EKOTECHNIKA

ANNUAL REPORT

from 1 October 2015 to 30 September 2016

Modern equipment for efficient farming

CONTENTS

FOREWORD OF THE EXECUTIVE BOARD

STEFAN DÜRR
CEO

Despite a still challenging market environment, the operating development of Ekotechnika AG stabilized in the financial year 2015/2016.

In the future we will continue working on our sustainable and value-adding strategy and would be pleased if you would accompany us on this course.

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

after the full year 2015 was marked by operating and financial restructuring, in the financial year 2015/2016 we could again focus on our core business activity, i.e. sales of high-value agricultural machinery. Thereby, the market environment was mainly determined by high financing costs on the part of our Russian customers, a weak ruble as well as state incentive measures for local manufacturers. Despite these challenging circumstances, Ekotechnika AG succeeded in achieving a solid operating result. This also reflects on a positive development of our share prices (WKN A16123) and shows the confidence of our shareholders in our business model. We will continue working intensely at reinforcing this confidence in the future, in order to enable our shareholders to take part in our success through an attractive share price development.

After significant revenue declines were still recorded in the crisis year 2015, the business environment significantly stabilized in the reporting year. The weak ruble resulted in higher profit margins of the Russian agricultural enterprises and a growing readiness to invest – among others into agricultural machinery. At the same time, the ruble weakness led to rising prices for imported machinery in local currency, whereby the manufacturers based in Russia could improve their market position in comparison to importers. Ekotechnika AG used this market environment to reduce its stock at higher ruble prices. Besides, the trade receivables and the risks associated with them were reduced significantly. Over the year, the trade with new machinery on a euro basis increased by around 11% up to around 76.7 million euro. In spare parts trade, we benefited from the growing demand and recorded a revenue increase on a euro basis of around 12% up to 35.7 million euro – which underlines, again, its importance for the Group. The operating currency losses were reduced in comparison to the previous year and amounted to around 0.2 million euro in the reporting period. The operating result improved up to 5.3 million euro (EBIT). The consolidated result amounting to 62.3 million euro was influenced significantly by a one-time financial income from the debt-to-equity-swap (60.3 million euro) carried out in November 2015.

Due to the once again strengthened ruble as well as the increasing confidence in the Russian market, we currently assume a stable market environment for financial year 2016/2017. Yet, the revaluation of the ruble leading to lower income of farmers, the global market prices for grain remaining low as well as the persistent difficult financing conditions of our customers remain significant challenges for the sale of new machinery. Overall, we are cautiously optimistic about the current fiscal year. As already announced, we will intensify our cooperation with John Deere in the next few month. We will strengthen the after-sales services with new service offerings in the area of remote supervision, e.g. John Deere Farm Sight. Moreover, we are very glad that Ekotechnika AG has obtained an experienced Manager in the person of Bjoerne Drechsler. Beginning from 1 March 2017, he will assume his position as additional member of Executive Board and will thus contribute to getting Ekotechnika back on the track of success.

Dear friends of Ekotechnika, in the challenging times the good cooperation with our employees, business partners and customers is very important to us as a company. We would like to thank you for the business success achieved in the previous year and hope for a common and successful future.

Best regards from Walldorf
Stefan Duerr

EKOTECHNIKA AG, Walldorf
Group Management Report (IFRS) as of 30 September 2016

GROUP MANAGEMENT REPORT

1. BACKGROUND OF THE GROUP

1.1 Group business model

The business activity of the Ekotechnika Group, whose parent company is Ekotechnika AG, consists of trade in agricultural equipment of all kinds. This includes machinery sales (consultation, purchase and sale), spare parts sales and providing services. The market for Group sales lies entirely within Russia; some of the machines and spare parts are purchased in Western Europe or North America. A large part of the products are meanwhile produced and/or assembled by subsidiaries of foreign suppliers directly in Russia and purchased from them. The Group companies on the Russian market trade under the EkoNiva-Technika brand.

The Group's main supplier is world's largest and leading agricultural machinery manufacturer Deere & Company, Moline, Illinois, USA. The product portfolio also includes products of other leading suppliers such as JCB UK (telescopic handlers), Grimme (potato harvesting technology), Fliegl etc.

2. ECONOMIC REPORT

2.1 Macroeconomic and industry-specific framework conditions

In 2016, the IMF expects the world economy to grow by 3.1%. Advanced economies are expected to grow mildly by 1.6% in 2016 (2015: 2.1%). The euro area will expand by 1.7% in 2016 which is 0.3% less than in 2015. Germany remains one of Europe's strongest economies, with 1.7% growth in 2016.

Russia's economy contracted in the first 9 months of 2016, thus, the total output is expected to shrink by about 0.7% in 2016. Meanwhile, the Russian economy has absorbed the dual shocks from oil and sanctions, and there are signs of a nascent turnaround. Inflation has continued to decelerate and is now projected to decline down to 5.6% by the end of 2016. Finance costs have been more or less stable in Russia. At the beginning of 2016, the key interest rate was 11.0%, and as a result of the measures taken, it declined to 10.0% as of 19 September 2016.
Such measures of the Central Bank of Russia should stimulate the inflation reduction. It should lead to a decrease in interest rates in all Russian regions, which should be beneficial for the financing of machinery for end customer.

The Russian ruble was highly volatile in the financial year, with one euro costing around 74.58 rubles on 30 September 2015, but rocketing up to 90 rubles/euro in February 2016. Closing at 70.88 rubles to 1 euro on 30 September 2016, the average exchange rate in the financial year was 75.27 rubles/euro (2015: 64.48 rubles/euro).
The strong ruble produces positive influence on Russia's agricultural business environment: on the one hand, the buying price for imported farming machinery decreased in local currency and on the other hand local producers of agricultural equipment are more competitive against the importers.

The world food prices remain low. But the situation for farmers in Russia is rather positive because the ruble inflation has pushed up food prices, although the world market prices decreased. Together with the very good hectare yields, the earnings position for farmers was above average during the reporting period. The outlook for the industry is therefore cautiously optimistic, but, in view of the political tensions between Russia and other countries, the situation is still fragile.

2.2 Business performance

The successful financial restructuring measures in relation to Ekotechnika's bond continued to influence the first quarter of the financial year 2016. The measures agreed by the second meeting of bondholders were implemented accordingly.

As of 3 November 2015 (registration in the trade register), the share capital was reduced from EUR 2,025,000 to EUR 81,000 by means of simplified capital reduction. Based on the resolution by the bondholders' meeting dated 6 May 2015, the bonds owned by bondholders were submitted to an organisation responsible for converting bonds into stocks. In exchange for the principal debt of EUR 60 million and the accumulated bond interests as of 22 October 2015 (the day before the shareholders' resolution on capital measures) in the amount of EUR 8.5 million, the bondholders gained the right for the total number of 1,539,000 stocks with the par value of EUR 1 each. The majority of the bondholders executed their right in November 2015. After the non-cash capital increase the share capital totaled EUR 1,620,000.

As of 13 November 2015, new shares with a proportional amount of the share capital of EUR 1,520,000 were issued. Within the frameworks of increasing the share capital by cash contribution, the purchase cost of the new shares was set at EUR 2.00 per a share. Member Ekotechnika Holding GmbH received 1,520,000 new shares in Ekotechnika at EUR 2.00 per a share. Thus, due to increase in the capital by issuing new shares and cash contribution, the share capital increased by EUR 1,520,000 from EUR 1,620,000 to EUR 3,140,000.

The shares of Ekotechnika AG are listed in the primary market of the Düsseldorf stock exchange.

The operation results were much better than planned in the financial year. If recalculated at the exchange rate of 75 RUR/EUR, the revenue totaled the EUR 117.6 million, which is by EUR 1.2 million higher (+1.0%) than it was budgeted in the plan (EUR 116.4 million). The gross profit, adjusted by the planned rate, amounted to EUR 24.1 million, which is EUR 3.1 million (+14.8%) higher than planned (EUR 21.0 million). It was achieved by selling stock, which had been bought while the exchange rate was lower, at a higher ruble exchange rate, and consequently, at higher prices. If machines are purchased in EUR or USD at a lower ruble exchange rate and then sold later at a higher ruble exchange rate, this results in a higher revenue and gross profit. Due to the previous year's problems with negative currency effects, the company restructured most of the currency loans into ruble loans. On 30 September 2016 the Group's USD loans were only in the amount of EUR 1.7 million (previous year: EUR 10.0 million) and RUR loans in the amount of EUR 25.8 million (previous year: EUR 23.5 million). In the fiscal year 2016, the EUR loan debts (previous year: EUR 67.1 million) were fully repaid, which basically became possible due to the successfully performed corporate bond restructuring. As a result of the low volatility of the ruble, the exchange rate effect went down to EUR 0.4 million.

Adjusted by the planned currency rate, the EBITDA (earnings before interest, taxes, depreciation and amortization) amounting to EUR 7.7 million was EUR 0.7 million (-8.3%) lower than planned (EUR 8.4 million).

The EBIT (earnings before interest and taxes) amounted to EUR 6.0 million, which was EUR 0.7 million or -10.4% lower than planned (EUR 6.7 million). Adjusted by the exchange rate effect and the debt-to-equity swap, the financial result was EUR -2.7 million, exceeding the forecast of EUR -4.0 million by EUR 1.3 million. The corresponding net result of EUR 2.7 million exceeded the management's forecast (EUR 1.6 million).

2.3 Situation

a) Financial performance

Ekotechnika AG generated the total revenue of EUR 117,212 thousand in 2016 fiscal year (2015: EUR 109,038 thousand). Approximately 65.5%, or EUR 76,741 thousand came from sales of agricultural machinery (2015: approximately 63.3% or EUR 69,040 thousand). The share of around 30.4% or EUR 35,672 thousand (2015: around 29.2% or EUR 31,888 thousand) was earned with the sale of spare parts. Revenue from customer service amounted to EUR 2,321 thousand (2015: EUR 3,677 thousand).

The increase of the exchange rate adjusted total revenue amounted to EUR 27,790 thousand (+25.5%). The increase in the revenue from sales of machinery by 29.8% (EUR 20,544 thousand) mainly came from tractors (EUR 14,256 thousand) and combines (EUR 3,588 thousand) sector. This revenue growth was partially from a higher quantity of machines sold (increase by 57 or 40% tractors and 7 or 16% combines) and partially from an increase in prices and a bigger share of more expensive models sold than in the previous year.

There was an increase in currency adjusted revenue from sales of spare parts by EUR 9,754 thousand (30.6%). Such an increase was largely due to a big share of urgent orders which are more expensive and a bigger share of more expensive parts sold than in the previous year.
At the same time, the revenue from rendering services decreased by EUR 966 thousand (-26.3%).

The exchange rate-adjusted costs for agricultural machinery increased slightly more than the revenue from machinery (+33.4%). The exchange rate-adjusted costs of spare parts increased proportionally to the revenue by around 30.5% in the reporting period. Gross profit totalled EUR 23,991 thousand (2015: EUR 25,393 thousand). Total exchange rate-adjusted depreciation and amortization was reduced by EUR 431 thousand (-18.0%) down to EUR 1,684 thousand in fiscal year 2016. Other operating expenses declined by EUR 6,656 thousand down to EUR 10,761 thousand largely due to decrease in exchange losses by EUR 5,489 thousand. In addition, the costs of the corporate bond restructuring was reduced by EUR 1.0 million down to EUR 0.6 million (previous year: EUR 1.6 million). During the fiscal year 2016, the management was able to decrease trade receivables thanks to close contacts and regular communication with the Group's customers. As a result, the Group was able to decrease the adjusted book value by EUR 1,428 thousand down to EUR 674 thousand. On the other hand, as of 30 September 2016, a much higher warrantee provision than in the previous year had to be accrued because of a significant increase in revenue which lead to additional expenses amounting to EUR 780 thousand. There also was an increase in the repair and maintenance costs, mainly relating to service centers in Kirov and Ryazan.

EBIT amounts to EUR 5,305 thousand (2015: EUR -1,180 thousand).

EBT (earnings before taxes) amounts to EUR 62,864 thousand (2015: EUR -25,687 thousand). The improvement came mainly from one-time financial income from the debt-to-equity swap amounting to EUR 60.3 million and consequent termination of the bond interest payment in the amount of EUR 5.5 million. Besides, for the first time, there was a currency gain of EUR 0.3 million due to the ruble stabilization (2015: exchange rate loss of EUR 12.0 million). Furthermore, the economic stabilization in Russia accompanied by the reduction of the key interest rate of the Central Bank of Russia and the decrease in the principal loan debt produced a positive effect on the financial result.

The consolidated net income improved by EUR 88,882 thousand up to EUR 62,303 thousand. (2015: EUR -26,579 thousand).

b) Financial position

A department of OOO EkoNivaTechnika-Holding, Moscow, Russia, is responsible for financial controlling of the company. Controlling is handled so as to keep financing costs as low as possible while enabling all companies of the Group to meet their obligations on schedule at all times.

Letters of credit and bank guarantees are important instruments for working with suppliers.

For more information on the capital structure, currency and interest rate as well as liquidity risks refer to the notes to the consolidated financial statement.

c) Capital structure

After the corporate measures in the context of the debt-to-equity swap taken in October - November 2015, the Group showed a significant improvement in the Group's capital structure as of the reporting date. Thus, as of the 30 September 2016, non-current liabilities only amounted to EUR 92 thousand (2015: EUR 60,330 thousand); this amount includes long-term financial leasing liabilities only. Current liabilities decreased by 20.4% down to EUR 60,157 thousand (2015: EUR 75,541 thousand). This reduction was possible due to writing-off of bond interest payables in amount of EUR 8,142 thousand and other decrease in short-term borrowings by EUR 4,970 thousand. Short-term liabilities amounted to EUR 27,486 thousand as of the reporting date. Trade accounts payable amounting to around 29% or EUR 17,505 thousand (2015: 26% or EUR 19,372 thousand) make the major part of current liabilities.

At EUR 12,570 thousand as of the reporting date (previous year the loss not covered by equity: EUR 59,209 thousand), the Group equity is positive for the first time. This situation is in the first place a result of the debt-to-equity swap as part of the corporate bond restructuring and one-time income received from the debt-to-equity swap (more detailed explanation is give in clause 22 of the Notes to the Statement).

The equity share is 17.3%.

d) Investments

In the reporting year, the company's investments were much lower than in the previous year and primarily related to the service centres that were already in construction process. Investments in property, plant and equipment totalled EUR 845 thousand (2015: EUR 1,275 thousand).

e) Liquidity

As of September 30, 2016, bank balances and short-term cash deposits totaled EUR 7,293 thousand (2015: EUR 1,177 thousand). In the reporting year, the cash flow from operating activities before changes in the net working capital amounted to EUR 6,814 thousand (2015: EUR 4,358 thousand). This growth largely resulted from significant decrease in operating costs and consequent improvement of the overall result from EUR -1.2 million in 2015 up to EUR 5.3 million in 2016.

The decrease in inventories by EUR 8,693 thousand (2015: EUR 15,727 thousand) had a positive effect on cash flow, as well as the decrease in trade receivables by EUR 5,843 thousand (2015: decrease by EUR 8,534 thousand). These effects resulted in cash inflow from operating activities of EUR 21,120 thousand (2015: inflow of EUR 27,400 thousand). After taxes and interest, the cash inflow from operating activities amounted to EUR 17,465 thousand (2015: EUR 23,081 thousand).

Investment activity led to cash outflow in the amount of EUR 4,000 thousand (2015: EUR 1,837 thousand). This amount includes cash outflows for investments in property, plant and equipment in the amount of EUR 845 thousand (2015: EUR 1,275 thousand), offset by inflows from the sales of property, plant and equipment for the amount of EUR 688 thousand (2015: EUR 447 thousand). The inflows from the settlement of other financial assets in the amount of EUR 12,720 thousand (2015: EUR 15,394 thousand) as well as the outflows from the issue of such assets in the amount of EUR 16,525 thousand (2015: EUR 16,278 thousand) formed a new outflow of EUR 3,805 thousand (2015: outflow of EUR 884 thousand). It is mainly related to loans and advances granted or changes in the maturity period of receivables from the affiliated Ekosem-Agrar GmbH.

Cash inflow from bank loans decreased from EUR 101,073 thousand in the previous year to EUR 83,284 thousand. Taking into account loan repayments in the amount of EUR 94,131 thousand (2015: EUR 122,053 thousand), the financial activity resulted in net cash outflow in the amount of EUR 10,847 thousand (2015: EUR 20,980 thousand). There were equal increases in share capital and in capital reserve which lead to cash inflows from financial activities in the amount of EUR 3,040 thousand.

f) Net assets

On the reporting date of 30 September 2016, total assets amounted to EUR 72,819 thousand which was nearly the same in the previous year (2015: EUR 76,662 thousand). 41.1% of total assets are non-current (EUR 29,944 thousand; 2015: EUR 27,255 thousand; 35.6%). Approximately 63.9% out of these non-current assets are property, plant and equipment (2015: approximately 71.6%). There are also non-current loans in the amount of EUR 10,746 thousand (2015: EUR 7,711 thousand) issued mainly to our affiliated party Ekosem-Agrar. Further details on the various types of assets can be found in the property, plant and equipment review presented in the notes to the consolidated financial statement (Note 15). Current assets decreased by EUR 6,532 thousand to EUR 42,875 thousand as a result of the decrease in inventories (by EUR 8,348 thousand) and trade receivables (by EUR 5,976 thousand). Both developments were in line with management set target to reduce current assets. The reduction of inventories was accelerated by partially granting higher discounts on older or slow-moving machinery. Where required, trade receivables were collected by court decision, which reduced outstanding amounts considerably. At the same time, cash and cash equivalents increased by EUR 6,116 thousand up to EUR 7,293 thousand, which was majorly related to short-term demand deposits amounting to EUR 5,882 thousand with an investment period of 5 days.

In summary, it is worth noting that the management is satisfied with the operating performance in the past year. Even without taking into account the debt-to-equity swap, the Group was able to reach positive results in this fiscal year.

3. BUSINESS PERFORMANCE

Financial performance indicators:

The Management of the Group has determined the following financial performance indicators:

- revenues
- material costs
- gross profit
- financing result and
- exchange rate development

The market situation has been changing gradually with stagnation giving way to an increased interest and loyalty on the part of the customers. The average RUR/EUR exchange rate amounted to 75.27 RUR/EUR in the reporting period (2015: 64.48 RUR/EUR).

The company has performed a debt-to-equity swap during the reporting period. The previous year's market outlook is clearly reflected in the current year's figures. The 25.5% revenue increase in exchange rate adjusted terms is in line with the forecast for 2016. Besides, the selling costs in the amount of EUR 93.2 million were lower than the expected EUR 95.4 million since the goods sold by the Group in the reporting period had been purchased at a lower exchange rate. Thus, the gross profit exceeded the planned 2016 amount by EUR 3.0 million and reached EUR 24.0 million.

Comparison of actual and planned figures for the reporting period:

The company planned to sell 209 tractor units in the reporting period and receive the revenue of over EUR 32,324 thousand. In fact, 199 units were sold in the reporting period, generating a revenue of EUR 27,791 thousand (-14.0%). With regard to combines, 46 units were planned for sale and the planned revenue was EUR 7,664 thousand. In fact, 50 units were sold generating a revenue of EUR 7,965 thousand. The forecast for the sale of other machinery and mounted implements was likewise exceeded: the actual revenue amounted to EUR 40,985 thousand, while the forecast stated EUR 32,346 thousand. This revenue amount includes the earnings from the sale of balers (fact: EUR 7,577 thousand; plan: EUR 4,519 thousand), cultivators (fact: EUR 5,988 thousand; plan: EUR 4,556 thousand) and mounted implements. The management had assumed an exchange rate of 75 RUR/EUR, which corresponded to the actual average rate for the financial year: 75.27 RUR/EUR. The deviations from the forecasts are mainly attributable to the differences in sales figures and machinery prices.

The material costs of machinery sold are slightly lower than the planned amount. The material costs of tractors were 33.7% lower than the originally forecast amount, while the revenue was only 14.0% lower than planned.

The material costs related to combines amounted to EUR 6,938 thousand, which is 14,5% lower than planned (EUR 8,114 thousand). This must be viewed in the context of the 3.9% improvement in the revenue in the reporting period (EUR 7,965 thousand) compared to the planned amount (EUR 7,664 thousand).

The other revenue drivers entailed the costs of EUR 34,570 thousand, which is 1.6% higher than planned. However, considering that the actual revenue in the amount adjusted by planned rate of EUR 77,020 thousand was 6.1% up on the forecast (EUR 72,334 thousand), this increase is reasonable.

Non-financial performance indicators:

Employees

Apart from the machinery and technologies, the Group's performance largely depends on its employees who are always in direct contact with the customers when selling machines and spare parts and providing services and are therefore the company's "hallmark". Therefore, we put a lot of effort into finding the right employees, retaining them and continually developing their professional skills. This includes regular technical training courses as well as personal development seminars.

Nevertheless, in the process of restructuring, it was crucial for us to review the number of our employees, the allocation of tasks and our payment system. As a result, another 59 employees (10.6%) were made redundant. The number of employees was reduced from 558 persons in FY 2015 to an average of 499 persons in FY 2016. The reduction was performed mainly due to laying off administrative employees (15 persons, or 8.1%) and service department employees (54 persons, or 24.6%). The significant decrease of service department personnel was performed due to the optimisation of the overall procedure of services provision. Starting from the current financial year, the management has undertaken to transfer the majority of after-sale servicing from the clients' facilities to the repair shops of the Group in order to decrease the number of service engineers required and save on travelling time. Nevertheless, this reduction has not lead to a significant decrease of payroll costs, since the majority of laid-off employees were not highly qualified specialists. In FY 2016, the costs for salary and bonuses decreased by EUR 287 thousand (5.9%) and EUR 288 thousand (8.0%), respectively.

The management plans further optimisation measures by means of automation of the business processes and reorganisation of the Group's structure. With this regard, the Group will apply some more measures related to optimisation of staff, mainly in the Service Department.

4. POST BALANCE SHEET EVENTS

Between the end of the reporting period and the preparation of the current financial statements, there were no significant events influencing the financial year results as per 30 September 2016.

5. OUTLOOK, OPPORTUNITY AND RISK REPORT

5.1. Outlook

Overall economic development

In 2017, the economic growth will increase slightly 3.4% (forecast 2016: 3.1%, source: IMF) on the back of recoveries in major emerging market nations, including Russia and Brazil.

The economic growth rate in the euro area is predicted to decrease to 1.5% in 2017. The economic growth in Germany is not expected to be higher than 1.4%.

The recovery in Russia should be on a stronger footing in 2017 with the economy forecasted to expand by 1.1% due in part to higher oil prices. Inflation, which continues decelerating, is now projected to fall further towards the Russian bank's inflation target (5.0%) over the course of next year.

Developments in the agricultural sector

Based on the current data of the Russian Ministry of Agriculture, the yield from grain harvest reached 27.4 metric center per hectar in 2016, which is 10% higher than last year. The volume of beef and chicken produced in January - October 2016 amounted to 10.8 million tonnes, which is 4.6% higher than in 2015.

Pursuant to the data of the Russian Customs, export of agricultural products during the period from January to September 2016 reached USD 11,775 million, which is 4.5% higher than in the comparable period of the previous year. The volume of export of wheat grew by 33.4%. It is expected that Russia becomes the world's largest exporter of wheat in 2016.

The need for investment in agricultural machinery remains high. The market has been contracting for three years running, leading to an investment backlog, which, when the general conditions improve, should boost business noticeably. The financing conditions remain rather difficult due to the interest rate situation and the problems of the banking sector. The situation is assumed to become better due to the benchmark interest rate decrease. Provision of governmental support for farmers is expected to have a crucial influence on the sales of agricultural machinery in Russia.

Development of Ekotechnika Group

The dependence on the geopolitical and macroeconomic situation in Russia makes it very challenging to provide a forecast for FY 2017.

The average exchange rate for the reporting period stood at 75.27 RUR/EUR which is slightly higher than the rate assumed for the upcoming year – 70.00 RUR/EUR. The management of the Group builds its plans on the assumption that the ruble/euro exchange rate will remain stable for the entire year.

The management currently expects to receive revenue in the amount ranging between EUR 117 and 120 million. The number of tractors and combines planned for sale in the upcoming year is expected to be at the level of the reporting period (nearly 200 and 50 items respectively). The selling costs, however, are planned to be slightly higher than in the reporting period. This inconsistence results from the fact that the stock consists of machines purchased in prior periods, when the exchange rate was higher. Due to a lower gross margin, the management anticipates a decrease in gross profit to nearly EUR 21-22 million. Earnings before interest and taxes (EBIT) adjusted by the restructuring costs are expected to be in line with the current year – nearly EUR 6-7 million. The interest rates for local and trade financing will range between 8.5% and 16.1%, depending on the currency and the type of financing instrument. In terms of interest rates, the management expects to see a slight improvement in the financing situation in Russia in the year to come. The first signs of a positive development can be observed already at the time of preparation of this report. Besides, the company's situation has slightly improved in the current year as its credit rating has strengthened due to the financial restructuring and the positive financial results of FY 2016. Interest rates for loans received between the reporting date and the date of preparation of this report have been reduced to the range of 8.8-13.4%, depending on the loan type and currency.

In general, the management expects the business to stabilise.

Taking into account the long-standing and trustful cooperation with John Deere, the management of the EkoNiva Group is planning to upgrade this partnership in 2017 by switching all locations to exclusive brand status and expanding the product range of the "green agricultural machines". The objective is to channel demand for ever more complex and networked agri-machinery solutions through close collaboration between manufacturer and dealer and with a clear focus on the target market.

5.2 Risks

The Risk Management System is aimed at regular analysis of potential risks and development of preventative measures. Risk management is implemented in order to allow the company to use the opportunities and enhance its success. The concept, the structure, and the tasks of the risk management system have been determined by the management of Ekotechnika AG and documented in the form of Risk Management Guidelines. The guidelines are constantly reviewed, adjusted and, if necessary, amended in accordance with the changing legislation.

In the process of risk management, we identify, classify and evaluate corporate risks with a clear responsibility, equal for all the companies of the Group. The risk management system is used not only for identification and control of risks threatening the inventories but also the risks which do not directly influence the inventories but which may produce a significant negative impact on the property, financial situation and profitability of the Group. In FY 2015-2016, we have also performed an overall risk assessment for the Group.

The risk scenarios were assessed with regard to their impact on the respective company's result before taxes and the possibility of a loss. In order to prevent the potential significant risks thus identified, the management has developed certain measures of control. Besides, strict limits and early warning indicators have been implemented for certain risk areas. The management and the Supervisory board are informed of the risk situation once per quarter. If any significant risk arises or changes unexpectedly, the Group is obligated to submit an ad hoc report, so the management is to be promptly notified of the above-mentioned risk or changes in the risk. If necessary, the management informs the Supervisory Board of the risks as well.

The Management sees the following risk for the Group's business:

Financing possibilities and financing costs of the customers and the Group: Agricultural equipment for our customers in Russia is primarily financed by Russian banks and other financing companies. The general economic weakness, the sanctions imposed in the context of the Ukraine crisis and the low oil price are having a significant effect on these financing possibilities, which has an adverse impact on banks' financing activities. Nevertheless, the financing conditions have improved recently, which is primarily connected with the increase of oil prices and a low inflation level. Besides, foreign investors have started showing more interest in Russia.

The Russian central bank lowered its benchmark interest rate from 11.0% at the beginning of the reporting period to 10.0% in September 2016 and decided to keep it at this level.

The high benchmark interest rate used to pose a risk for the company's short-term financing of the business. However, after the bond has been restructured, the situation has improved considerably. The management supposes that the Group will be able to renew the revolving loans at regular intervals as well.

Exchange rate trend: The volatility of the ruble was significant during the current financial year. At the beginning of the financial year, the exchange rate stood at 75 RUR/EUR. In January and February it was especially volatile, peaking at around RUR 90 to 1 euro. As of the reporting date, the ruble stabilised at the level of 71 RUR/EUR. At the time of preparation of this report, the exchange rate reached approximately 64 RUR/EUR.

Due to the debt-to-equity swap, the company does not have the liability to repay the loan in the amount of 60 million euro and the annual interest amounting to EUR 5.85 million, consequently, the currency effects will have a less significant influence on the Group's financing.

Oil price The oil price has a significant influence on exchange rates and the Russian economy. At the end of January 2016, the oil price hit its historical minimum – less than USD 30 per barrel. Since that time, it recovered significantly and reached USD 50 per barrel on 30 September 2016. After the balance sheet date, oil price went further up to exceed USD 55 per barrel. Since the Russian budget depends highly on the development of oil prices, decrease of oil prices affects governmental subsidies.

Governmental 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: As explained in detail above, it is currently not easy for our customers to finance purchases of agricultural machinery. This applies to both new sales and, to a certain extent, existing accounts receivable.
The non-recoverability of the receivables could have an adverse impact on the profit situation in the current financial year. This risk is mitigated by the close relations between the sales team and the customers. The sales managers of Ekotechnika Group can use their extensive experience to assess the customers' solvency. They are also closely involved into the negotiation of financing possibilities and share the responsibility for the customers' bad debt via bonus arrangements. After the recognition of extensive bad debt allowances in the reporting period and the prior year, the management assumes that there are currently no risk items that have not been provided for.

Sales risk: Certain machines sold by the company must be manufactured approximately six months prior to the selling season to avoid accumulation of a large number of orders by the start of the season. This means that the Group ultimately bears the risk of not being able to sell the machines. Especially in the current more volatile environment, this represents a liquidity and sales risk. Therefore, the Group bears a general sales risk related to the changing market environment and the demand of the clients, which can be only relatively eliminated within the period between the purchase and sale of the machines. Besides, the sales risk includes a specific exchange rate risk: the machinery is purchased at a certain exchange rate and sold at a later date to the customer at a different rate. Over the last two years, the company has endeavored to minimize the inventory risk due to the uncertain future prospects.

5.3 Going concern risks

Renewal of credit facilities: The uncertainty whether the Group will be able to generate sufficient operating cash flow to serve its debt represents a major going concern risk. Based on the current plans of the Group and in consideration of the uncertainty involved, at the time of the 2016 consolidated financial statement the management anticipates that the company will be in a position to provide itself with sufficient funds to continue its activities throughout the foreseeable future. This includes the refinancing of bank loans due for repayment in 2017 if the amount of these loans exceeds the amount of funds generated from the operational business. The background of this is that the companies within the Group are using short-term loans issued by Russian banks. The majority of the lines of credit are regularly extended. The company management anticipates that this will continue to be the case in the future.

Although the company has completed its restructuring process, it is possible that the financing banks in Russia might not approve the necessary renewals of the credit facilities in the near future. As explained above, this can be the result of the low liquidity in the Russian banking market due to the general economic developments, the falling oil price and the sanctions imposed on many Russian financial institutions.

If, contrary to the expectations of the business management, the provision of funds from the operational business and via external financing becomes no longer possible or is only possible on less favourable conditions, this could potentially lead to the insolvency of the company.

To sum up, the management believes that the key risks at the present moment are related to the political and economic environment. Since these factors are largely beyond the company's control, the management is making its best efforts to ensure that the company is in a position to respond adequately to various types of change.

5.4. Opportunity report

Management currently sees the following material opportunities:

Performance of the global and Russian agricultural sectors: The growing world population and changing eating habits resulting from the increasing prosperity or the adoption of "western" lifestyles are the key drivers of the positive trend in the global agricultural sector. Energy production from agricultural resources also contributes to the constantly growing demand. Agricultural machinery makes an important contribution into production expansion and the achievement of the necessary efficiency increase. The sanctions imposed by the Russian government in summer 2014 – i.e. the import ban on food from Europe and the USA – have increased the need to develop the local production even further. This ban on imports is applied to dairy products, meat and meat products, fish, fruit and vegetables.

Investment subsidies in Russia: Quite some time ago, the Russian government defined the medium term objective of domestically producing some 85% of all key agricultural commodities consumed in the country. The import restrictions mentioned above have further increased the pressure. To support the expansion, investment incentives in the form of subsidies for the acquisition and financing of agricultural machinery are provided, and primary agricultural production is exempt from profit tax. Sales efforts are substantially supported by these measures.

Development of Farm Sight technology:
Integrated agricultural IT solutions:
The Group is planning to continue the development of the Farm Sight technology to enhance the relationship with the clients and increase client satisfaction. The management of the Group considers that this area of business will bring good results and produce additional opportunities for the development of the company in the future.

Walldorf, 27th December 2016

Stefan Dürr
CEO

EKOTECHNIKA AG, Walldorf
Consolidated financial statements (IFRS) for the fiscal year from 1 October 2015 to 30 September 2016

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	09/30/2016 EUR'000	09/30/2015 EUR'000
Non-current assets			
Intangible assets		50	30
Property, plant and equipment	15	19,148	19,514
Long-term loans issued	16	10,746	7,711
Deferred tax asset	14	0	0
		29,944	**27,255**
Current assets			
Inventories	17	16,125	24,473
Short-term loans issued	16	3,431	1,938
Trade receivables	18	12,084	18,060
Taxes receivable		244	87
Prepayments	19	906	1,937
Other financial assets		142	292
Other short-term assets	20	2,650	1,443
Cash and cash equivalents	21	7,293	1,177
		42,875	**49,407**
		72,819	**76,662**

LIABILITIES AND EQUITY

	Notes	09/30/2016 EUR'000	09/30/2015 EUR'000
Equity attributable to shareholders of parent company			
Share capital	22	3,140	2,025
Additional paid in capital	22	6,830	6,000
Foreign currency translation reserve		(17,386)	(16,973)
Retained Earnings		(42,314)	(23,681)
Income/(loss) for the year		62,306	(26,577)
Equity attributable to the shareholders of the parent company		**12,576**	**(59,206)**
Non-controlling interests		(6)	(3)
Total amount of Group equity		**12,570**	**(59,209)**
Non-current Liabilities			
Long-term borrowings	25	0	60,036
Other long-term liabilities		92	153
Deferred tax liability	14	0	141
		92	**60,330**
Current liabilities			
Provisions	24	1,451	592
Short-term borrowings	25	27,486	40,598
Trade accounts payable	26	17,505	19,372
Income tax payable		314	613
Advances received	27	3,465	3,643
Other financial liabilities	28	3,831	4,121
Other short-term liabilities	29	6,105	6,602
		60,157	**75,541**
		72,819	**76,662**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	10/01/2015-09/30/2016 EUR'000	10/01/2014-09/30/2015 EUR'000
Revenues	8	117,212	109,038
Cost of goods and services sold	10	(93,221)	(83,645)
Gross profit		**23,991**	**25,393**
Other operating income	9	3,334	3,633
Payroll expenses	11	(9,575)	(10,392)
Depreciation, amortization and impairment	15	(1,684)	(2,397)
Other operating expenses	12	(10,761)	(17,417)
		(18,686)	(26,573)
Operating profit/(loss)		**5,305**	**(1,180)**
Financial income from debt-to-equity swap	22	60,341	0
Financial income	13	3,270	2,180
Financial expenses	13	(6,052)	(26,687)
		57,559	(24,507)
Income/(loss) before tax		**62,864**	**(25,687)**
Income tax expense	14	(561)	(892)
Income/(loss) for the year		**62,303**	**(26,579)**
Attributable to:			
Parent company's shareholders		62,306	(26,577)
Non-controlling interests		(3)	(2)
Other comprehensive income/(loss) for the year			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(413)	(6,623)
Attributable to:			
Parent company's shareholders		(413)	(6,623)
Non-controlling interests		0	0
Comprehensive income/(loss) for the year		**61,890**	**(33,202)**
Attributable to:			
Parent company's shareholders		61,893	(33,200)
Non-controlling interests		(3)	(2)
Earnings per share		**19.84**	**(8.46)**
Shares Series A	23	25.31	(10.79)
Shares Series B	23	14.59	(6.22)

Ekotechnika AG, Walldorf
CONSOLIDATED CASH FLOW STATEMENT

	Notes	10/01/2015-09/30/2016 EUR'000	10/01/2014-09/30/2015 EUR'000
OPERATING ACTIVITIES			
Income/(loss) for the year		62,303	(26,579)
Amortization, depreciation and impairment of non-current assets	15	1,684	2,397
(Gain) on disposal of property, plant and equipment		(49)	(112)
Net foreign exchange (gains)/losses, net		(430)	16,872
Income from disposal of subsidiary	7	(469)	(352)
Financial income from debt-to-equity swap	22	(60,341)	0
Other non-cash items		1,068	457
Interest expense	13	4,945	12,767
Interest income	13	(2,458)	(1,984)
Income taxes recognized in profit or loss	14	561	892
Operating profit before changes in working capital		**6,814**	**4,358**
Changes in net current assets			
Change in inventories		8,693	15,727
Change in trade receivables and prepayments		5,843	8,534
Change in other receivables and assets		(700)	2,710
Change in trade payables and advances received		833	(8,531)
Change in other liabilities		(363)	4,602
Cash flows from operations before income taxes and interest paid		**21,120**	**27,400**
Income taxes paid		(1,254)	(366)
Interest paid		(3,334)	(5,800)
Interest received		933	1,847
Cash flows from operating activities		**17,465**	**23,081**
INVESTING ACTIVITIES			
Cash outflow as investments in associated companies		0	(42)
Proceeds from disposal of property, plant and equipment		688	447
Acquisition of property, plant and equipment		(845)	(1,275)
Acquisition of intangible assets		(38)	(83)
Cash used in issuance of other financial assets	35	(16,525)	(16,278)
Proceeds from settlement of other financial assets	35	12,720	15,394
Cash flows from investing activities		**(4,000)**	**(1,837)**
FINANCING ACTIVITIES			
Cash capital increase		3,040	0
Proceeds from borrowings		83,284	101,073
Repayment of borrowing		(94,131)	(122,053)
Payment of finance lease liabilities		(400)	(720)
Cash flows from financing activities		**(8,207)**	**(21,700)**
Net increase/(decrease) in cash and cash equivalents		**5,258**	**(456)**
Cash and cash equivalents at beginning of year		1,177	2,342
Effect of exchange rate fluctuations on cash and cash equivalents		858	(709)
Cash and cash equivalents at end of year		**7,293**	**1,177**

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

EUR'000	Notes	Share capital	Additional paid in capital	Foreign currency translation reserve
As of 30 September 2014		**2,025**	**6,000**	**(10,350)**
Reclassifications		0	0	0
Income/(loss) for the year		0	0	0
Other comprehensive income/(loss)		0	0	(6,623)
Total comprehensive income/(loss)		**0**	**0**	**(6,623)**
As of 30 September 2015		**2,025**	**6,000**	**(16,973)**
Reduction in capital	22	(1,944)	(6,000)	0
Non-cash capital increase (debt-to-equity swap)	22	1,539	5,310	0
Cash capital increase	22	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)**

Retained earnings	Equity attributable to majority shareholder	Non-controlling interests	Total equity
3,361	**(27,042)**	**(1)**	**(26,007)**
(27,042)	27,042	0	0
0	(26,577)	(2)	(26,579)
0	0	0	(6,623)
0	**(26,577)**	**(2)**	**(33,202)**
(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**

Ekotechnika AG, Walldorf
NOTES FOR THE FISCAL YEAR ENDED 30 SEPTEMBER 2016

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). Ekotechnika AG shares were first listed on the Duesseldorf Stock Exchange’s primary market on 17 December 2015. For details please refer to the Note 22.

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 mandatorly applicable for the period beginning on 1 October 2015 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 2016.

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 intragroup balances, transactions, unrealized gains and losses resulting from intragroup 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 acquiree are assigned to those units.

2.4 Foreign currencies

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

Currency	Closing balance as of 30 September 2016	Average rate for 16FY	Opening balance as of 30 September 2015	Average rate for 15FY
RUB/EUR	70.8823	75.273	74.5825	64.4817

Rate as of	Average rate
as of 09/30/15	74.5825
Three months ended 12/31/15	72.2723
Three months ended 03/31/16	82.3373
Three months ended 06/30/16	74.3966
Three months ended 09/30/16	72.1531
as of 09/30/16	70.8823

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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

2.6 Revenue recognition

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding 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 straightline 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, 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 writeoff 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: Purchase cost on a cost of individual item
- Spare parts: Purchase cost on a weighted average basis
- 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*

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

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 derecognized as well as through the EIR amortization process.

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

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

Provisions are recognized when the Group has a present obligation (legal or constructive) 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. When the Group expects some or all of a provision to be reimbursed, for example, under a dealership agreement regarding warranty obligations, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the 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.

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 2015:

- *IAS 19 Employee Benefits (Amendment)*
- *IAS 32 Offsetting Financial Assets and Financial liabilities (Amendment)*
- *IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendment)*
- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)*
- *IFRIC Interpretation 21 Levies*
- *IFRS 10 Consolidated Financial Statements*
- *IFRS 28 Investments in Associates and Joint Ventures*
- *IFRS 12 Disclosure of Interests in Other Entities*
- *IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendment)*

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

Due to insignificance of positions the parent company decided for the current year on not to present in separate line items its investment in equity consolidated companies and the respective effects on income separately anymore. The investment amounting to EUR 79 thousand (as of 30 September 2015: EUR 62 thousand) is now included in the position “Long-term loans issued” and the related loss amounting to EUR 59 thousand (2015: EUR 46 thousand) is now included in the line “Financial expenses”. Prior year figures have been amended correspondently.

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 1 Disclosure Initiative (Amendment)*
- *IAS 7 Disclosure Initiative (Amendment)*
- *IAS 12 Recognition of Deferred Tax Assets for unrealized Lossess (Amendment)*
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*
- *IAS 19 Employee Benefits*
- *IFRS 9 Financial Instruments: Classification and Measurement*

- *IFRS 15 Revenue from Contracts with Customers*
- *IFRS 16 Leases*
- *IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Amendment)*
- *IAS 1 Presentation of Financial Statements (Amendment)*
- *Improvements to IFRSs (2010-2012)*
- *Improvements to IFRSs (2011-2013)*
- *Improvements to IFRSs (2012-2014)*

From the before named new standards or amendment to standards only IFRS 9, IFRS 15 and IFRS 16 may have effect on the financials of the Group.

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.

IFRS 15 sets out when and in what amount an entity reporting in accordance with IFRSs shall recognize revenue. In addition, preparers of financial statements are required to provide more informative and more relevant disclosures to users of financial statements. The standard establishes a single, principle-based, five-step model that will apply to all contracts with customers. IFRS 15 was issued in May 2015 and is applicable for financial years beginning on or after 1 January 2018. The Company is currently reviewing the effects of application on the consolidated financial statements.

The objective of IFRS 16 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 recognise 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.

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 2016, management of the Group concluded that there were no indicators of impairment of its assets. As of 30 September 2015 the Group has performed an impairment test for property, plant and equipment and related cash-generating units and did not identify any impairment. See Note 15 for more details.

Estimates and assumptions

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

Writing down of inventories to net realizable value

An assessment of obsolete and slow-moving inventories except for agricultural machinery 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 is based on analysis of future selling prices.

Changes in write down of inventories are recognized within cost of materials in profit and loss. Details are disclosed in Note 17.

Impairment of trade and other receivables

The Group determines an allowance for impairment of accounts receivable at the end of the reporting period. The Group assesses whether objective evidence of impairment exists individually for accounts receivable that are individually significant, or collectively for accounts receivable that are not individually significant. The Group recognizes an impairment loss on an individual receivable or a group of receivable if the loss expectation at initial recognition of the receivables 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 18.

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 2,620 thousand with respect of the corporate income tax as of 30 September 2016 (2015: EUR 1,508 thousand) and EUR 3,787 thousand with respect of value added tax (2015: EUR 36 thousand). Those are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; these obligations are not recorded as the Group’s liabilities.

Warranty provision

As required by the dealership agreements with the manufacturers of agricultural machinery, the Group provides its customers with warranty, which is normally for one 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 2016, warranty provision amounted to EUR 1,451 thousand (2015: EUR 592 thousand).
As of 30 September 2016, reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 1,472 thousand (2015: EUR 568 thousand).

Share capital and debt-to-equity swap

After the decision by the court of Karlsruhe was given as of 30 September 2015 the parent company 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 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). As to the financial recovery that shares in parent company were almost impaired before the transaction and after the recovery they 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 capital increase focuses on their market price which can be traced through the daily stock market data until the bond withdrawal. Therefore, taking into account the evaluatiin 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 bank-ruptcy 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 this results in the direct intake of EUR 6,849 thousand 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.

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 is recognized as debt-to-equity swap
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).

6. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which envisages the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the year ended 30 September 2016 the Group reported net income of EUR 62,303 thousand (2015: net loss of EUR 26,579 thousand) including one off finance income of debt-to-equity swap of EUR 60,341 thousand. The Group's equity as of 30 September 2016 amounted to EUR 12,570 thousand (2015: negative, EUR 59,209 thousand). In the financial years of 2014 and 2015 the business had been increasingly impacted by the economic crisis in Russia, which was related to the drop of the oil price but also the sanctions against Russia following the Ukraine-crisis. Those factors had led to a substantial devaluation of the Russian ruble and a dramatic increase of financing costs in Russia in the year of 2014. The increase of the financing cost were therefore a challenge for the Group as well as the customers, which need financing for the machines sold by the Group. This led to the necessity of the debt-to-equity swap to guarantee the continued existence of the company. For details please refer to the Note 22.

In the course of the reporting period the ruble strengthened against euro from 74.5825 rubles for 1 euro as of 30 September 2015 to 70.8823 rubles to 1 euro as of 30 September 2016, which resulted in foreign currency translation net gain of EUR 430 thousand (2015: net loss of EUR 16,873 thousand). Nevertheless, due to previous problems with rate volatility the management reduced the share of foreign currency loans in the Group's credit portfolio to mitigate the related currency risk.

The inventories have been reduced by 34% as per the balance sheet date. At the same time the continuing work on the outstanding receivables brought serious results represented in decrease of trade receivables by nearly 33% (25% from which is due to decrease of gross trade receivable).

As of 30 September 2016 the Group had current bank loans in amount of EUR 26,796 thousand (2015: EUR 32,449 thousand), including EUR 111 thousand bank interests liabilities. After the restructuring of the bond the crucial condition to prepare the consolidated financial statements on a going concern basis is to secure the prolongation of the short-term bank loans, which is the usual way to external financing in Russia. Subsequent to 30 September 2016 and as of the date of approval of these financial statements, the Group has serviced its debt obligations in a timely manner without breaches of covenants except for described at Note 25, repaid loans, which had come due in an amount of EUR 10,590 thousand, and attracted certain new loans and renewed its existing loans in an amount of EUR 9,639 thousand. The current bank loans as per signing date amounted to approximately EUR 27,791 thousand. Undrawing credit limits of the Group as of 30 September 2016 were EUR 28,855 thousand (2015: EUR 45,932 thousand).

There is a proportion of short-term loans that have to be renewed when they fall due. The management today believes that the renewal of those loans will be possible also in the current market conditions. This is also supported by the fact that the main operative entities in Russia earn positive operating cash flow in local currency on an aggregate basis sufficient to serve the debt.

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 based on this management believes that the Group will be able to secure sufficient resources to continue its operations in the foreseeable future.

7. SUBSIDIARIES

These consolidated financial statements 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 2016	As of 30 September 2015
OOO "EkoNivaTechnika- Holding"	Moscow, Russia	Holding	99.99%	99.99%
OOO "EkoNiva-Chernozemie"	Voronezh, Russia	Machinery sales	99.99%	99.99%
OOO "EkoNiva-Sibir"	Novo-Sibirsk, Russia	Machinery sales	99.99%	99.99%
OOO "EkoNiva-Farm"	Tula, Russia	Machinery sales	0.00%	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%

On 23 June 2016 OOO EkoNiva-Farm was sold to OOO EkoNiva-APK Holding, a related party under common control, for RUR 10 000 thousand; the net assets of OOO EkoNiva-Farm on this date amounted to EUR 3 thousand (Note 35), which resulted in gain of EUR 469 thousand recognized in other financial income. In the prior year OOO NivaStroy was sold to OOO EkoNiva-APK Holding, a related party under common control, for RUR 10 thousand; the net liabili-ties of OOO NivaStroy on this date amounted to EUR 257 thousand, which resulted in gain of EUR 352 thousand recognized in other operating income. In 2015 financial year OOO EkoNIva-Kostroma and OOO EkoNiva-Vyatke were liquidated and EkoNiva-Vladimir and OOO EkoNiva-Ryazan were merged into OOO EkoNiva-Kaluga.

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

8. REVENUES

Revenue comprises the following:

	2016 EUR'000	2015 EUR'000
Sale of agricultural machinery	76,741	69,040
Sale of spareparts	35,672	31,888
Sale of lubricants	2,478	2,614
After-sale services	2,321	3,677
Construction services	-	1,819
	117,212	**109,038**

9. OTHER OPERATING INCOME

Other operating income in comprised as follows:

	2016 EUR'000	2015 EUR'000
Reimbursement of guarantee costs	1,750	958
Income from contractual fines and penalties	552	516
Reimbursement of marketing expenses	325	309
Currency remeasurement gain	261	813
Rent income	88	139
Gain on FA disposals	49	112
Other income	309	786
	3,334	**3,633**

10. COSTS OF GOODS AND SERVICES SOLD

Costs of goods comprise the following:

	2016 EUR'000	2015 EUR'000
Cost of agricultural machinery	64,247	56,225
Cost of spare parts	27,003	24,161
Cost of lubricants	1,971	1,877
Cost of rendering construction services	-	1,382
	93,221	**83,645**

11. PAYROLL EXPENSES

Personnel costs break down as follows:

	2016 EUR'000	2015 EUR'000
Wages and salaries	4,550	4,837
Bonuses	3,315	3,603
Social and pension costs	1,710	1,952
	9,575	**10,392**

The total salaries and social and pension costs of key management personnel in the year ended 30 September 2016 comprised EUR 1,146 thousand (2015: EUR 940 thousand) and EUR 82 thousand (2015: EUR 158 thousand), respectively.

The average number of staff in the Group during the year ended 30 September 2016 was 499 employees (2015: 558). Of these 170 (2015: 185) work in administration, 166 (2015: 220) in customer service, and 163 (2015: 153) in sales department.

12. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2016 EUR'000	2015 EUR'000
Audit, consulting and legal fees	1,499	2,568
Other taxes	1,080	828
Repairment and maintenance	1,034	502
Marketing and advertising expenses	896	575
Loss from contractual fines and penalties	837	440
Change in warranty provision	780	(9)
Materials for warrantee	710	645
Bad debt expenses/ recovery	674	2,102
Transportation expenses	516	422
Fuel and lubricant expenses	409	516
Rent expenses	370	513
Travel and representation expenses	335	362
Cost of workshops	228	683
Utilities	206	321
Insurance	198	221
Currency remeasurement loss	173	5,662
Bank charges	160	211
Communication expenses	131	204
Other expenses	525	651
	10,761	**17,417**

13. FINANCIAL INCOME / FINANCIAL EXPENSES

Financial income comprises the following:

	2016 EUR'000	2015 EUR'000
Interest income	2,458	1,984
Currency remeasurement gain	343	104
Other financial income	469	92
	3,270	**2,180**

Financial expenses comprise the following:

	2016 EUR'000	2015 EUR'000
Interest expenses	4,945	12,767
Bank charges	725	1,590
Currency remeasurement loss	1	12,128
Other financial expenses	381	202
	6,052	**26,687**

14. INCOME TAX EXPENSE

14.1 Income taxes recognized in the statement of comprehensive income

Income tax expense is constituted as follows:

	2016 EUR'000	2015 EUR'000
Current tax expense Current year income tax expense/(credit)	699	455
Deferred taxes Recognition and reversal of temporary differences	(138)	437
Income tax expense	**561**	**892**

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

	2016 EUR'000	2015 EUR'000
Profit/(Loss) before tax	62,864	(25,687)
Income tax at a tax rate of 25%	(15,716)	6,422
Influence of differences in tax rates of different countries	114	(1,020)
Tax effect due to debt-to-equity swap	15,085	-
Change in unrecognized deferred tax assets	223	(5,182)
Effect of expenses that are not deductible in determining taxable profit	(267)	(1,112)
	(561)	**(892)**

14.3 Composition of deferred tax assets and liabilities

	as of 30 September 2015 EUR'000	Change to profit and loss EUR'000	Foreign currency 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 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 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)**
Total deferred taxes	**(141)**	**138**	**3**	**-**

	as of 30 September 2014 EUR'000	Change to profit and loss EUR'000	Foreign currency translation EUR'000	as of 30 September 2015 EUR'000
Intangible assets	1	(1)	-	-
Property, plant and equipment	6	255	(10)	251
Inventories	4,694	(1,287)	(1,378)	2,029
Short-term financial assets	-	1	-	1
Trade receivables	(4,070)	822	1,233	(2,015)
Other financial assets	-	1	(1)	-
Other short-term assets	36	17	(17)	36
Other long-term liabilities	175	(87)	(44)	44
Provisions	295	240	(135)	400
Trade accounts payable	484	(306)	(118)	60
Advances received	(1,019)	(22)	350	(691)
Other financial liabilities	-	(2)	2	-
Other short-term liabilities	957	(171)	(291)	495
Prepayments	111	(77)	(26)	8
Loss carry forward	485	656	(244)	897
Total	**2,155**	**39**	**(679)**	**1,515**
Valuation allowance	(1,852)	(476)	672	**(1,656)**
Total deferred taxes	303	(437)	(7)	**(141)**

As of 30 September 2016 and 2015, 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 (2015: EUR 0).

As of 30 September 2016, the Group has loss carry forwards amounting to EUR 2,525 thousand (2015: EUR 4,485 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	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Balance as of 30 September 2014	**1,645**	**19,471**	**7**	**7,542**	**3,834**	**2,547**	**1,447**	**129**	**36,622**
Additions	187	(45)	23	1,093	150	111	138	2	**1,659**
Disposals	(19)	(49)	(5)	(43)	(738)	(7)	(291)	(2)	**(1,154)**
Disposal of subsidiaries	-	(61)	-	(216)	(314)	(187)	(15)	(3)	**(796)**
Transfer	-	3,490	-	(3,490)	(86)	79	18	(11)	-
Foreign currency translation	(567)	(6,454)	(5)	(2,446)	397	(1,352)	(317)	9	**(10,735)**
Balance as of 30 September 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 subsidiaries	-	-	-	-	(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**

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 30 September 2014**	**-**	**(1,866)**	**-**	**-**	**(2,143)**	**(822)**	**(697)**	**(117)**	**(5,645)**
Disposals	-	28	-	-	498	7	285	2	**820**
Disposal of subsidiaries	-	28	-	-	207	91	9	2	**337**
Depreciation charge for the year		(953)			(808)	(225)	(304)	(29)	**(2,320)**
Transfer		-			19	(12)	(14)	7	**-**
Foreign currency translation	-	549	-	-	(170)	259	33	54	**726**
Balance as of 30 September 2015	**-**	**(2,214)**	**-**	**-**	**(2,397)**	**(702)**	**(688)**	**(81)**	**(6,082)**
Disposals	-	9	-	-	202	9	107	3	**330**
Disposal 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)**

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 01 October 2015	**1,246**	**14,138**	**20**	**2,440**	**846**	**489**	**292**	**43**	**19,514**
As of 30 September 2016	**1,312**	**16,087**	**14**	**453**	**508**	**470**	**256**	**48**	**19,148**

During 2016 financial year depreciation and amortization charge were EUR 1,661 thousand (2015: EUR 2,320 thousand) for property, plant and equipment and EUR 23 thousand (2015: EUR 77 thousand) for intangible assets.

As of 30 September 2016 and 2015 there were no commitments to acquire property, plant and equipment.

The carrying amount of the assets recognized under finance lease agreements amounted to EUR 169 thousand as of 30 September 2016 (2015: EUR 396 thousand). The leased assets represented by transportation vehicles.

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.

As of 30 September 2015 for the purposes of assets impairment testing, the recoverable amount was determined based on a value in use calculation utilizing cash flow projections as follows:

- cash flow projections were based on actual results of cash-generating units for the reporting period and on the business plan for the next year approved by the Group management;
- cash flows were measured in Russian rubles on the basis of prices as adjusted for inflation;
- in forecasting cash flows stable gross margins were assumed at the level of:
    - Central region – 18%
    - Siberian region – 24%
    - Black earth region – 25%
- the following growth rates were forecasted for the year ending 30 September 2015 with regards of revenue and costs of goods and services sold:
    - Central region – increase of 18%
    - Siberian region – increase of 10%
    - Black earth region – decrease of 20%
- other cash inflows and outflows for the year ending 30 September 2015 were budgeted based on management's best estimates;
- annual growth rate of 5% was projected for the years ending 30 September 2017 - 2020;
- terminal growth rate of 3,5% was applied;
- pre-tax discount rate used in cash flows forecast was 18% as of 30 September 2015.

As a result of impairment testing, no impairment of assets attributable to all cash-generating units was recognized.

Assets pledged as security

The Group's property, plant and equipment with carrying amount of EUR 14,535 thousand as of 30 September 2016 was pledged as a security for the Group's bank loans and borrowings (2015: EUR 12,894 thousand). 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 2016 EUR'000		30 September 2015 EUR'000	
Type	**Interest rate, %**	**Maturity**	**Level**	**Book value**	**Fair value**	**Book value**	**Fair value**
Long-term loans to related parties [35]	9% - 18%	Dec 2017 - Nov 2020	Level 2	10,728	10,743	7,564	7,564
Long-term loans to 3rd parties	5%	Dec 2018	Level 2	10	10	-	-
Other long-term financial assets			Level 2	8	8	147	147
Other long-term financial assets				**10,746**	**10,761**	**7,711**	**7,711**
Short-term loans to related parties [35]	16% - 18%	Mar 2017 - Sept 2017	Level 2	3,390	3,401	1,699	1,729
Short-term loans to 3rd parties			Level 2	-	-	92	92
Short-term loans to employees			Level 2	41	41	35	35
Other short-term financial assets			Level 2	-	-	112	112
Other short-term financial assets				**3,431**	**3,442**	**1,938**	**1,968**
Total				**14,177**	**14,203**	**9,649**	**9,679**

All loans issued are unsecured.

17. INVENTORIES

Inventories comprise the following:

	09/30/2016 EUR'000	09/30/2015 EUR'000
Agricultural machines	9,491	17,416
Spare parts	6,305	6,610
Lubricants	263	243
Other inventory	66	204
	16,125	**24,473**

During the year ended 30 September 2016, EUR 1,334 thousand was recognized as an expense within cost of sales for inventories carried at net realizable value (2015: EUR 5,830 thousand as an income). This expenses are included in material costs.

The Group's goods for resale of EUR 9,120 thousand as of 30 September 2016 (2015: EUR 12,398 thousand) were valued at net realizable value.

Agricultural machinery and spare parts with carrying amount of EUR 12,516 thousand as of 30 September 2016 (2015: EUR 22,559 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:

	09/30/2016 EUR'000	09/30/2015 EUR'000
Trade receivables, gross	14,960	20,349
Allowance for doubtful accounts of Trade receivables	(2,876)	(2,289)
Trade receivable, net	**12,084**	**18,060**

The movement in the provision in impairment of receivables was as follows:

	EUR'000
as of 01 October 2014	**(1,884)**
Charge for the year / Unused amounts reversed	(1,189)
Foreign currency translation	27
Utilised	757
as of 30 September 2015	**(2,289)**
Charge for the year / Unused amounts reversed	(674)
Foreign currency translation	66
Utilised	21
as of 30 September 2016	**(2,876)**

Impairment loss of EUR 674 thousand (2015: EUR 1,189 thousand) is recognized in the statement of comprehensive income under other operating expense.

Trade receivables are mainly non-interest bearing and on terms of 30 to 90 days.

The ageing analysis of trade receivables is as follows:

Ageing of trade receivables	09/30/2016 EUR'000	09/30/2015 EUR'000
Neither past due nor impaired	2,497	6,727
impaired	2,876	2,289
Not impaired but past due	9,587	11,333
less than 30 days	3,445	4,530
30-90 days	2,683	2,966
90-180 days	1,510	1,197
180 days-1 year	911	1,031
more than 1 year	1,038	1,609
	14,960	**20,349**

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

19. PREPAYMENTS

Payments on account in the amount of EUR 906 thousand (2015: EUR 1,937 thousand) represent advance payments to suppliers of agricultural machinery.

20. OTHER SHORT-TERM ASSETS

The other current assets comprise the following:

	09/30/2016 EUR'000	09/30/2015 EUR'000
Other taxes receivable	1,177	815
Other current assets	1,473	628
	2,650	**1,443**

Other taxes receivable are primarily VAT receivable. Other current assets mainly consist of deferred income for reimbursement of warranty provision in amount of EUR 1,472 thousand (2015: EUR 568 thousand).

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	09/30/2016 EUR'000	09/30/2016 EUR'000
Bank balances	1,405	619
Short-term deposits	5,882	-
Cash in transit	-	553
Cash on hand	6	5
	7,293	**1,177**

Short-term deposits were given for 5 days with interest rate of 7%.

22. SHARE CAPITAL AND CAPITAL RESERVES

Due to bondholders' decision taken in May 2015, in October and November 2015 the necessary corporate actions were taken with the company being converted into Ekotechnika AG. The corporate actions were

- the simplified reduction of capital from EUR 2,025 thousand to EUR 81 thousand and reduction of additional paid-in capital by EUR 6,000;
- the increase in share capital by EUR 1,539 thousand and additional paid-in capital by EUR 5,310 thousand in return for contribution in kind (contribution of debt securities in return for an increase in share capital) – for detail please refer to Note 5;
- the difference between carrying amount of bond payable (including interest payable) used for contribution in kind (EUR 6,849 thousand), and the fair value of this financial liability (EUR 68,494 thousnd), in amount of EUR 61,645 thousand is reflected as profit in the statement of comprehensive income;
- the release of provision of the cost for the bond issuance in amount of EUR 1,304 thousand was also shown through profit and loss;
- an increase in share capital by EUR 1,520 thousand and additional paid-in capital by EUR 1,520 thousand in return for a cash contribution (capital contribution to strengthen the company's capital base).

The Company was also converted into a stock corporation. On 17 December 2015, the Ekotechnika shares were first listed on the primary market of the Duesseldorf stock exchange.

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 2016 it amounted to EUR -17,386 thousand (2015: EUR -16,973 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 is given to all Series A/B shareholders proportionally.

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

	2016 EUR'000	2015 EUR'000
Income/(loss) for the year	62,306	(26,577)
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	**19,84**	**(8,46)**
Shares Series A	25,31	(10,79)
Shares Series B	14,59	(6,22)

As comparison figure earnings per share is calculated as if the same number of shares and the same conditions exist during the whole prior year. There have been no other 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 the following:

EUR'000	Warrantee reserve	Other	Total
as of 01 October 2014	**892**	**351**	**1,243**
Charge for the year	684	(128)	**556**
Foreign currency translation	(293)	(68)	**(361)**
Utilised	(691)	(15)	**(706)**
Unused amounts reversed	-	(140)	**(140)**
as of 30 September 2015	**592**	**-**	**592**
Charge for the year [12]	780	-	**780**
Foreign currency translation	666	-	**666**
Utilised	(587)	-	**(587)**
as of 30 September 2016	**1,451**	**-**	**1,451**
Current	1,451	-	1,451
Non-current	-	-	-

25. BORROWINGS

The borrowings comprise the following:

		30 September 2016 EUR'000		30 September 2015 EUR'000	
	Level	**Book value**	**Fair value**	**Book value**	**Fair value**
Bonds issued	Level 1	-	-	66,838	6,684
Non-current bank loans	Level 2	-	-	1,341	1,341
Current bank loans	Level 2	26,796	26,796	32,449	32,449
Current borrowings from other entities	Level 2	690	690	6	6
		27,486	**27,486**	**100,634**	**40,480**

As of 30 September 2016 borrowings received in amount of EUR 14,751 (2015: 13,945) thousand were secured by related parties.

The effective annual interest rates were as follows at 30 September:

	Non-current loans and borrowings		Current loans and borrowings	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
USD	-	-	8,75% – 9,25%	5,43% – 9,25%
RUR	-	-	8,50% – 16,10%	13,00% – 25,00%
EUR	-	10,74%	-	8,50%

In May 2015, the majority of the bondholders at the bondholder's meeting agreed to the debt-to-equity swap and the accompanying measures. In November 2015 the corporate bond was restructured which leads to dramatical drop of the long-term borrowings. For details please refer to the Note 22.

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 certain level of loans and borrowings in the consolidated statement of financial position are not exceeded,
- the Group is obliged not to exceed the level of borrowings in certain banks.

If covenants are breached the borrowers can increase interest rate or demand early repayment. During the years ended 30 September 2016 and 2015 and until the issuance of this financial statement the Group has complied with all the covenants, except covenants for the loans and borrowings in the amount of EUR 1,679 thousand as of 30 September 2016 and EUR 8,805 thousand as of 30 September 2015 which were disclosed in the category "on demand" in Note 33.4. Up to the date of signing these consolidated financial statements, the banks did not claim earlier repayment of the loans or any other penalties.

26. TRADE ACCOUNTS PAYABLES

Trade payables are exclusively comprised of trade payables due to third parties in the amount of EUR 17,505 thousand (2015: EUR 19,372 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 amount of EUR 9,606 thousand (2015: EUR 9,887 thousand) were secured by related parties.

27. ADVANCES RECEIVED

Prepayments received in the amount of EUR 3,465 thousand (2015: EUR 3,643 thousand) represent advance payments from customers.

28. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

	09/30/2016 EUR'000	09/30/2015 EUR'000
Employee benefit liabilities	3,012	3,003
Other financial liabilities	678	826
Short-term finance lease payable	141	292
	3,831	**4,121**

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 2016 long-term finance lease liabilities of EUR 92 thousand (30 September 2015: EUR 153 thousand) were included in other long-term liabilities.

29. OTHER SHORT-TERM LIABILITIES

Other current liabilities comprise the following:

	09/30/2016 EUR'000	09/30/2015 EUR'000
VAT payable	5,541	6,238
Other taxes payable	564	364
	6,105	**6,602**

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 loan payments are as follows:

	30 September 2016		30 September 2015	
	Present value EUR'000	Minimum lease payments EUR'000	Present value EUR'000	Minimum lease payments EUR'000
Not later than 1 year	143	159	292	318
Later than one year and not later than five years	93	100	149	153
More than five years	-	-	-	-
	236	**259**	**441**	**471**
Future interest	22		31	

31. FUTURE OPERATING LEASEPAYMENTS

As of the reporting date, the Group has agreed non-cancellable operating lease contracts which oblige it to pay leasing installments. The pertain almost exclusively to longterm contracts for land and buildings.

The liabilities comprise the following:

	09/30/2016 EUR'000	09/30/2015 EUR'000
Due within one year	310	302
Due within one up to five years	640	589
Due in more than five years	68	103
	1,018	**994**

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.

In the end of 2014 and in 2015, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian ruble, as well as sanctions imposed on Russia by several countries.

The development of the Russian ruble continued to be very volatile during the financial year. On 30 September 2015 the exchange rate was about 74.58 rubles to the euro, but it continued to rise, peaking at up to RUR 90 per euro at the beginning of February 2016. With a closing rate of RUR 70.88 per euro on 30 September 2016, the average rate for the financial year was RUR 75.27 per euro (2015: RUR 64.48 per euro).

On 3 August 2015 the Central Bank of Russia determined the key rate at the level of 11%. During the financial year the key rate was decreased on 14 June to 10,5% and on 19 September 2016 to 10%.

The combination of the above resulted in reduced access to capital, higher cost of capital, increased inflation and uncertainty regarding economic growth. The stabilization of RUR/EUR rate increased through the key rate drop will probably decrease uncertainties. In spite of this, these factors can affect financial position, results and opportunities of the Group. The management believes it is taking appropriate measures to support the sustainability of the Group's business 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 and other 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 loans and receivables denominated in Russian rubles and trade payables denominated in euros and US dollars. The Group did not use derivative instruments to hedge foreign currency risk due to immaturity of this market in the Russian Federation.

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 prices 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 2016 and 30 September 2015.

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 2016						
EUR'000	**Level**	**USD**	**RUR**	**EUR**	**GBP, CNY, CAD**	**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 financial 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 financial 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)**

30 September 2015						
EUR'000	**Level**	**USD**	**RUB**	**EUR**	**GBP**	**Total**
Long-term loans issued	Level 2	-	122	7,589	-	**7,711**
Short-term loans issued	Level 2	-	1,553	385	-	**1,938**
Trade receivable	Level 2	3,037	11,443	3,580	-	**18,060**
Other short-term assets	Level 2	15	262	15	-	**292**
Cash and cash equivalents	Level 1	2	1,156	19	-	**1,177**
Total monetary financial assets		**3,054**	**14,536**	**11,588**	**-**	**29,178**
Long-term loans and credits	Level 1	-	-	60,036	-	**60,036**
Other long-term liabilities	Level 2	-	153	-	-	**153**
Short-term loans and credits	Level 2	10,042	23,482	7,074	-	**40,598**
Trade payables	Level 2	1,990	11,287	6,095	-	**19,372**
Other short-term liabilities	Level 2	3	3,635	483	-	**4,121**
Total monetary financial liabilities		**12,035**	**38,557**	**73,688**	**-**	**124,280**
Net monetary position		**(8,981)**	**(24,021)**	**(62,100)**	**-**	**(95,102)**

The Group is primarily exposed to risks from changes in the exchange rate between euro (EUR), Russian ruble (RUR) and US dollar (USD).

The following tables demonstrate the sensitivity to a reasonable possible change in US dollar and ruble exchange rates in relation to euro (EUR), with all other variables held constant.

USD/RUR		Change in USD/ RUR rate	Effect on loss before income tax EUR'000
	2016	10.00%	(49)
		-15.00%	73
	2015	36.00%	(3,233)
		-24.00%	2,155

EUR/RUR		Change in RUR/ EUR rate	Effect on loss before income tax EUR'000
	2016	10.00%	711
		-15.00%	(1,066)
	2015	37.00%	(8,888)
		-25.00%	6,005

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 2016 and 2015 of EUR 316 thousand and EUR 5,100 thousand, respectively. Assuming that all other variables stay 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 financing 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 2016, the Group had 2 customers (2015: 3 customers) that owed the Group more than EUR 1,000 thousand each and accounted for approximately 21% (2015: 25%) of all the receivables owed, from which one is a related party under common control (12%) and one is a third party (9%).

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 customers or related parties. 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 medium.

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 2016 and 2015 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.

33.4 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 equipment 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 2016

EUR'000	On demand	Less than 3 months	between 4 months and 1 year	between 1 and 2 years	between 2 and 5 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**

as of 30 September 2015

EUR'000	Bond under restructuring*	On demand	Less than 3 months	between 4 months and 1 year	between 1 and 2 years	between 2 and 5 years	Total
Loans and borrowings	66,837	8,805	10,849	15,032	1,445	-	102,968
Trade payables	-	-	19,372	-	-	-	19,372
Other financial liabilities	-	-	4,121	153	-	-	4,274
Total	**66,837**	**8,805**	**34,342**	**15,185**	**1,445**	**-**	**126,614**

* Obligation from the loan as well as interest were converted after the balance sheet date (30 September 2015) within the scope of a debt-to-equity swaps into company capital. Please refer to the Note 22.

33.5 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).

	09/30/2016 EUR'000	09/30/2015 EUR'000
Loans and borrowings	27,486	100,634
Less: cash and cash equivalents	(7,293)	(1,177)
Net debt	**20,193**	**99,457**
Total capital	12,570	(59,209)
Capital and net debt	**(7,623)**	**(158,666)**

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2016 and 2015.

According to the Russian legislation, as of 30 September 2016 and 2015 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 2016, OOO “EkoNiva-Kaluga” does not comply with the minimum share capital requirement. OOO “EkoNiva-Kaluga” is planned to be merged with OOO EkoNivaTechnika in the following financial year.

34. SEGMENT REPORTING

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

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

- The Central segment includes activities of subsidiaries in Central region of the Russian Federation.
- The Blackearth Region segment includes activities of subsidiaries in Blackearth region of the Russian 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 2016	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	**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)**
Cost of goods for resale	(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	966	817	801	7,276	(6,526)	3,334
Payroll expenses	(3,111)	(2,471)	(842)	(3,150)	(1)	(9,575)
Depreciation, amortization and impairment	(1,151)	(390)	(131)	(76)	64	(1,684)
Other operating expenses	(4,460)	(6,813)	(3,898)	(1,924)	6,334	(10,761)
Results from operating activities	**754**	**633**	**1,196**	**2,765**	**(43)**	**5,305**

Year ended 30 September 2015	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	**51,633**	**43,180**	**11,955**	**7,335**	**(5,065)**	**109,038**
Sales of goods for resale - third parties	47,637	40,978	11,191	3,918	(182)	103,542
Sales (all) - Group companies	2,889	1,342	(888)	1,657	(5,000)	-
Construction revenue	-	-	-	1,734	85	1,819
Revenue from rendering of services	1,107	860	1,652	26	32	3,677
Cost of goods and services sold	**(39,196)**	**(31,216)**	**(9,322)**	**(5,427)**	**1,516**	**(83,645)**
Cost of goods for resale	(39,196)	(31,216)	(9,322)	(3,639)	1,110	(82,263)
Cost of construction contracts	-	-	-	(1,788)	406	(1,382)
Gross profit/(loss)	**12,437**	**11,964**	**2,633**	**1,908**	**(3,549)**	**25,393**
Other income	1,310	640	322	3,839	(2,478)	3,633
Payroll expenses	(4,015)	(2,307)	(1,088)	(3,054)	72	(10,392)
Depreciation, amortization and impairment	(1,453)	(539)	(231)	(218)	44	(2,397)
Other operating expenses	(10,765)	(6,024)	(1,869)	(3,591)	4,832	(17,417)
Results from operating activities	**(2,486)**	**3,734**	**(233)**	**(1,116)**	**(1,079)**	**(1,180)**

	2016 EUR'000	2015 EUR'000
Result from operating activity	**5,305**	**(1,180)**
Financial income from debt-to-equity swap	60,341	-
Financial income	3,270	2,180
Financial expenses	(6,052)	(26,687)
	62,864	**(25,687)**
Income tax expense	(561)	(892)
Income/(Loss) for the period	**62,303**	**(26,579)**

In the financial year 2016 two customers made 15% of Central segment revenue (2015: 2 customers made 25% of revenue), 1 customers made 21% of Siberian segment revenue (2015: 1 customer made 15%) and two main customers made 22% of Black Earth segment revenue (2015: 2 customers made 17%).

35. 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:

		Sale of agricultural machinery	Sale of spareparts	Revenue from rendering of consruction services	Sale of lubricant products	Revenue from rendering of services	Purchase of goods and other services	Other income
Entities under common control	**2016**	3,617	6,022	-	305	57	(1,899)	55
	2015	4,964	5,285	1,714	251	31	(473)	731

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

		Trade receivable, other financial assets and other short-term assets	Trade accounts payable, other financial liabilities and other short-term liabilities
Entities under common control	09/30/2016	3,881	585
	09/30/2015	5,886	1,860
Key management personnel	09/30/2016	-	463
	09/30/2015	-	532
Total	09/30/2016	**3,881**	**1,048**
	09/30/2015	**5,886**	**2,392**

Financing and investment activities

The Group companies conducted the following financing transactions with related companies and persons.

		Long-term loans granted	Short-term loans granted
Entities under common control	09/30/2016	10,643	2,696
	09/30/2015	7,564	1,460
Parent company	09/30/2016	-	621
	09/30/2015	-	223
Associates	09/30/2016	88	73
	09/30/2015	62	16
Total	09/30/2016	**10,731**	**3,390**
	09/30/2015	**7,626**	**1,699**

		Interest income	Interest Expenses
Entities under common control	2016	1,641	-
	2015	1,767	3
Parent company	2016	410	-
	2015	678	-
Associates	2016	6	-
	2015	11	-
Key management personnel	2016	-	34
	2015	-	-
Total	2016	**2,057**	**34**
	2015	**2,456**	**3**

		Short-term borrowing
Entities under common control	09/30/2016	-
	09/30/2015	1
Key management personnel	09/30/2016	169
	09/30/2015	-
Total	09/30/2016	**169**
	09/30/2015	**1**

EUR 15,208 thousand (2015: EUR 13,275 thousand) of loans were issued to the related parties during the year ended 30 September 2016, which is included into the line "Cash issuance of other financial assets" in the consolidated cash flow statement. During the year ended 30 September 2016 the Group received settlement of loans issued to related parties of EUR 12,578 thousand (2015: EUR 12,028 thousand), which is included into the line "Proceeds from settlement of other financial assets" 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 2016 amounted to EUR 0 thousand (2015: EUR 3,232 thousand).

On 23 June 2016 the Group sold its subsidiary OOO EkoNiva-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).

On 30 September 2016 the Group had guarantees outstanding in a carrying amount of EUR 48 thousand (2015: EUR 74 thousand). The guarantees are issued in favor of companies of Ekosem-Agrar group, the related party, to support the sale of machines from the group. As per the date of issuing these financial statement management doesn't expect that a party holding the warrantee will demand any payment.

Management remuneration is covered in Note 11.

36. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

There were no important events after the balance sheet date.

37. AUDITOR'S FEE

The fee for the annual audit (total remuneration plus expenses without VAT) recorded as an expense in the year ended 30 September 2016 was EUR 195 thousand (2015: EUR 174 thousand).

38. RELEASE

The consolidated financial statement of Ekotechnika AG for the financial year from 1 October 2015 to 30 September 2016 was not approved yet and is released for publication by executive management only preliminary, unaudited and subject to change (which can be significant) on 27 December 2016.

Walldorf, 27 December 2016

Stefan Dürr
Managing director

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 2015 to 30 September 2016. 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 2015/2016 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, 30 December 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kausch-Blecken von Schmeling	Titov
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Contact:
Ekotechnika AG
Johann-Jakob-Astor-Str. 49
69190 Walldorf
T: +49 (0) 6227 3 58 59 60
E: info@ekotechnika.de
I: www.ekotechnika.de