold for a purchase price of RUR 10,000 thousand to OOO EkoNiva-APK Holding, a related party under common control. At the time of sale, the net assets of OOO EkoNivaFarm amounted to EUR 3 thousand, which resulted in gain of EUR 469 thousand recognized in other financial income.

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

## 8. REVENUES

Revenue comprises the following:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Sale of agricultural machinery and equipment | 96,249 | 75,543 |
| Sale of spareparts | 42,741 | 33,896 |
| Sale of lubricants | 2,935 | 2,478 |
| Sale of tires | 1,458 | 1,776 |
| Sale of trade-in machinery | 1,156 | 1,198 |
| Sale from intelligent farming solutions | 569 | - |
| Revenue from rendering of services | 3,034 | 2,321 |
| | **148,142** | **117,212** |

When preparing these financial statements, the Group's management decided to disclose revenues in more detail in order to increase transparency and to improve data analysis. The presentation of the previous year's figures has been adjusted accordingly.

## 9. OTHER OPERATING INCOME

Other operating income is comprised as follows:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Reimbursement of warranty costs | 703 | 1,037 |
| Changes in warranty reimbursement assets | (806) | 713 |
| Commission / agent remuneration | 342 | 16 |
| Reimbursement of marketing expenses | 324 | 325 |
| FOREX gain | 290 | 261 |
| Contractual penalties income | 85 | 552 |
| Other income | 557 | 430 |
| | **1,495** | **3,334** |

## 10. COSTS OF GOODS AND SERVICES SOLD

Costs of goods comprise the following:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Cost of agricultural machinery and equipment | 81,170 | 63,345 |
| Cost of spare parts | 31,652 | 25,354 |
| Cost of lubricants | 2,344 | 1,971 |
| Cost of tires | 1,335 | 1,649 |
| Cost of trade-in machinery | 1,039 | 902 |
| Cost of intelligent farming solutions | 434 | - |
| | **117,974** | **93,221** |

## 11. PAYROLL EXPENSES

Personnel costs break down as follows:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Löhne und Gehälter | 4,628 | 4,550 |
| Boni | 3,607 | 3,315 |
| Sozialabgaben | 1,546 | 1,710 |
| | **9,781** | **9,575** |

The total salaries and social and pension costs of key management personnel in the year ended 30 September 2017 comprised EUR 1,379 thousand (2016: EUR 1,146 thousand) and EUR 278 thousand (2016: EUR 82 thousand), respectively.

The average number of staff in the Group during the year ended 30 September 2017 was 474 employees (2016: 499). Of these 165 (2016: 170) work in administration, 155 (2016: 166) in customer service, and 154 (2016: 163) in sales department.

## 12. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Bad debt expenses/recovery | 1,260 | 674 |
| Expenses on transport vehicles | 1,050 | 932 |
| Audit, consulting and legal fees | 1,031 | 1,497 |
| Other taxes | 1,010 | 1,080 |
| Expenses on premises | 776 | 1,087 |
| Warranty costs | 680 | 695 |
| Travel and representation expenses | 558 | 331 |
| Contractual penalties losses | 519 | 837 |
| Marketing and advertising expenses | 379 | 896 |
| FOREX loss | 375 | 173 |
| Cost of workshops | 256 | 376 |
| Bank charges | 217 | 160 |
| Office expenses | 122 | 276 |
| Communication expenses | 118 | 107 |
| Change in warranty provision | (752) | 780 |
| Other expenses | 952 | 860 |
| | **8,551** | **10,761** |

In financial year 2017, the Group decided to change the presentation of other operating expenses to a presentation by expense type. This should lead to a better understanding of business activities and greater transparency. The presentation of the previous year's figures has been adjusted accordingly.

## 13. FINANCIAL INCOME / FINANCIAL EXPENSES

Financial income comprises the following:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Interest income | 2,594 | 2,458 |
| FOREX gain | 105 | 343 |
| Other financial income | - | 469 |
| | **2,699** | **3,270** |

Financial expenses comprise the following:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Interest expenses | 4,466 | 4,945 |
| Bank charges | 817 | 725 |
| FOREX loss | 6 | 1 |
| Other financial expenses | 12 | 381 |
| | **5,301** | **6,052** |

Income from investments in companies accounted for using the equity method amounting to EUR 40 thousand (2016: loss of EUR 59 thousand) is included in the line "Other financial expenses".

## 14. INCOME TAX EXPENSE

### 14.1 Income taxes recognized in the statement of comprehensive income

Income tax expense is constituted as follows:

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| **Current tax expense**<br>Current year income tax expense | 1,060 | 699 |
| **Deferred taxes**<br>Reversal of temporary differences | (652) | (138) |
| **Income tax expense** | **408** | **561** |

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 EUR'000 | 2016 EUR'000 |
|---|---|---|
| Profit before tax | 8,992 | 62,864 |
| Income tax at a tax rate of 25% | (2,227) | (15,716) |
| Effect of differences in tax rates of different countries | 425 | 114 |
| Tax effect due to debt-to-equity swap | - | 15,085 |
| Change in unrecognized deferred tax assets | 2,810 | 223 |
| Effect of expenses that are not deductible in determining taxable profit | (1,416) | (267) |
| | **(408)** | **(561)** |

### 14.3 Composition of deferred tax assets and liabilities

| | as of 30 September 2016<br>EUR'000 | Change to profit and loss<br>EUR'000 | Foreign currecy translation<br>EUR'000 | as of 30 September 2017<br>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** |
| Loss carry forward | 505 | (28) | 19 | **496** |
| **Total** | **3,296** | **(2,158)** | **200** | **1,338** |
| | | | | |
| Valuation allowance | (3,296) | 2,810 | (141) | **(627)** |
| **Total deferred taxes** | **-** | **652** | **59** | **711** |

| | as of 30 September 2015 EUR'000 | Change to profit and loss EUR'000 | Foreign currecy translation EUR'000 | as of 30 September 2016 EUR'000 |
|---|---|---|---|---|
| Property, plant and equipment | 251 | 84 | 18 | **353** |
| Inventories | 2,029 | (207) | 93 | **1,915** |
| Short-term financial assets | 1 | 48 | 3 | **52** |
| Trade receivables | (2,015) | 1,835 | 8 | **(172)** |
| Other financial assets | - | - | - | **-** |
| Other short-term assets | 36 | (331) | (19) | **(314)** |
| Other long-term liabilities | 44 | (13) | 2 | **33** |
| Provisions | 400 | 110 | 28 | **538** |
| Trade accounts payable | 60 | (56) | - | **4** |
| Advances received | (691) | 447 | (8) | **(252)** |
| Other financial liabilities | - | - | - | **-** |
| Other short-term liabilities | 495 | 54 | 31 | **580** |
| Prepayments | 8 | 43 | 3 | **54** |
| Loss carry forward | 897 | (413) | 21 | **505** |
| **Total** | **1,515** | **1,601** | **180** | **3,296** |
| | | | | |
| Valuation allowance | (1,656) | (1,463) | (177) | **(3,296)** |
| **Net deferred tax (liabilities)/assets** | **(141)** | **138** | **3** | **-** |

As of 30 September 2017 and 2016, there was no recognized deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. 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 0 (2016: EUR 0).

As of 30 September 2017, the Group has loss carry forwards amounting to EUR 2,480 thousand (2016: EUR 2,525 thousand) available for which either no deferred tax asset has been set up or where the deferred tax asset has been impaired as it is not probable that those loss carry forwards 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 | Construc-tion in progress | Transport | Equipment | Office equipment and furni-ture | Other fixed assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Gross book value Balance as of 1 October 2015** | **1,246** | **16,352** | **20** | **2,440** | **3,243** | **1,191** | **980** | **124** | **25,596** |
| Additions | - | 25 | 13 | 433 | 130 | 173 | 114 | 15 | **903** |
| Disposals | - | (183) | (20) | (335) | (203) | (9) | (109) | (3) | **(862)** |
| Disposal of subsidiary | - | - | - | - | (126) | (10) | (11) | (5) | **(152)** |
| Transfer | - | 2,136 | - | (2,088) | - | (63) | 3 | 12 | **-** |
| Foreign currency translation | 66 | 974 | 1 | 3 | 156 | 67 | 51 | 9 | **1,327** |
| **Balance as of 30 September 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** |
| **Balance as of 30 September 2017** | **1,229** | **19,984** | **42** | **323** | **3,711** | **1,410** | **1,033** | **158** | **27,890** |

| EUR'000 | Land | Building | Advances for construction | Construction in progress | Transport | Equipment | Office equipment and furniture | Other fixed assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation Balance as of 1 October 2015** | **-** | **(2,214)** | **-** | **-** | **(2,397)** | **(702)** | **(688)** | **(81)** | **(6,082)** |
| Disposals | - | 9 | - | - | 202 | 9 | 107 | 3 | **330** |
| Disposals of subsidiaries | - | - | - | - | 120 | 8 | 7 | 3 | **138** |
| Depreciation charge for the year | | (836) | | | (484) | (159) | (160) | (22) | **(1,661)** |
| Transfer | | (9) | | | - | 9 | - | - | **-** |
| Foreign currency translation | - | (167) | - | - | (133) | (44) | (38) | (7) | **(389)** |
| **Balance as of 30 September 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)** |
| **Balance as of 30 September 2017** | **-** | **(3,956)** | **-** | **-** | **(2,943)** | **(931)** | **(795)** | **(125)** | **(8,750)** |

| 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 2016** | **1,312** | **16,087** | **14** | **453** | **508** | **470** | **256** | **48** | **19,148** |
| **as of 30 September 2017** | **1,229** | **16,028** | **42** | **323** | **768** | **479** | **238** | **33** | **19,140** |

During 2017 financial year depreciation and amortization charge were EUR 1,703 thousand (2016: EUR 1,661 thousand) and EUR 34 thousand (2016: EUR 23 thousand) for intangible assets.

As of 30 September 2017 and 2016 there were no commitments to acquire property, plant and equipment.

The carrying amount of the assets recognized under finance lease agreements amounted to EUR 560 thousand as of 30 September 2017 (2016: EUR 169 thousand). The leased assets represented by transportation vehicles.

As of 30 September 2017 and as of 30 September 2016, the management of the Group concluded that there were no indicators of impairment of its assets and consequently no impairment test on assets (based on CGU level) had been performed.

### Assets pledged as security

The Group's property, plant and equipment with carrying amount of EUR 13,665 thousand as of 30 September 2017 (2016: EUR 14,535 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 2017 EUR'000 | | 30 September 2016 EUR'000 | |
|---|---|---|---|---|---|---|---|
| **Type** | **Interest rate, %** | **Maturity** | **Level** | **Book value** | **Fair value** | **Book value** | **Fair value** |
| Long-term loans to related parties [36] | 12 % | 31.03.2019 | Level 2 | 82 | 81 | 10,728 | 10,743 |
| Long-term loans to 3rd parties | 17 % | 02.11.2020 | Level 2 | 1,787 | 1,787 | 10 | 10 |
| Other long-term financial assets | | | Level 2 | 70 | 70 | 8 | 8 |
| **Other long-term financial assets** | | | | **1,939** | **1,938** | **10,746** | **10,761** |
| Short-term loans to related parties [36] | 8 % - 12.5 % | 31.12.2017 - 30.09.2018 | Level 2 | 12,717 | 12,714 | 3,390 | 3,401 |
| Short-term loans to 3rd parties | | | Level 2 | 3 | 3 | - | - |
| Short-term issued to employees | | | Level 2 | 110 | 110 | 41 | 41 |
| Other short-term financial assets | | | Level 2 | - | - | - | - |
| **Other short-term financial assets** | | | | **12,830** | **12,827** | **3,431** | **3,442** |
| **Total** | | | | **14,769** | **14,765** | **14,177** | **14,203** |

All loans issued are unsecured.

Investment in companies consolidated at equity in the amount of EUR 43 thousand (2016: EUR 79 thousand) is included in the position “Other long-term financial assets”.

## 17. INVENTORIES

Inventories comprise the following:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Agricultural machines and equipment | 10,987 | 9,387 |
| Trade-in machinery | 361 | 104 |
| Spare parts | 5,874 | 5,901 |
| Lubricants | 436 | 263 |
| Tires | 397 | 404 |
| Intelligent farming solutions | 112 | - |
| Other inventory | 69 | 66 |
| | **18,236** | **16,125** |

For better transparency and improvement of data analysis the Group decided to disclose inventories in more detailed types (represented above). Prior year figures have been represented correspondently.

During the year ended 30 September 2017, EUR 1,029 thousand was recognized as an expense within the cost of sales carried at net realizable value (2016: EUR 1,334 thousand).

The Group's inventories of EUR 8,172 thousand as of 30 September 2017 (2016: EUR 9,120 thousand) were valued at net realizable value.

Inventories with carrying amount of EUR 4,438 thousand as of 30 September 2017 (2016: EUR 12,516 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:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Trade receivables, gross | 24,947 | 14,960 |
| Allowance for doubtful accounts of trade receivables | (2,055) | (2,876) |
| **Trade receivable, net** | **22,892** | **12,084** |

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

| | EUR'000 |
|---|---|
| **as of 1 October 2015** | **(2,289)** |
| Allocation recognized as expense/ Unused amounts reversed | 21 |
| Foreign currency translation | 66 |
| Utilised | (674) |
| **as of 30 September 2016** | **(2,876)** |
| Allocation recognized as expense/ Unused amounts reversed | 582 |
| Foreign currency translation | (124) |
| Utilised | 363 |
| **as of 30 September 2017** | **(2,055)** |

Reversal of impairment loss of receivables in the amount of EUR 582 thousand (2016: loss of EUR 674 thousand) is recognized in the statement of 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:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Neither past due nor impaired | 5,821 | 2,497 |
| impaired | 2,054 | 2,876 |
| Not impaired but past due | 17,072 | 9,587 |
| less than 30 days | 4,741 | 3,445 |
| 30-90 days | 4,924 | 2,683 |
| 90-180 days | 4,069 | 1,510 |
| 180 days-1 year | 2,570 | 911 |
| more than 1 year | 768 | 1,038 |
| | **24,947** | **14,960** |

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

## 19. PREPAYMENTS

As of 30 September 2017 prepayments in the amount of EUR 3,466 thousand represent mainly advance payments to parties under common control, which were subsequently repaid in cash.

## 20. OTHER SHORT-TERM ASSETS

The other current assets comprise the following:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Other taxes receivable | 886 | 1,177 |
| Other current assets | 776 | 1,473 |
| | **1,662** | **2,650** |

Other taxes receivable are primarily VAT receivable. Other current assets mainly consist of assets for reimbursement of warranty provision in the amount of EUR 736 thousand (2016: EUR 1,472 thousand).

## 21. CASH ON HAND AND BANK BALANCES

Cash and cash equivalents comprise the following:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Bank balances | 2,567 | 1,405 |
| Short-term deposits | - | 5,882 |
| Cash on hand | 5 | 6 |
| | **2,572** | **7,293** |

## 22. SHARE CAPITAL AND CAPITAL RESERVES

Fully paid in share capital as of 30 September 2017 and 2016 is EUR 3,140 thousand consisting of 3,140,000 shares. The amount of additional paid in capital as of 30 September 2017 and 2016 is EUR 6,830 thousand.

The foreign currency translation reserve represents foreign currency translation differences related to net investments in Russian subsidiaries and translation from the functional currency of Russian subsidiaries into the reporting currency of the Group. The foreign currency translation reserve is also 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 2017 it amounted to EUR -17,506 thousand (2016: EUR -17,386 thousand).

## 23. EARNINGS PER SHARE (EPS)

In the course of executing the debt to equity swap two types of shares were issued:

- Shares Series A are only the shares that were created 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 created 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 ist given to all Series A/B shareholders proportionally

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

| | 2017 | 2016 |
|---|---|---|
| **Profit for the year** | 8,569 | 62,306 |
| | | |
| **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** | **2.73** | **19.84** |
| Shares Series A | 3.48 | 25.31 |
| Shares Series B | 2.01 | 14.59 |

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.

## 24. PROVISIONS

The provisions comprise warranty reserve as follows:

| | EUR'000 |
|---|---|
| **As of 1 October 2015** | **592** |
| Charge for the year | 780 |
| Foreign currency translation | 666 |
| Utilized | (587) |
| Unused amounts reversed | - |
| **As of 30 September 2016** | **1,451** |
| Charge for the year | 806 |
| Foreign currency translation | 50 |
| Utilized | (1,565) |
| **As of 30 September 2017** | **742** |
| Current | 742 |
| Non-current | - |

## 25. BORROWINGS

The borrowings comprise the following:

| | | 30 September 2017 EUR'000 | | 30 September 2016 EUR'000 | |
|---|---|---|---|---|---|
| | Level | Book value | Fair value | Book value | Fair value |
| Non-current borrowings from key management personnel | Level 2 | 242 | 244 | - | - |
| Current bank loans | Level 2 | 32,092 | 32,042 | 26,796 | 26,796 |
| Current borrowings from key management personnel | Level 2 | 171 | 172 | 690 | 690 |
| | | **32,505** | **32,458** | **27,486** | **27,486** |

As of 30 September 2017 borrowings in the amount of EUR 32,092 (2016: 14,751) thousand were secured with guaranties of the related parties.

The effective annual interest rates were as follows:

| | Non-current loans and borrowings | | Current loans and borrowings | |
|---|---|---|---|---|
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| USD | - | - | 1.50% | 8.75% - 9.25% |
| RUR | 12.00% | - | 9.50% - 15.50% | 8.50% - 16.10% |
| EUR | - | - | 1.50% | - |

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 with the level of borrowings.

If covenants are breached the borrowers can increase interest rate or demand early repayment. During the years ended 30 September 2017 and 2016 and until the issuance of this financial statement the Group has complied with all the covenants, except technical covenants relating to the loans to the loans and borrowings amounted to EUR 25,686 thousand as of 30 September 2017 and EUR 1,679 thousand as of 30 September 2016. As a result, the banks technically got the right to demand earlier repaymentof 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, Up to the date of approval of these financial statements, the Group has timely settled its loans and related interest expenses, and refinanced the laons, which came due.

## 26. TRADE ACCOUNTS PAYABLES

Trade payables are mainly comprised of trade payables due to third parties in the amount of EUR 20,408 thousand (30 September 2016: EUR 17,192 thousand) and due to related party in the amount of EUR 28 thousand (30 September 2016: EUR 313 thousand). Trade payables can be non-interest bearing and interest bearing and are normally settled on 60-day terms. As of 30 September 2016 trade payables in the amount of EUR 12,869 thousand (30 September 2016: EUR 9,606 thousand) were secured with guarantees of the related parties.

## 27. ADVANCES RECEIVED

Prepayments received in the amount of EUR 1,963 thousand (30 September 2016: EUR 3,465 thousand) represent advance payments from customers.

## 28. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Employee benefit liabilities | 2,245 | 3,012 |
| Other financial liabilities | 1,012 | 678 |
| Short-term finance lease payable | 239 | 141 |
| | **3,496** | **3,831** |

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 2017 long-term finance lease liabilities of EUR 258 thousand (30 September 2016: EUR 92 thousand) were included in other long-term liabilities.

## 29. OTHER SHORT-TERM LIABILITIES

Other current liabilities comprise the following:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| VAT payable | 2,625 | 5,541 |
| Other taxes payable | 419 | 564 |
| | **3,044** | **6,105** |

## 30. 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 2017 | | 30 September 2016 | |
|---|---|---|---|---|
| | Present value EUR'000 | Minimum lease payments EUR'000 | Present value EUR'000 | Minimum lease payments EUR'000 |
| Not later than 1 year | 240 | 277 | 143 | 159 |
| Later than one year and not later than five years | 257 | 293 | 93 | 100 |
| More than five years | - | - | - | - |
| | **497** | **570** | **236** | **259** |
| **Future interest** | **73** | | **23** | |

## 31. 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 liabilities comprise the following:

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Due within one year | 270 | 310 |
| Due within one up to five years | 621 | 640 |
| Due in more than five years | 60 | 68 |
| | **951** | **1,018** |

## 32. 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.

Along with firming oil prices and growing macroeconomic stability, the Russian economy returned to modest growth in 2017. The growth momentum of the second half of 2016 spilled over to 2017, this was supported by a rebound in domestic demand in first half of 2017, which also contributed to a growth slowdown starting in the third quarter. On the production side, mineral resource extraction, transportation, and state management and provisioning for national security drove a modest growth in the first quarter of 2017.

The Russian ruble was much less volatile in the financial year than in the previous year's period. On 30 September 2016 the exchange rate was about 70.88 RUR/EUR, in April it fell to 60 RUR/EUR, but then it continued to rise, reaching its peak of 72 RUR/EUR in August 2017. With a closing rate of 68.45 RUR/EUR on 30 September 2017, the average rate for the financial year was 65.74 RUR/EUR (2016: 75.27 RUR/EUR).

On 19 September 2016 the Central Bank of Russia determined the key rate at the level of 10%. During the financial year the key rate was steadily decreased on 27 March 2017 by 9,75%, on 2 May by 9,25%, on 19 June by 9,00% and on 18 September 2017 by 8,50%.

Inflation has continued to decelerate. Financing costs are decreasing in Russia. At the beginning of 2017 financial year, the key bank rate was 9,5%, but it declined to 8,5% in September 2017. This should lead to a reduction of interest rates in all Russian regions, which is advantageous for financing the purchase of machines by end customers.

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.

## 33. 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 instriments 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 2017 and 2016.

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.

### 33.1 Foreign currency risk

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

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

**30 September 2017**

| EUR'000 | Level | USD | RUR | EUR | GBP, CNY, CAD | Total |
|---|---|---|---|---|---|---|
| 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 financial 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 1 | - | 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)** |

**30 September 2016**

| EUR'000 | Level | USD | RUR | EUR | GBP | Total |
|---|---|---|---|---|---|---|
| Long-term loans issued | Level 2 | - | 23 | 10,723 | - | **10,746** |
| Short-term loans issued | Level 2 | - | 2,320 | 1,111 | - | **3,431** |
| Trade receivable | Level 2 | 1,932 | 9,297 | 855 | - | **12,084** |
| Other short-term assets | Level 2 | - | 136 | 6 | - | **142** |
| Cash and cash equivalents | Level 1 | 24 | 7,203 | 66 | - | **7,293** |
| **Total monetary financial assets** | | **1,956** | **18,979** | **12,761** | **-** | **33,696** |
| Long-term loans and credits | Level 1 | - | - | - | - | **-** |
| Other long-term liabilities | Level 2 | - | 92 | - | - | **92** |
| Short-term loans and credits | Level 2 | 1,679 | 25,807 | - | - | **27,486** |
| Trade payables | Level 2 | 759 | 11,288 | 5,393 | 65 | **17,505** |
| Other short-term liabilities | Level 2 | 3 | 3,566 | 262 | - | **3,831** |
| **Total monetary financial liabilities** | | **2,441** | **40,753** | **5,655** | **65** | **48,914** |
| **Net monetary position** | | **(485)** | **(21,774)** | **7,106** | **(65)** | **(15,218)** |

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 profit before income tax EUR'000 |
|---|---|---|
| 2017 | 10.00% | (138) |
| | -15.00% | 207 |
| 2016 | 10.00% | (49) |
| | -15.00% | 73 |

| EUR/RUR | Change in RUR/ EUR rate | Effect on profit before income tax EUR'000 |
|---|---|---|
| 2017 | 10.00% | (289) |
| | -15.00% | 433 |
| 2016 | 10.00% | 711 |
| | -15.00% | (1,066) |

## 33.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The 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 2017 and 2016 of EUR 0 thousand and EUR 316 thousand, respectively. With all other variables held constant the Group's result before tax is affected insignificantly through the impact on floating rate borrowings.

## 33.3 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instruments or customer contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables), from its investing activities (primarily for loans issued) and cash at banks, including deposits.

### 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 2017, the Group had 5 customers (2016: 2 customers) that owed the Group more than EUR 1,000 thousand each and accounted for approximately 46% (2016: 21%) of all the trade receivables, from which two customers were parties under common control (28%) and two were third parties (18%).

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 entities under common control. 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 2017 and 2016 is the carrying amounts as illustrated in Note 21.

### 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.

## 34. 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 2017

| EUR'000 | On demand | Less than 3 months | between 4 months and 1 year | between 1 and 2 years | Total |
|---|---|---|---|---|---|
| Loans and borrowings | 25,686 | 2,746 | 4,470 | 249 | 33,151 |
| Trade payables | - | 20,436 | - | - | 20,436 |
| Other financial liabilities | - | 3,496 | - | 258 | 3,754 |
| **Total** | **25,686** | **26,678** | **4,470** | **507** | **57,341** |

as of 30 September 2016

| EUR'000 | On demand | Less than 3 months | between 4 months and 1 year | between 1 and 2 years | Total |
|---|---|---|---|---|---|
| Loans and borrowings | 1,679 | 5,943 | 21,269 | - | 28,891 |
| Trade payables | - | 17,505 | - | - | 17,505 |
| Other financial liabilities | - | 3,831 | 92 | - | 3,923 |
| **Total** | **1,679** | **27,279** | **21,361** | **-** | **50,319** |

### 34.1 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 25, 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).

| | 09/30/2017 EUR'000 | 09/30/2016 EUR'000 |
|---|---|---|
| Loans and borrowings | 32,505 | 27,486 |
| Less: cash and cash equivalents | (2,572) | (7,293) |
| **Net debt** | **29,933** | **20,193** |
| Total capital | 21,034 | 12,570 |
| **Capital and net debt** | **(8,899)** | **(7,623)** |

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2017 and 2016.

According to the Russian legislation, as of 30 September 2017 and 2016 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 2017, 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.

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

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

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.

| Year ended 30 September 2017 | Central region EUR'000 | Blackearth region EUR'000 | Siberian region EUR'000 | All other EUR'000 | Elimination and adjustments EUR'000 | Consolidated 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 |
| **Cost of goods and services 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 operating income | 973 | 649 | (104) | 6,472 | (6,495) | 1,495 |
| Payroll expenses | (2,763) | (2,745) | (1,138) | (3,037) | (98) | (9,781) |
| Depreciation, amortization and impair-ment | (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** |

| Year ended 30 September 2016 | Central region EUR'000 | Blackearth region EUR'000 | Siberian region EUR'000 | All other EUR'000 | Elimination and adjustments EUR'000 | Consolidated EUR'000 |
|---|---|---|---|---|---|---|
| **Revenue** | **46,949** | **51,999** | **20,497** | **4,006** | **(6,239)** | **117,212** |
| Sales of goods for resale - third parties | 41,981 | 50,062 | 18,947 | 3,314 | 587 | 114,891 |
| Sales (all) - Group companies | 3,929 | 1,274 | 907 | 687 | (6,797) | - |
| Revenue from rendering of services | 1,039 | 663 | 643 | 5 | (29) | 2,321 |
| **Cost of goods and services sold** | **(38,439)** | **(42,509)** | **(15,231)** | **(3,367)** | **6,325** | **(93,221)** |
| **Gross profit/(loss)** | **8,510** | **9,490** | **5,266** | **639** | **86** | **23,991** |
| Other income | 965 | 817 | 802 | 7,277 | (6,527) | 3,334 |
| Payroll expenses | (3,186) | (2,411) | (835) | (3,143) | - | (9,575) |
| Depreciation, amortization and impair-ment | (1,152) | (390) | (131) | (75) | 64 | (1,684) |
| Other operating expenses | (4,386) | (6,871) | (3,906) | (1,934) | 6,336 | (10,761) |
| **Results from operating activities** | **751** | **635** | **1,196** | **2,764** | **(41)** | **5,305** |

| | 2017 EUR'000 | 2016 EUR'000 |
|---|---|---|
| **Result from operating activity** | **11,594** | **5,305** |
| Financial income from debt-to-equity swap | - | 60,341 |
| Financial income | 2,699 | 3,270 |
| Financial expenses | (5,301) | (6,052) |
| | **8,992** | **62,864** |
| Income tax expense | (408) | (561) |
| **Income for the period** | **8,584** | **62,303** |

The disclosure in segment reporting for 2016 financial year was changed in line with Notes 11, 12 and 13.

In the financial year 2017 one customer made 33% of Central segment revenue (2016: two customers made 15% of revenue), one customers made 36% of Siberian segment revenue (2016: one customer made 21%) and two main customers made 33% of Black Earth segment revenue (2016: two customers made 22%).

## 36. BUSINESS ACTIVITIES WITH RELATED PARTIES

For the purposes of this consolidated financial statement, 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:

| | Entity under common control | | Parent company | | Associates | | Key management personnel | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Sale of agricultural machinery | 16,118 | 3,552 | - | - | - | - | - | - | **16,118** | **3,552** |
| Sale of spareparts | 6,743 | 5,539 | - | - | - | - | - | - | **6,743** | **5,539** |
| Sale of tires | 225 | 483 | - | - | - | - | - | - | **225** | **483** |
| Sale of lubricants | 360 | 305 | - | - | - | - | - | - | **360** | **305** |
| Sale from intelligent farming | 43 | - | - | - | - | - | - | - | **43** | **-** |
| Sale of trade-in machinery | - | 65 | - | - | - | - | - | - | **-** | **65** |
| Revenue from rendering of services | 110 | 57 | - | - | - | - | - | - | **110** | **57** |
| Other income | 70 | 55 | - | - | - | - | - | - | **70** | **55** |
| Purchase of goods and other services | (723) | (1,241) | - | - | (12) | - | (1,671) | (658) | **(2,406)** | **(1,899)** |

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

| | | Trade receivables and other current assets | Trade accounts payable and other current liabilities |
|---|---|---|---|
| **Entity under common control** | 09/30/2017 | 9,711 | 497 |
| | 09/30/2016 | 3,881 | 585 |
| **Parent company** | 09/30/2017 | - | - |
| | 09/30/2016 | - | - |
| **Associates** | 09/30/2017 | - | - |
| | 09/30/2016 | 2 | - |
| **Key management personnel** | 09/30/2017 | - | 575 |
| | 09/30/2016 | - | 463 |
| **Total** | 09/30/2017 | **9,711** | **1,072** |
| | 09/30/2016 | **3,883** | **1,048** |

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

| | | Long-terms loans granted | Short-terms loans granted |
|---|---|---|---|
| **Entity under common control** | 09/30/2017 | - | 11,670 |
| | 09/30/2016 | 10,643 | 2,696 |
| **Parent company** | 09/30/2017 | - | 1,032 |
| | 09/30/2016 | - | 621 |
| **Associates** | 09/30/2017 | 125 | 15 |
| | 09/30/2016 | 88 | 73 |
| **Total** | 09/30/2017 | **125** | **12,717** |
| | 09/30/2016 | **10,731** | **3,390** |

In the fiscal year ended 30 September 2017, the Group accepted the change of the borrower for the loan issued with the carrying amount of EUR 2,654 thousand, where a third party borrower was replaced by a borrower under common control. As part of the impairment test, the Group recognized a loss of EUR 1,766 thousand on the loan. The value adjustment was recorded under other operating expenses.

| | | Interest income | Interest expense |
|---|---|---|---|
| Entity under common control | 2017 | 1,696 | - |
| | 2016 | 1,641 | - |
| Parent company | 2017 | 410 | - |
| | 2016 | 410 | - |
| Associates | 2017 | 3 | - |
| | 2016 | 6 | - |
| Key management personnel | 2017 | - | 80 |
| | 2016 | - | 34 |
| **Total** | 2017 | **2,109** | **80** |
| | 2016 | **2,057** | **34** |

| | | Short-term borrowings | Long-term borrowings |
|---|---|---|---|
| Key management personnel | 09/30/2017 | 177 | 242 |
| | 09/30/2016 | 169 | - |

EUR 18,862 thousand (2016: EUR 15,208 thousand) of loans were issued to the related parties during the year ended 30 September 2017, which is included into the line "Cash paid in issuance of loans" in the consolidated cash flow statement. During the year ended 30 September 2017 the Group received settlement of loans issued to related parties of EUR 17,710 thousand (2016: EUR 12,578 thousand), which is included into the line "Proceeds from settlement of loans issued" in the consolidated cash flow statement. Investing transactions with entities under common control that did not require the use of cash or cash equivalents on 30 September 2017 amounted to EUR 3,994 thousand (2016: EUR 0 thousand).

As of 30 September 2017 borrowings in the amount of EUR 32,092 (2016: 14,751) thousand were secured by the key management personnel.

On 23 June 2016 the Group sold its subsidiary OOO Eko-Niva-Farm to OOO EkoNiva-APK Holding, a related party under common control and a company of Ekosem-Agrar group, for RUR 10 000 thousand; the net assets of OOO EkoNiva-Farm on this date amounted to EUR 3 thousand (Note 7).

As of 30 September 2017 the Group acted as a guarantor on the bank loans of the companies of Ekosem-Agrar group, the party under common control, amounting to EUR 1,462 thousand (2016: EUR 3,177 thousand). The carrying amount of guarantees was EUR 22 thousand (2016: EUR 48 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 2017 the Group had guarantees issued by its related parties to secure the Group's loans and trade payables. See Notes 24 and 26.

Further, the Group paid cash to the parties under common control under the goods' supply agreements bearing no interest, which were eventually terminated within a period of up to a year, and therefore during 2017 financial year the cash was paid back or offset with the Group's bonus payable or other payables to these parties amounted to EUR 2,262 thousand (2016: EUR 3,484 thousand).

Management remuneration is covered in Note 11.

## 37. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the Group entered into an agreement with the Russian Sberbank for a credit line in the amount of RUR 1,170 thousand with interest rates from 9.5% to 10.4% and maturity date from June to November 2019.

## 38. 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 2017 was EUR 178 thousand (2016: EUR 195 thousand).

## 39. RELEASE

The consolidated financial statement of Ekotechnika AG for the financial year from 1 October 2016 to 30 September 2017 was not approved yet and is released for publication by executive management only preliminary, unaudited and subject to change (which can be significant) on 17 January 2018.

Walldorf, 17 January 2018

Stefan Dürr
Board member

Björne Drechsler
Board member

# AUDIT OPINION

We have audited the consolidated financial statements prepared by Ekotechnika AG, Walldorf, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 October 2016 to 30 September 2017. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [„Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we draw attention to the comments in section 5.3 „Risks to the Group's ability to continue as a going concern" in the group management report and the circumstances presented therein, according to which the Group's ability to continue as a going concern depends on whether it will be able to generate adequate cash and cash equivalents in the future to cover its liabilities. These also include cash and cash equivalents for the repayment of bank loans which are due for repayment to the extent that these are not refinanced or extended. At the time the financial statements for 2017 were being prepared, the management board expected the Group's financial liabilities, most of which are current liabilities, to be extended regularly by the Russian banks as was previously the case despite the deterioration in Group's results of operations and despite the fact that borrowing conditions for certain short and long-term loans in Russia were not complied with in the past year.

Eschborn/Frankfurt am Main, 18 January 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Kausch-Blecken von Schmeling | Titov |
| German public auditor | German public auditor |

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