EKOTECHNIKA

ANNUAL REPORT

from 1 October 2018 to 30 September 2019

Modern equipment for efficient farming

CONTENT

FOREWORD OF THE EXECUTIVE BOARD

STEFAN DÜRR
Chairman of the Board

BJOERNE DRECHSLER
Board member

Next year we expect to grow again also in the tractor segment, where we assume a considerable investment backlog, which should benefit our market-leading position.

Dear shareholders and business partners, dear employees,

The general conditions in Russia's agricultural sector remained positive in the past financial year, with good grain prices and a solid harvest ensuring satisfied farmers. Especially in southern Russia, however, investments were made mainly in additional land, which is why sales of new agricultural machinery fell short of our expectations. While sales of tractors were much lower than in the previous year, the decline was almost offset by strong growth in telescopic handlers, soil tillage and silage equipment, where we benefited from Ekotechnika's diversified product portfolio. Spare parts sales and service revenues were mostly stable and satisfactory. Next year we expect to grow again also in the tractor segment, where we assume a considerable investment backlog, which should benefit our market-leading position.

Besides the new machinery segment, we intend to grow primarily our service operations in the current financial year by building up new distribution centers and expanding our range of services. Another focus will be placed on smart farming, our youngest business segment. Following two successful test projects for optimized fertilization and sowing, this segment will launch crop protection and soil management tests and integrate additional pilot customers in 2020. Overall, we consider the wide range of services offered by the Ekotechnika Group to be an important competitive edge, which allows us to offer our customers optimum support from a single source.

In November, we entered additional regions in northwest Russia and Altai, for which we have won the tender from John Deere. The regional expansion makes the sales territories served by Ekotechnika more homogeneous, enabling more consistent pricing, especially for service and spare parts. In addition, it is possible to manage the new regions without further increasing administrative resources, thus directly enhancing our productivity. This makes Ekotechnika more competitive and will increase the sales and earnings opportunities already in the next season. Our other mainstay, forestry machinery, will also make a greater contribution to revenues in the current financial year.

For the 2019/2020 financial year, we currently project sales revenues in excess of EUR 200 million and gross profit of around EUR 30-33 million. EBIT are expected to rise to around EUR 9-12 million.

Ekotechnika will continue to rely on its proven business model in 2020. We are confident that both the regional expansion and the enlarged product portfolio of the Group will have a positive impact in the current financial year and will strengthen our market position in selling imported agricultural machinery.

We thank you for your trust and look forward to the new challenges 2020 will hold for us.

Yours sincerely,

Stefan Dürr   Bjoerne Drechsler

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ekotechnika AG (hereinafter referred to as the **“entity”** or the **“company”**) completed the financial year 2018/2019 successfully. The good results of the past financial year are attributable to positive developments in all business segments of the company. The entity worked intensively on its internal structures in order to enable further growth. The takeover of additional sales territories of the company’s main supplier, John Deere, and the expansion of the new “forestry machinery” business segment deserve special mention.

Cooperation between the Executive Board and the Supervisory Board

In the financial year 2018/2019, the Supervisory Board of Ekotechnika AG continuously monitored the Executive Board and regularly advised it on managing the company. We satisfied ourselves that all actions taken by the Executive Board were legitimate and proper and served the intended purpose. The Executive Board informed us regularly, promptly and comprehensively in written and oral form about all issues of strategy, planning, business development, risk situation and compliance that were relevant to the company and the Group.

The members of the Supervisory Board had ample opportunity to critically examine the reports and resolution proposals submitted by the Executive Board and to make their own suggestions. In particular, we discussed all business processes of importance to the company based on written and oral reports from the Executive Board and checked them for plausibility.

The Supervisory Board gave its consent to individual business transactions where this was necessary due to legal requirements, the articles of association or the rules of procedure for the Executive Board.

The Chairwoman and the Vice Chairman of the Supervisory Board also maintained a close and regular exchange of information and ideas with the Executive Board between Supervisory Board meetings and kept themselves informed of significant developments in the entity. They reported on important findings at the next Supervisory Board meeting.

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

The Executive Board and the Supervisory Board again cooperated very constructively in the financial year 2018/2019, thus ensuring the positive development of Ekotechnika AG.

Supervisory Board meetings

In the year under review, the Supervisory Board held four physical meetings and passed three further resolutions by phone. The subject of all of our regular meetings was the overall development of the company with regard to strategic objectives, including sales revenues and results as well as the financial and earnings position of Ekotechnika AG. In addition, we addressed important projects as well as certain risks of the company as required.

All meetings were attended by all members of the Supervisory Board. The work of the Supervisory Board was characterized by an open exchange of information. At all meetings, we reviewed the reports of the Executive Board and discussed the performance of the company as well as strategic issues with the members of the Executive Board; in the past financial year, the focus was on the expansion of the John Deere sales territories. In this context, we always discussed the general economic environment and the business performance of Ekotechnika AG. The members of the Executive Board attended all meetings of the Supervisory Board.

At our Supervisory Board meeting in Ilsenburg on 16 November 2018, we mainly discussed the concrete performance of the company as well as its plans and budgets in the current financial year. To this end, the Executive Board presented the corporate targets for the financial year 2018/2019 to the Supervisory Board and the Supervisory Board subsequently adopted them in a separate resolution in a telephone conference on 28 November 2018. At the meeting on 16 November 2018, we also addressed the addition of new business segments and discussed the status of the company's risk management.

At the physical meeting of the Supervisory Board in Potsdam on 21 January 2019, we discussed the general business development in the first months of the financial year 2018/2019 and, in particular, in detail the separate and consolidated financial statements for 2018/2019 in the presence of the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. As a result, we approved the entity's separate financial statements (HGB) for the financial year 2018/2019, which were thus adopted in accordance with Section 172 Sentence 1 of the German Stock Corporation Act (AktG), and also the consolidated financial statements (IFRS) including the entity's Group management report for the financial year 2018/2019. We also examined the auditor's report on the dependency report in accordance with Section 314 of the German Stock Corporation Act (AktG). In addition, the measures for preparing the ordinary Annual General Meeting of Shareholders on 9 April 2019 were discussed.

The main topic of our resolution passed by phone on 18 February 2019 was the decision on the invitation to the 2019 ordinary Annual General Meeting on 9 April 2019, including the agenda and the necessary resolution proposals of the Supervisory Board.

At our physical meeting in Wiesloch on 8 April 2019, we first dealt with the final preparations for the 2019 ordinary Annual General Meeting, which took place in Wiesloch the next day. Further topics addressed at this meeting included the company's current market environment, the concrete performance of the company in the period from October 2018 to February 2019, developments in the forestry machinery business segment and the "smart farming" project as well as an update on the status of the company's risk management and compliance.

In a resolution passed by the Supervisory Board by phone on 8 May 2019, we decided to extend the term of office of Björne Drechsler as a member of the Executive Board of Ekotechnika AG for a further three years, i.e. until (and including) 28 February 2023. Consequently, it was also decided to renew the employment contract between Mr Björne Drechsler and Ekotechnika AG for another three years.

Our last Supervisory Board meeting in the financial year 2018/2019 took place in Ilsenburg on 8 September 2019. It focused primarily on an intensive exchange between the members of the Executive Board and the Supervisory Board regarding talks with the main supplier, John Deere, to obtain further exclusive sales territories in Russia. The pros and cons of the offer were discussed critically and in detail. After an intensive discussion, the Supervisory Board agreed to follow the proposal of the Executive Board and to accept the offer of John Deere. Other important topics at our Supervisory Board meeting in Ilsenburg were the IFRS financial figures for the first half of the current financial year, the concrete performance of the company in the current financial year and the planning for the financial year 2019/2020. In addition, we again discussed the latest developments in the "smart farming" project as well as the company's risk management and compliance.

Audit of the separate and consolidated financial statements

The consolidated financial statements (IFRS) including the Group management report of Ekotechnika AG for the financial year 2018/2019 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Saarbrücken (hereinafter referred to as the **"auditor"**) and received an unqualified audit opinion with an explanatory note on risks that could jeopardize the continued existence of the company.

With regard to the separate financial statements (HGB) of Ekotechnika AG for the financial year 2018/2019, the company, which is a small corporation in the meaning of Section 267 (1) of the German Commercial Code (HGB), made use of the exemption available under Section 316 (1) Sentence 1 of the German Commercial Code (HGB); the separate financial statements (HGB) were not audited by an auditor.

The separate financial statements (HGB) and the consolidated financial statements (IFRS) including the Group management report for the financial year 2018/2019 as well as the auditor’s report on the consolidated financial statements and the audit documents were forwarded to all members of the Supervisory Board prior to the Supervisory Board meeting on 20 January 2020 so that they had sufficient opportunity to examine them.

The members of the Supervisory Board audited the separate financial statements (HGB) prepared by the Executive Board.

The Supervisory Board discussed the consolidated financial statements for the financial year 2018/2019, the Group management report and the result of the audit in detail in the presence of the auditor on 20 January 2020. At the meeting, the auditor reported on the audit as a whole, the individual focal points of the audit and the main findings of the audit. The auditor answered all questions of the Supervisory Board in detail. In addition, the auditor explained that there were no circumstances that could give cause for concern about their impartiality.

The Supervisory Board agreed with the results of the auditor's audit following its own comprehensive examination of the consolidated financial statements (IFRS) including the Group management report of Ekotechnika AG for the financial year 2018/2019.

After completion of its audit, the Supervisory Board approved, on 20 January 2020, the separate financial statements (HGB) of Ekotechnika AG prepared by the Executive Board for the financial year 2018/2019. The separate financial statements (HGB) were thus adopted in accordance with Section 172 Sentence 1 of the German Stock Corporation Act (AktG). On 20 January 2020, the Supervisory Board also approved the consolidated financial statements (IFRS) including the Group management report of Ekotechnika AG for the financial year 2018/2019.

On this basis, the Supervisory Board concurred with the Executive Board's proposal for the appropriation of the net profit.

Dependency report

The Executive Board submitted the related party disclosures (“dependency report”) prepared in accordance with Section 312 of the German Stock Corporation Act (AktG) to the Supervisory Board. The Supervisory Board examined the dependency report in accordance with Section 314 of the German Stock Corporation Act (AktG).

The Supervisory Board declares that, based on the final result of its own review of the dependency report, there are no objections to the dependency report and the final declaration of the Executive Board on related party relationships contained therein.

The Supervisory Board would like to thank all employees of the Ekotechnika Group and the members of the Executive Board for their efforts and achievements and their extraordinary commitment in the successful financial year 2018/2019.

We would also like to thank you, our shareholders, for your trust.

Walldorf, January 2020

On behalf of the Supervisory Board

Olga Ohly
Chairwoman of the Supervisory Board

EKOTECHNIKA AG, Walldorf
Group management report as of 30 September 2019

CONSOLIDATED MANAGEMENT REPORT

1. BACKGROUND OF THE GROUP

Ekotechnika AG, headquartered in Walldorf, is the German holding company of the EkoNiva-Technika Group, the largest distributor of international agricultural machinery in Russia. Ekotechnika's main business lies in selling new agricultural machinery such as tractors and combines. The main partner and principal supplier is John Deere, the world's largest and market-leading manufacturer of agricultural machinery. In the financial year 2018/2019, the Ekotechnika Group generated sales revenues of EUR 160 million and earnings before interest and taxes (EBIT) of EUR 11 million.

1.1 Business model of the Group

The business activities of the Ekotechnika Group, hereinafter referred to as "Ekotechnika" or "the Group", comprise trading in agricultural machinery and, since the end of 2018, forestry machinery, the sale of spare parts and the provision of services. In addition, the Group is actively developing smart farming services and products, for which a huge potential market is assumed to exist.

The Group's output market is Russia, where Ekotechnika meanwhile employs around 570 people at 23 locations in the five regions of Central Russia, Voronezh, Siberia, North West and Altai. On the Russian market, the Group's companies operate under the EkoNiva-Technika brand.

EkoNivaTekhnika-Holding

99 employees

EkoNiva-Tekhnika

213 employees

Representative offices: Smolensk, Ivanovo and Yaroslavl oblasts

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

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

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

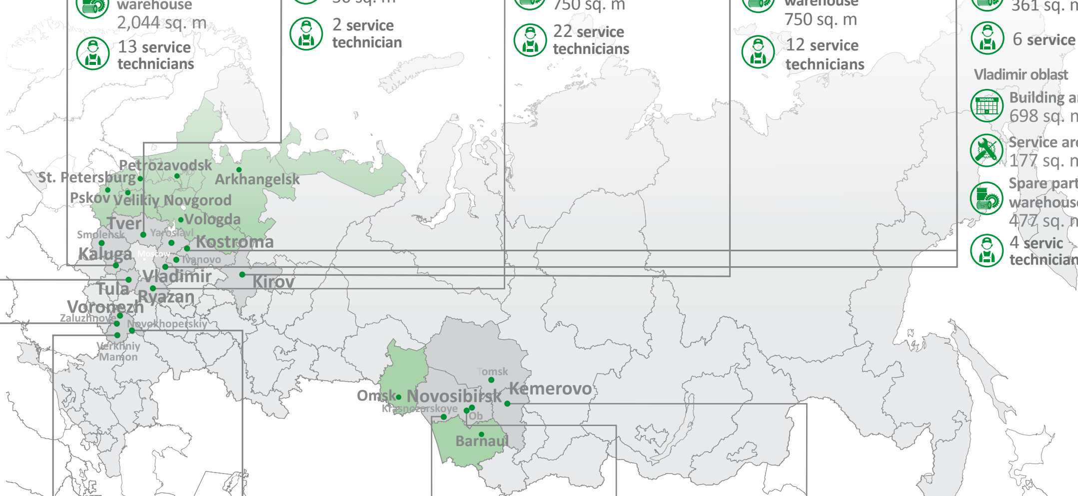
Ryazan oblast
(Ryazan branch)
- Building area 2,500 sq. m
- Service area 800 sq. m
- Spare parts warehouse 750 sq. m
- 22 service technicians

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

Kostroma and Vladimir oblasts
(North East)

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

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



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

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

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

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

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

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

EkoNiva-Chernozemye

176 employees

EkoNivaSibir

82 employees

Representative office: Tomsk oblast

As per 09/30/2019 (13 locations)

Dark grey areas = Existing sales territories
Green areas = New sales territories and locations since 1 November 2019 (preliminary figures)

New Machinery is Ekotechnika's core business. Deere & Company, Moline, Illinois, USA, the world's largest and market-leading supplier, is the company's principal supplier. Ekotechnika is one of the largest John Deere dealers in Russia and Europe. John Deere products accounted for 59% (2018: 66%) of new machinery sales in the past financial year. The product portfolio also includes agricultural machinery from other leading manufacturers such as JCB, UK (telescopic loaders), Väderstad, Sweden (tillage equipment), Grimme, Germany (potato harvesting equipment), Sulky, France (fertilizer spreaders), and Fliegl, Germany (agricultural trailers). Some of the Group's products are now manufactured or assembled in Russia by local subsidiaries of foreign suppliers. Agricultural machinery and spare parts are partly also sourced in Western Europe or North America.

Since the end of 2018, the Group has been active in the market for forestry machinery. For this purpose, operating company EkoNivaTechnika signed a strategic partnership agreement with Tigercat Industries (Canada) for the exclusive sale of forestry machinery in the existing sales regions of Central Russia, Voronezh and Siberia. In addition, trade in used machines is becoming more and more important as many key customers renew their existing fleets, which increasingly requires trading-in.

Ekotechnika's **Spare Parts segment** currently offers a comprehensive portfolio of spare parts at 23 locations. The spare parts warehouses are usually integrated into the company's service centers in strategic locations. They stock over 35,000 original spare parts from all brands of the new machinery sector, which are transported directly and speedily to the customer's site by the company's fleet of service vehicles whenever required. Thanks to optimized warehouse management, the inventory turnover rate has increased significantly over the past years and currently stands at 4.7. The constant increase in the number of state-of-the-art machines in the sales territory allows the Group to successively expand this business segment and to benefit from the continuously growing demand for spare parts. Gross profit margins in the spare parts business are much higher than those for new machinery, which is typical for this industry.

Ekotechnika's **Customer Service** offers not only regular maintenance of agricultural machinery but also repairs in the event of technical defects as well as the replacement of wear parts. Due to the typically long distances in Russia, a lot of work takes place directly at the customer's site. Similar to its spare parts operations, the Ekotechnika Group is also expanding the activities of its Customer Service segment. For instance, the company has introduced strategies and service activities for John Deere and JCB machines, such as engine overhauls as well as remote maintenance and diagnostics.

Smart Farming is the Group's latest business segment. It will make the company fit for the digital future and help it leverage the opportunities arising in this market. State-of-the-art technologies such as N-sensors, drones, yield maps, satellites and soil scanners allow the soil to be analyzed in detail. The data obtained this way makes it possible to adapt both the sowing and the fertilization to the specific type of soil, which helps save resources and cut costs. Ekotechnika is currently developing products to make this expertise available to its customers.

1.2 Objectives and strategies

There is still strong demand for state-of-the-art machines and new technologies in the Russian agricultural machinery market. Local manufacturers benefit not only from favorable manufacturing conditions but also from government subsidies, which leads to fierce competition. In many areas, however, Russian or locally produced machines cannot compete with the technological standard of machines produced by international market leaders.

Ekotechnika Group therefore relies on its proven business model, i.e. the sale of imported agricultural machines from renowned manufacturers such as John Deere, which are characterized by high quality, productivity and durability. Most importantly, Ekotechnika's customers appreciate the close integration of the company's different business segments, i.e. new machinery, spare parts, service and, increasingly, smart farming. The wide range of services offered gives the Group an important competitive edge and ensures that customers benefit from optimum support from a single source. The state-of-the-art spare parts warehouses and the broad logistics network are designed to provide farmers with fast and reliable on-site assistance. Ekotechnika continuously invests in training and further education for its employees to ensure its customers get the best possible service and advice at all times. As digitization progresses, continuous human resources development is becoming particularly important in the new Smart Farming segment.

The new regions make the sales territories served by Ekotechnika more homogeneous, enabling more consistent pricing, especially for service and spare parts. In addition, it is possible to manage the new regions without further increasing administrative resources, thus directly enhancing productivity. The existing structures can be utilized more effectively and further synergies are created in the administrative area. This makes Ekotechnika more competitive and increases the sales and earnings opportunities already in the next season both for the company's traditional new machine and spare parts operations and, going forward, also for the Smart Farming segment.

Moreover, the company has signed up new suppliers in the soil tillage sector with the European manufacturers Bednar and Gregoire Boissons, which further round off the entire product portfolio.

1.3 Control system

Corporate planning and control is primarily based on the following financial performance indicators: sales revenues, gross profit as well as earnings before interest and taxes (EBIT; operating result). For a dealer of international agricultural machinery, spare parts and services, sales revenues primarily depend on the machines and spare parts sold and the services provided. The New Machinery segment currently accounts for approx. 67.8% of sales revenues. The Ekotechnika Group aims to successively expand the profitable and less volatile Spare Parts, Customer Service and Smart Farming segments.

1.4 Research and development

In the 2017/2018 season, the company teamed up with John Deere to launch the "Lead Farms" project in the Voronezh region. In the context of the project, new smart farming technologies were tested on a total area of close to 1,000 hectares under real-life conditions. The project was extended to 3,000 hectares of actively managed land last season. In this context, the company developed a new scalable concept, which is even more strongly adapted to the specific conditions in Russia. The concept was used to test variable fertilization and optimized sowing for wheat, corn and forage maize during the last farming season. Application maps were created based on satellite maps, plant models as well as weather and soil data. These maps show the potential yields for specific areas and enable precise adjustment of sowing intensity and fertilizer quantities. Another important aspect was the documentation and the associated quality control of the work carried out, which also entail high efficiency potential.

In the coming season, the company plans to further expand the tests of the "Lead Farms" project, with another focus placed on crop protection and soil management. Besides fertilization and sowing, these are the biggest levers for increasing yields and cutting costs through the use of smart farming technologies. Moreover, the applications described above will be rolled out to other pilot customers. The development of marketable products is a long-term process and Ekotechnika is among the pioneers in this sector in Russia.

2. ECONOMIC REPORT

2.1. Economic environment

Overall economic trend

In its latest forecast of October 2019, the International Monetary Fund (IMF) projects global economic growth to decline from 3.6% in 2018 to 3.0% in 2019. Economic growth in the industrialized countries amounted to 2.3% in 2018, with a growth rate of 1.7% forecast for 2019. Economic output in the emerging and developing countries grew by a strong 4.5% in 2018. An increase by as much as 3.9% is projected for the current year 2019. Within the group of emerging and developing countries, the Russian economy is expected to grow by a relatively low 1.1% in the current year 2019, down from 2.3% GDP growth in 2018.

In December 2018, the Russian central bank raised its key interest rate from 7.5% to 7.75%. It stayed at this level in the first six months of 2019 and was reduced to 7.5% in June 2019, to 7.25% in July and to 7.00% in early September 2019. After a further rate cut in October 2019, it stood at 6.50% at the time the present report was prepared – the lowest level in six years.

The Russian inflation rate rose from 3.8% to 5.3% between the end of 2018 and March 2019. It has since moved downward and reached 3.5% in November 2019 (source: Tradingeconomics), which means it is back below the Russian central bank's inflation target of 4.0%.

The RUR/EUR exchange rate stood at RUR 75.9877/EUR at the beginning of the financial year in October 2018, and RUR 70.3161/EUR at the end of the financial year (30 September 2019). The average rate for the financial year was RUR 73.8580/EUR. The exchange rate reached its low of RUR 70.0193/EUR on 25 September 2019, down from a high of RUR 79.6581/EUR on 29 December 2018.

The RUR/USD exchange rate was RUR 65.5906/USD at the beginning of the financial year and RUR 64.4156/USD at the end of the financial year. The average exchange rate for the financial year 2018/2019 was RUR 65.4326/USD. It fell to a low of RUR 62.5229/USD on 26 June 2019, down from a high of RUR 69.5218/USD on 29 December 2018.

Russian agricultural and farming equipment market

The general environment for the agricultural sector was characterized by good grain prices and a harvest that was in line with projections. The situation in the traditional grain regions was thus promising, although investments were made primarily in additional land, especially in the southern regions. Sugar beet and sunflower prices remained at a low level and put agricultural producers under great pressure, especially in the Chernozem region, where investment activity declined sharply. By contrast, prices for poultry and pork were stable and milk prices very good. This was particularly noticeable in the northern regions in the form of higher growth.

Development in the Russian market for agricultural machinery was moderate in the past financial year. The tractor market contracted by 12%, especially in the large tractors segment of 250-350 hp (source: AEB Report 2019). The market for combines grew last year, but only in the locally produced machinery segment.

Generally speaking, the Russian agricultural machinery market can be divided into two segments: Russian, locally manufactured machinery (approx. 70% in total) and imported foreign machinery. The largest manufacturer of locally made products is Rostselmash with a market share of around 70% in the combine market. In 2016, the company also started a production line for larger tractors (Versatile) in their local production. For this purpose, an entire production line was transferred from Canada to Russia and significant quantities of tractors were already produced in Russia in 2018. The tractor is a simple and standard quality product, which does not have the technological level of John Deere tractors, but is an alternative for a certain variety of application, e.g. transport works. Rostselmash has access to all government support programs and subsidized finance programs. Another manufacturer is Kirovez (40% market share for tractors). Sales of all imported tractors declined in the past financial year. Claas has a local manufacturing site in Krasnodar and produces combines in Russia. This has enabled the company to gain access to the "1432" program and to financing through the Rosagroleasing facilities (see below). This had a very strong impact on the competitiveness of pricing and financing costs. Ekotechnika Group's main supplier, John Deere, has two sites in Russia, one assembly plant close to Moscow and another plant in Orenburg but no access to the “1432” program or Rosagroleasing finance so far.

The market for imported tractors with over 160 hp contracted by 12.6% to 1,396 units in the financial year. John Deere’s share of the total market decreased slightly from 36.5% to 33.5%. The main competitors, AGCO and CNH, were able to gain further market share at the expense of Claas and John Deere. The main reason for this was the very competitive price and financing situation (source: AEB Report 2019).

In the combine market, which has grown by an average 2% in the twelve months since October 2018, Claas increased its market share from 58.3% to 61.9%. All competitors lost market share, most notably John Deere from 22.2% to 17.5%. The reason for this was the inclusion of combines produced by Claas in Russia in the government subsidy program for manufacturer support and governmental leasing programs. As a consequence, the years can no longer be compared, as imported technology is mixed with locally produced technology.

Furthermore, the market trend of consolidation towards large agroholdings continues, resulting in a growing share of business with strategic key accounts. This has a negative effect on margins in the new machinery segment, while at the same resulting in higher volatility as purchases are increasingly made in the form of tenders. Management currently expects this trend to continue, though. This challenges the Group to find the right approach to this type of customers and their special demands and conditions. In particular, a growing focus is being placed not only on the cost of acquisition but on the total cost of ownership over the lifetime of a machine. This should have a positive effect on Ekotechnika, which is also well positioned in the aftermarket.

The 1432 program

The 1432 program was introduced in 2013 and is planned to continue until 2020. The aim of this program is to support local manufacturers of agricultural equipment. Any manufacturer who meets the requirements of the program receives a 15% subsidy on the manufacturing costs and can offer their equipment at this additional discount. The program peaked in 2017 with nearly RUR 16 billion in support. In 2018, government support totaled roughly RUR 10 billion. The original budget draft for 2019 in the amount of RUR 2 billion was increased to RUR 12 billion. The program remains subject to further changes and it is very difficult to predict both the volume and the duration. For 2020, RUR 7 billion are currently earmarked in the budget, which would reduce support to 7%. However, management expects the program to be discontinued after 2020 (source: RosSpezmach report №43 (624)).

The Rosagroleasing program

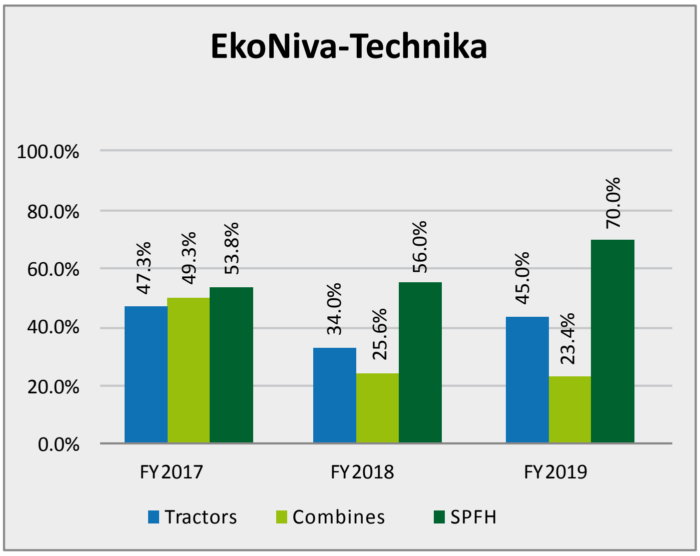
Rosagroleasing is the government leasing company for agricultural producers. It provides commercial leasing and leasing on preferred conditions for certified local manufacturers. Rostselmash, Claas and many other manufacturers of agricultural equipment are approved for this support program. The leasing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

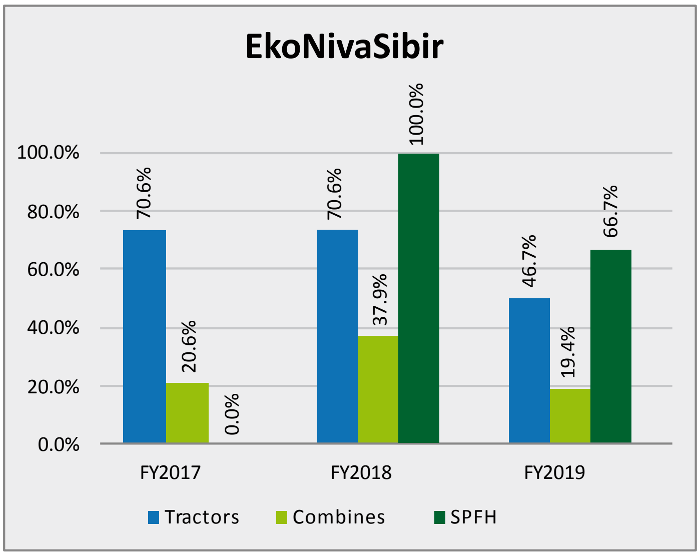
2.2 Business performance

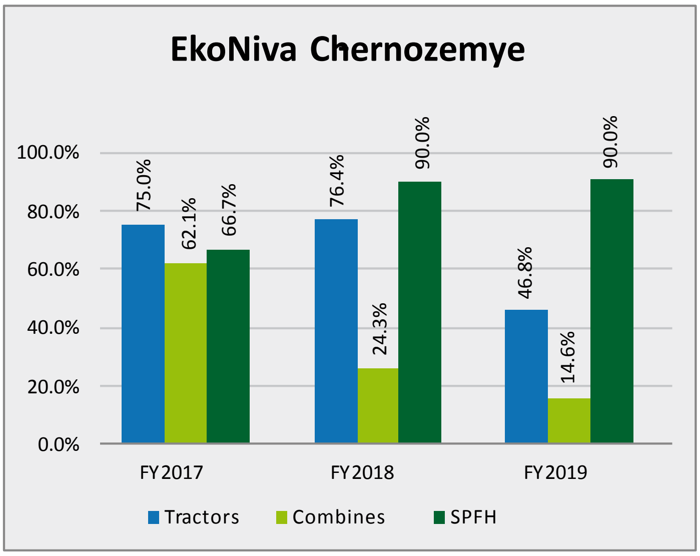
General performance of the Group

Due to the aforementioned developments and overall conditions, Ekotechnika's sales remained slightly below the prior year level. Sales of new machinery, especially of tractors, were very weak in the past financial year. The tractor segment contracted by approx. 30%, while sales of combines and forage harvesters declined from 70 to 62 machines. However, this decline was almost offset by strong growth in telescopic handlers, soil tillage and silage equipment. This shows the importance of a diversified product portfolio and that a good result can still be achieved even in phases of weak market developments. For this reason, management continues to actively work on shaping and expanding the product range towards special and novel applications, many of which are niche solutions and thus generate higher margins.

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







Source: AEB Report 2019 based on John Deere data
(SPFH - self propelled forage harvesters)

The Spare Parts segment performed as planned in the financial year 2018/2019 on a ruble basis, but is subject to fluctuations in pricing, which is partially distorts up the results.

The Service segment showed a positive performance and is at the focus of the Group's efficiency-increasing efforts. In this segment, increasing attention will be paid to customer satisfaction going forward.

2.3 Business performance indicators

Financial performance indicators:

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

- number of machines sold
- revenues
- EBIT

Non-financial performance indicators:

Employees

Apart from technology, the Group's performance largely depends on its employees, who are always in direct contact with customers when selling machines and spare parts and when providing services, and are therefore the company's ambassadors. For this reason, management pays great attention to finding the right skilled labor and retaining and continually developing the company's existing employees. This includes providing regular professional training and personal development seminars. The HR department is very active in this respect, as individual development plans and opportunities are created for each employee. In addition, employees visit the largest agricultural exhibitions (at which the company also exhibits) in Germany and other countries together with customer groups. This way, it is ensured that the employees identify with the company and the products sold. At the end of 2017, Ekotechnika additionally conducted an employee survey, which will be repeated next year, and is permanently working on improving employee satisfaction. Moreover, the company closely works with interns from various Russian agricultural universities; over 100 such interns were trained by the company in the past financial year. This opens up good opportunities to attract and develop young employees.

Organizational structure

Management is actively working on measures to further automate the whole business process by implementing and further developing ERP systems. Especially the electronic document exchange leads to efficiency increases. Another important aspect is the CRM system set up in the past financial year, which is applied to the entire sales process, as well as a mobile app for coordinating after-sales employees, which is already being used. Management plans to increase the number of employees directly involved in sales without increasing the administrative effort. The increase in productivity should enable the company to boost sales without increasing the number of non-operational employees. The number of employees on the reporting date was 570. In addition, the aim is to standardize the structures and processes of the various regional companies and to eliminate unnecessary hierarchy levels. It is also planned to spin off the forestry machinery segment into a separate company within the holding company with a view to ensuring a clear focus on forestry machinery sales.

Customer satisfaction

Customer satisfaction plays a key role in corporate success. Ekotechnika plans not only to conduct a survey of its suppliers but also to carry out active and systematic customer satisfaction surveys in the current financial year. It is intended to anchor the results directly in the em-ployee bonus system. This also supports long-term customer retention and will help to steadily improve the spare parts and service business.

Logistics

The logistics and merchandise management system, which has already been successfully further developed over the past years, will continue to be optimized in the future, while inventory turnover will, in accordance with suppliers' specifications, be brought to a level which at the same time increases economic efficiency and ensures customer satisfaction. In this context, the analysis of inventory levels and the optimization of the ordering process will play a particularly important role.

2.4 Results of operation, net assets and financial position

a) Profit situation

In the financial year 2018/2019 (30 September), the Ekotechnika Groupgenerated **total revenues** of EUR 160,330 thousand (2018: EUR 163,666 thousand), which was within the forecast revenue range of EUR 153 million to EUR 164 million. Sales of agricultural machinery accounted for 67.8% of total revenues and totaled EUR 108,679 thousand (2018: 69.5% or EUR 113,736 thousand). The decline in sales revenues in this business segment was due to the drop in sales of tractors as well as combines and forage harvesters, which was largely, but not entirely, offset by increased sales of other machinery. A total of 206 tractors (planned: 334) and 62 combine harvesters and forage harvesters (planned: 65) were sold in the past financial year. In the previous year, 283 tractors and 70 combines and forage harvesters were sold.

	Actual 2019 Quantity	Budgeted 2019 Quantity	Actual 2018 Quantity
Tractors > 160 hp	206	334	283
Combines and chippers	62	65	70

At 25.1%, spare parts sales made the second biggest contribution to total revenues. Total spare parts sales reached EUR 40,226 thousand in the reporting period, which slightly exceeded the previous year's EUR 39,099 thousand (23.9% of 2018 revenues). At EUR 3,837 thousand, revenues from customer services were also up by a moderate EUR 392 thousand on the financial year 2017/2018 (EUR 3,445 thousand). The continuous increase in revenues from customer services is in line with management's assessment that the volume of services provided is one of the key competitive factors.

EUR'000	FY 2018/19	FY 2017/18	FY 2016/17	FY 2015/16	FY 2014/15
Sale of agricultural machinery and equipment	108,679	113,736	96,249	75,543	69,040
Sale of spare parts	40,226	39,099	42,741	33,896	31,888
Revenue from rendering of services	3,838	3,445	3,034	2,321	3,677
Sale of lubricants	3,387	3,037	2,935	2,478	2,614
Sale of tires	2,393	2,286	1,458	1,776	-
Sale of trade-in machinery	896	1,131	1,156	1,198	-
Sale from intelligent farming solutions	852	932	569	-	-
Sale of forestry spare parts	59	-	-	-	-
Revenue from rendering of construction services	-	-	-	-	1,819
Revenues	**160,330**	**163,666**	**148,142**	**117,212**	**109,038**

At EUR 132,497 thousand, the **purchase costs** of agricultural machinery and equipment as well as spare parts sold was slightly below the previous year's EUR 132,846 thousand.

At EUR 27,833 thousand, **gross profit** (sales less purchase costs of agricultural machinery, equipment and spare parts sold) reached the upper end of the forecast range of EUR 24 million to EUR 27 million (2018: EUR 30,820 thousand; -9.7%).

Other operating income mainly comprises reimbursements of warranty costs as well as exchange gains and amounted to EUR 3,715 thousand in the reporting period compared to EUR 2,946 thousand in the financial year 2017/2018.

Personnel expenses rose by a moderate 5.5% from EUR 9,831 thousand to EUR 10,372 thousand. **Depreciation and amortization** also increased slightly be 10.9% from EUR 1,829 thousand in the previous year to EUR 2,029 thousand in the financial year 2018/2019. **Other operating expenses** declined by EUR 3,887 thousand from EUR 10,968 thousand to EUR 7,081 thousand. This is primarily due to the sharp drop in exchange losses and warranty costs.

At EUR 13,358 thousand, **EBITDA** (earnings before interest, taxes, depreciation and amortization) were up by approx. 18.9% on the previous year (2018: EUR 11,232 thousand). **Earnings before interest and taxes** (EBIT) reached EUR 11,329 thousand, which was slightly above the previous year (2018: EUR 9,403 thousand) as well as above the range of EUR 7 million to EUR 9 million projected by the Executive Board.

The **net financial result** (financial expenses plus financial income) of EUR -3,052 thousand was slightly (EUR 123 thousand) below the level of the prior year (2018: EUR -2,929 thousand) due to lower interest rates.

Earnings before taxes (EBT) amounted to EUR 8,277 thousand (2018: EUR 6,474 thousand). After deduction of tax expenses of EUR 1,315 thousand (2018: EUR 1,650 thousand), **consolidated net income for the year** stood at EUR 6,962 thousand, up by approx. 44% (2018: EUR 4,824 thousand).

b) Financial position

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

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

In the reporting period, operating cash flow before changes in working capital was EUR 11,206 thousand (2018: EUR 14,810 thousand). Operating cash flow after changes in working capital stood at EUR 475 thousand (2018: EUR 8,099 thousand).

After taxes paid in the amount of EUR 1,768 thousand (2018: EUR 1,342 thousand), interest paid in the amount of EUR 3,618 thousand (2018: EUR 3,505 thousand) and interest received in the amount of EUR 472 thousand (2018: EUR 705 thousand), **operating cash flow** stood at EUR -4,439 thousand (2018: EUR 3,957 thousand).

Cash flow from investing activities amounted to EUR -3,426 thousand in the financial year 2018/2019, compared to EUR -7,597 thousand in the previous year.

Cash flow from financing activities amounted to EUR 8,073 thousand in the reporting period (2018: EUR 1,479 thousand).

As of 30 September 2019, cash and cash equivalents totaled EUR 510 thousand (2018: EUR 452 thousand).

c) Net assets position

As of 30 September 2019, **total assets** amounted to EUR 134,520 thousand, up by approx. 24% on the previous year (30 September 2018: EUR 108,179 thousand). The increase in total assets is essentially attributable to the rise in current assets, notably trade receivables as well as inventories.

As of the balance sheet date, **non-current assets** were up by around 14% from EUR 23,422 thousand to EUR 26,800 thousand. Property, plant and equipment amounted to EUR 23,084 thousand as of 30 September 2019 (30 September 2018: EUR 20,374 thousand). In addition, there were long-term loans issued in the amount of EUR 2,358 thousand, compared to EUR 2,671 thousand on the prior year reporting date. The increase is mainly due to the two new service centers under construction in the Voronesh region.

Total current assets increased by approx. 27% from EUR 84,757 thousand to EUR 107,720 thousand as of the end of the financial year 2018/2019. At EUR 46,667 thousand, trade receivables were the largest item (30 September 2018: EUR 33,826 thousand; +38%). This is due to delays in the disbursement of interest-subsidized loans at our major customer Ekosem Agrar. Inventories increased by around 28% from EUR 30,058 thousand to EUR 38,413 thousand. At EUR 18,539 thousand, short-term loan receivables were up by almost 20% on the previous year (30 September 2018: EUR 15,498 thousand).

Ekotechnika Group's **consolidated equity capital** totaled EUR 32,898 thousand in the financial year, up by around 35% on the previous year's EUR 24,304 thousand. This results from the consolidated net income of EUR 6,961 thousand (30 September 2018: EUR 4,821 thousand) and the reduction in the negative reserves from currency translation from EUR 19,060 thousand to EUR 17,286 thousand. The equity ratio stood at 24.5% (30 September 2018: 22.5%).

Total liabilities amounted to EUR 101,622 thousand, up by EUR 17,747 thousand on the previous year (2018: EUR 83,875 thousand). Of this total, EUR 1,453 thousand was accounted for by **non-current liabilities** (30 September 2018: EUR 608 thousand), which are composed of financial liabilities in the amount of EUR 336 thousand (30 September 2018: EUR 178 thousand), other liabilities of EUR 387 thousand (30 September 2018: EUR 393 thousand) and non-current trade payables towards new partner Tigercat Industrials in the amount of EUR 601 thousand (30 September 2018: EUR 0 thousand).

Current liabilities amounted to EUR 100,169 thousand on the balance sheet date, which was about 20% above the prior year level (30 September 2018: EUR 83,267 thousand). The increase is mainly attributable to the increase in current financial liabilities from EUR 32,650 thousand to EUR 44,379 thousand. Current trade payables increased moderately from EUR 40,848 thousand to EUR 41,915 thousand. By contrast, other current liabilities more than doubled from EUR 2,367 thousand on 30 September 2018 to EUR 5,469 thousand on 30 September 2019, mainly due to an increase in VAT liabilities from EUR 2,145 thousand to EUR 5,142 thousand as of the balance sheet date.

On balance, management is not satisfied with the operating performance in the past financial year, especially in the tractor segment. Great attention will have to be paid to pricing and sales activity in order to change this. Performance in the trailer and indoor equipment segment was well above expectations, so that the forecast issued for the current financial year was achieved.

3. OPPORTUNITY AND RISK REPORT

3.1 Opportunity report

Management currently sees the following as the main opportunities (in descending order of materiality):

Performance of the global and Russian agricultural sectors:

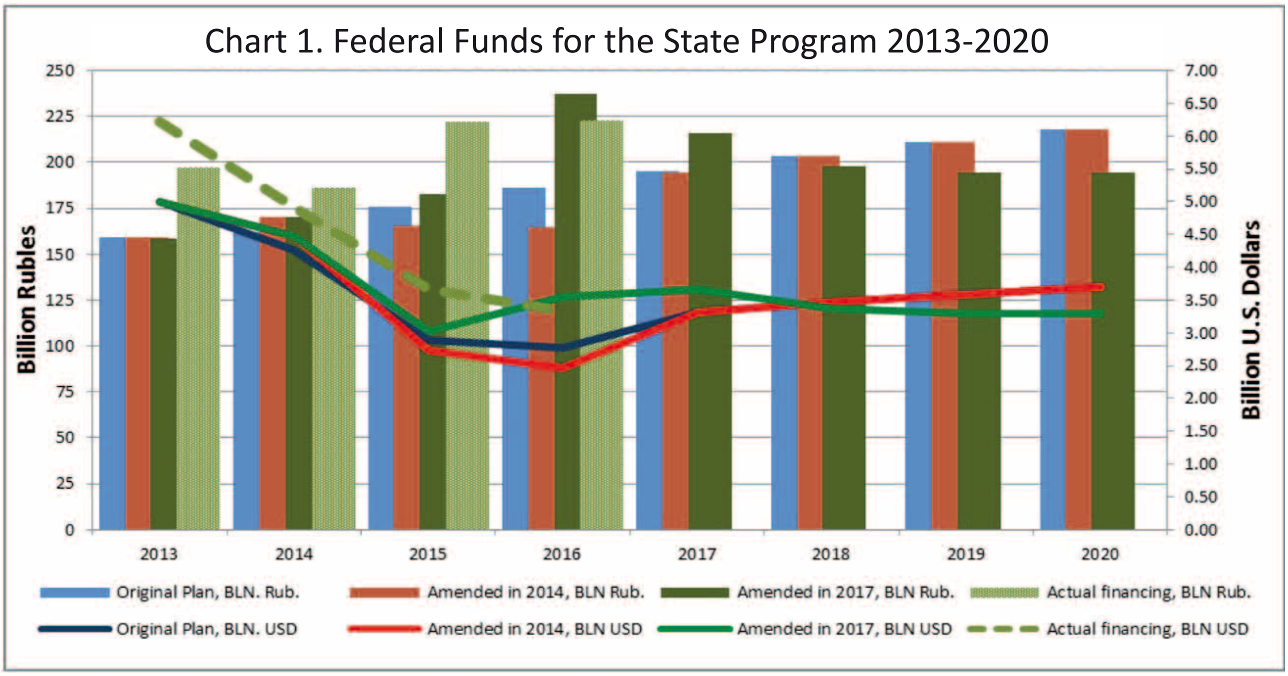
The rising global population and changing eating habits due to rising prosperity or the imitation of Western lifestyles are the main drivers of the positive global development in the agricultural sector. Last but not least, energy production from raw material crops also contributes to an ongoing increase in demand. Agricultural technology makes an important contribution to expanding production and achieving the necessary increase in efficiency. The sanctions imposed by the Russian government in the summer of 2014, namely a ban on food imports from the EU, the US and some other countries, reinforced the need to develop local production. This ban on imports covers dairy products, meat and meat products, fish, fruit and vegetables.

Expansion of sales areas and product portfolios

The expansion of the product portfolio in the context of forestry and smart farming represents an interesting growth perspective. This development is currently still in its beginnings in Russia. In the field of meat and milk production, there are also many possibilities to grow with dedicated machinery.

Investment assistance in Russia:

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



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

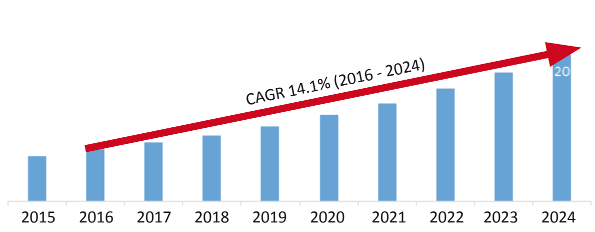
Development of smart farming technology

Smart farming represents the employment of cutting-edge information and communication technology in agriculture. The purpose of smart farming is to create an optimal efficient balance between the cost and the produced goods volume using reasonable specific analysis, planning and observation. Its significance will increase in the future and cause an ultimate impact on customer satisfaction and long-lasting relationship with customers. Goldman Sachs estimates the global market share affected by smart farming to go up to USD 240 billion (source: Goldman Sachs EQUITY RESEARCH | July 13, 2016). Since John Deere, exclusive partner of Ekotechnika Group, is a pioneer in this market sector, the company's management sees particularly high chances to occupy a considerable market share in this sector and is therefore looking into smart farming requirements. Currently, the company is working on the concept of a new department within the structure of Ekotechnika. It is a dedicated Smart Farming department responsible for identifying opportunities and designing IT solutions and products for farming.

A pilot project launched in cooperation with related company Ekosem-Agrar AG will specifically contribute to collecting valuable experience, as smart farming is particularly relevant for the development of large companies. In the 2017/2018 season, the company launched the "Lead Farms" project in the Voronezh region together with John Deere. In the course of the project, the new technologies were tested under real conditions on a total area of almost 1,000 hectares (2017/2018 season) and later 3,000 hectares (2018/2019 season). Variable sowing and fertilizing processes were used on several fields for winter wheat, maize and soy beans, adjusted to the respective soil type. The initial results are very satisfactory. For winter wheat, for example, less fertilizer than the conventional standard quantity was used for the same yield. The ultimate goal for the prior season was to get experience with the different technologies and to acquaint the staff with the new technologies.

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

Global Smart Agriculture Market Size and Forecast, 2015 - 2024 (US$ Billion)



Source: Variant Market Research

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

3.2 Risk report

Risk management system

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

In the framework of the risk management process, Ekotechnika provides a clear definition, classification and evaluation of corporate risks and takes responsibility for them. The company uses the risk management system not only to identify the risks threatening its existence as a going concern but also the risks which do not threaten its existence but can have a significant negative effect on the Group's assets, its financial situation and business results. Besides, the Group has performed a comprehensive identification of risks within the entire company in the financial year 2018/2019.

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

The main risks and uncertainties of the Ekotechnika Group are presented below (in descending order of risk).

Sales risk:

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

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

Financing opportunities and costs for customers and the Group:

In Russia, agricultural machinery is largely financed for the customers of the company via Russian banks and other finance companies. The general economic weakness, sanctions as a result of the Ukraine crisis and the fall in oil prices had dramatic impacts on these financing opportunities, which in turn had a negative effect on banks' financing activities. Most recently, however, the financial conditions have improved. This was mainly due to higher oil prices, improved refinancing conditions offered by Russian banks and lower inflation. Moreover, the interest of professional investors was increased.

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

Development of the exchange rate:

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

Solvency of customers:

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

Government subsidies for farms:

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

Oil price:

The oil price is an important factor influencing exchange rates and the economic trend in Russia. Throughout the financial year, the oil price picked up, which helped to strengthen the RUR exchange rate and to improve the government budget. This, in turn, led to an increase in government subsidies, including those for the agricultural sector. In the past months, the correlation between the ruble exchange rate and the oil price decreased and the Group's management assumes that a potential further increase in the oil price will not influence the ruble exchange rate. As the Russian budget is highly dependent on the oil price, a sharp drop in the latter could have a direct impact on government subsidies.

Taxation of the restructuring profit

As the latest developments in German legislation regarding the tax treatment of restructuring profits have not proved to be entirely clear, the following situation occurred: The nominal amount of the holders' receivables waiver, e.g. within the frameworks of debt-to-equity swaps, from tax authority perspective, means a tax restructuring gain of EUR 57.4 million. Under the procedure of the so-called "resolution on restructuring", the German Federal Ministry of Finance instructed tax authorities to write-off the debt balance under certain conditions after setting off the retained losses, which usually result from taxation of the profit from rehabilitation. In autumn 2016, this approach was deemed as unconstitutional by Supreme authorities. A further "confidence protection decree" of the Federal Ministry of Finance has also been collected by court. As a consequence, the restructuring gains would be fully taxable, which would lead to a tax burden of EUR 5-6 millon. In the meantime, a new legal situation has been created which can be applied retroactively upon application. On this basis, the management considers this risk to be low and unlikely and assumes that the corresponding tax assessments will be in the company's favor.

Competition and reputation loss

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

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

Renewal of credit facilities:

As the Group depends on being able to generate adequate cash and cash equivalents from its operations to cover its liabilities, there is major uncertainty concerning the Group's ability to continue as a going concern. Based on the Group's current plans and taking into account the related uncertainty, management firmly believes that the Group will be able to secure sufficient financial resources to continue its operations in the foreseeable future as of the date of preparation of the consolidated financial statements for the financial year 2018/2019. This also includes the refinancing of bank loans which are due for repayment in 2020 to the extent that these exceed the cash flow from operating activities. The reason for this ongoing refinancing is that the companies of the Group use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis. Management expects that this will continue to be the case in future. If, contrary to management expectations, the company is no longer able to generate adequate liquidity from its operating activities or external financing, or if external financing can only be obtained on significantly worsened terms, the company could face insolvency.

Covenant breaches:

During the financial years ended 30 September 2018 and 2019, the Group complied with all the covenants, except technical covenants relating to the loans and borrowings amounting to EUR 44,281 thousand as of 30 September 2019 and to EUR 32,433 thousand as of 30 September 2018. As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants. Up to the date of publication of the present report, the banks had not exercised this right.

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

4. Forecast

The information on the future business performance presented in this chapter are management projections based on information such as market expectations, strategic decisions, regulatory framework conditions and exchange rate trends. A change in these and other parameters incorporated in the projections may result in adjustments or the non-occurrence of these projections.

Macroeconomic and industry-specific framework conditions

According to the IMF's latest forecast of October 2019, global economic growth – which slowed down in the current year 2019 – will accelerate to 3.4% in 2020. The growth rate for the industrialized economies is expected to stay at the prior year level of 1.7%. Stronger economic growth of 4.6% is projected for the emerging and developing countries. The moderate growth of 1.1% projected for the Russian economy for 2019 is expected to accelerate to 1.9% in 2020.

Developments in the agricultural and farming equipment market

In the 2018/2019 season, which began with the harvest in June, wheat production will weaken from the record grain harvest of the 2017/2018 season. Nonetheless, according to Fitch agribusiness report, the forecast is the third highest for wheat production of all time. In the long term, Russia will continue to expand its share of the global wheat export market. Total grain production in Russia rose from 113 million tons to an estimated 120 million tons in the 2018/2019 season.

The outlook for Russia's agricultural sector (source: Fitch Solutions) remains positive for the years from 2019 to 2023. Grain production in the coming season will remain at the prior year level, and increasing yields per hectare should ensure that production can continue to expand until 2022/2023. The interaction between geopolitics and trade policy will lead to further uncertainty in the dairy and livestock sectors.

In macroeconomic terms, there should be further scope for interest rate cuts aimed at stimulating growth. The central bank recently lowered interest rates to 6.25%. This offers great opportunities for further investment, especially in the capital-intensive agricultural sector. Management assumes that lending conditions will improve and that demand for agricultural machines will pick up in 2020 as many Russian farmers urgently need to invest in new machinery.

Performance of the Ekotechnika Group

The dependency on the geopolitical and macroeconomic situation in Russia makes it very challenging to provide a forecast for the financial year 2020.

The average exchange rate for the reporting period was RUR 73.8580/EUR, slightly higher than the assumptions for the coming year (RUR 73.00/EUR). In its planning for the coming year as a whole, management is anticipating a stable RUR/EUR exchange rate.

Management currently expects revenues of between EUR 200 million and EUR 213 million for the financial year 2019/2020, which would exceed the revenues generated in the 2018/2019 reporting period. This can be explained by the entry into new sales territories in the North West and Altai and the new forestry machinery activities. It should be noted, however, that major orders worth EUR 40 million are also included in the plans and budgets. These are very difficult to predict, though. At 277 tractors (2019: 206) and 47 combines and forage harvesters (2018: 62), the planned sales volume for next year will be higher than in the previous year for tractors and slightly lower for combines and forage harvesters. According to the forecast, selling expenses as a percentage of sales and the gross profit margin will be reduced to around 15% (2019: 17%). Management therefore expects gross profit and EBIT to increase to approx. EUR 30 million to EUR 33 million and to approx. EUR 9 million to EUR 12 million, respectively.

In view of the long-standing and trustful cooperation with John Deere, the management of the EkoNiva Group plans to strengthen this partnership in 2019/2020. The objective is to channel the demand for ever more complex and highly interconnected agricultural machinery solutions and services through close collaboration between manufacturer and dealer and with a clear focus on the target market. This is a further step towards the company's full-line approach and enables it to provide its customers the full scope of equipment for the agricultural operation. As management is constantly on the lookout for new solutions for its customers, the product portfolio will again be expanded in 2019/2020. In addition, the company is considering the possibility of operating in certain areas without John Deere products only on the basis of special products.

Since 1 November 2019, Ekotechnika AG has operated in an expanded business territory in Russia. In October, the company signed an agreement with John Deere. The territories concerned are the Altai and Omsk regions in Siberia as well as Arkhangelsk, Karelia, the Leningrad region, Pskov, St. Petersburg, Veliki Novgorod and Vologda in north-western Russia. The territories form two further large sales regions for Ekotechnika, both of which border on existing regions, including Altai, Russia's second most important agricultural region after Krasnodar. As a result, the business area of the EkoNiva Technika Group now comprises a total of five major regions in Russia.

Another seven locations will be added to the company's service centers in the new territories in the current financial year. This is necessary to cover these areas with an adequate service and logistics structure. The locations were chosen primarily on the basis of the historical John Deere sites in these territories with a view to increasing recognition. At present, only a rent is planned for all these branches, which reduces the depreciation burden and at the same time brings the mix of owned and rented properties to a balanced level. The two service centers under construction in the Voronezh region will be taken into operation in the financial year 2019/2020.

Walldorf, 20 December 2019

Stefan Dürr	Björne Drechsler
Chairman of the Board	Board Member

EKOTECHNIKA AG, Walldorf
Consolidated financial statement for the year ended 30 September 2019

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	09/30/2019 EUR'000	09/30/2018 EUR'000
Non-current assets :			
Intangible assets		103	55
Property, plant and equipment	16	23,084	20,374
Long-term loans issued	17	2,358	2,671
Deferred tax assets	15	1,255	322
		26,800	**23,422**
Current assets:			
Inventories	18	38,413	30,058
Short-term loans issued	17	18,539	15,498
Trade receivables	19	46,667	33,826
Taxes receivable		18	155
Prepayments		793	784
Other financial assets	19	99	203
Other short-term assets	20	2,681	3,781
Cash and cash equivalents	21	510	452
		107,720	**84,757**
		134,520	**108,179**

LIABILITIES AND EQUITY

	Notes	09/30/2019 EUR'000	09/30/2018 EUR'000
Equity attributable to shareholders of parent company			
Share capital	22	3,140	3,140
Additional paid in capital	22	6,830	6,830
Foreign currency translation reserve	22	(17,286)	(19,060)
Retained earnings		33,240	28,561
Income for the period		6,961	4,821
		32,885	**24,292**
Non-controlling interests		13	12
		32,898	**24,304**
Non-current liabilities:			
Long-term borrowings	25	336	178
Long-term trade accounts payable	26	601	-
Other long-term liabilities	30	387	393
Deferred tax liability	15	129	37
		1,453	**608**
Current liabilities:			
Provisions	24	1,247	1,981
Short-term borrowings	25	44,379	32,650
Trade accounts payable	26	41,915	40,848
Income tax payable		310	80
Advances received	27	2,520	1,548
Other financial liabilities	28	4,329	3,793
Other short-term liabilities	29	5,469	2,367
		100,169	**83,267**
		134,520	**108,179**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	10/01/2018-09/30/2019 EUR'000	10/01/2017-09/30/2018 EUR'000
Revenues	9	160,330	163,666
Purchase cost of goods sold	10	(132,497)	(132,846)
Gross profit		**27,833**	**30,820**
Other operating income	11	3,715	2,946
Payroll expenses	12	(10,372)	(9,831)
Depreciation and amortization		(2,029)	(1,829)
Other operating expenses	13	(7,081)	(10,968)
Loss from impairment of financial assets	17, 19	(737)	(1,735)
		(16,504)	**(21,417)**
Operating profit		**11,329**	**9,403**
Financial income	14	1,876	1,910
Financial expenses	14	(4,928)	(4,839)
		(3,052)	(2,929)
Income before tax		**8,277**	**6,474**
Income tax expense, total	15	(1,315)	(1,650)
Income for the period		**6,962**	**4,824**
Attributable to:			
Parent company's shareholders		6,961	4,821
Non-controlling interests		1	3
Other comprehensive income for the period			
Items that may be classified subsequently to profit:			
Exchange differences on translation of foreign operations, net of tax		1,774	(1,554)
Attributable to:			
Parent company's shareholders		1,774	(1,554)
Non-controlling interests		-	-
Comprehensive income for the period		**8,736**	**3,270**
Attributable to:			
Parent company's shareholders		8,735	3,267
Non-controlling interests		1	3
Earnings per share (basic and diluted)		in EUR	in EUR
Shares Series A	23	2.83	1.96
Shares Series B	23	1.63	1.13

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	10/01/2018-09/30/2019 EUR'000	10/01/2017-09/30/2018 EUR'000
Operating activities			
Income for the period		6,962	4,824
Amortization and depreciation of non-current assets		2,029	1,829
Gain on disposal of property, plant and equipment		(55)	(268)
Net foreign exchange losses/(gains), net		(930)	2,662
Interest expense	14	3,818	3,734
Interest income	14	(1,672)	(1,897)
Income taxes recognized in profit or loss	15	1,315	1,650
Impairment of financial assets		737	1,735
Other non-cash items		(998)	541
Operating cash flows before changes in working capital, provisions, income taxes and interests paid		**11,206**	**14,810**
Change in inventories		(5,352)	(14,456)
Change in trade receivables and prepayments		(10,402)	(12,780)
Change in other financial and short-term assets		913	(1,758)
Change in trade payables and advances received		344	22,147
Change in other financial and short-term liabilities		3,766	136
Cash flows before income taxes and interest paid		**475**	**8,099**
Income taxes paid		(1,768)	(1,342)
Interest paid	25	(3,618)	(3,505)
Interest received		472	705
I. Net cash (used)/generated from operating activities		**(4,439)**	**3,957**
Investing activities			
Proceeds from disposal of property, plant and equipment		124	709
Acquisition of property, plant and equipment		(2,364)	(4,679)
Acquisition of intangible assets		(106)	(91)
Issuance of loans		(23,764)	(50,817)
Proceeds from settlement of loans issued		22,684	47,281
II. Net cash used in investing activities		**(3,426)**	**(7,597)**
Financing activities			
Proceeds from borrowings	25	74,598	121,536
Repayment of borrowing	25	(65,808)	(119,429)
Payment of finance lease liabilities	25	(717)	(628)
III. Net cash flows from financing activities		**8,073**	**1,479**
Net decrease in cash and cash equivalents		**208**	**(2,161)**
Cash and cash equivalents at beginning of year		452	2,572
Effect of exchange rate fluctuations on cash and cash equivalents		(150)	41
Cash and cash equivalents at end of year		**510**	**452**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Additional paid in capital	Foreign currency translation reserve
As of 1 October 2017	**3,140**	**6,830**	**(17,506)**
Reclassifications	-	-	-
Income for the period	-	-	-
Other comprehensive (loss)	-	-	(1,554)
Total comprehensive income/(loss)	**-**	**-**	**(1,554)**
As of 30 September 2018	**3,140**	**6,830**	**(19,060)**
Adoption of IFRS 9	**-**	**-**	**-**
As of 1 Oktober 2018	**3,140**	**6,830**	**(19,060)**
Reclassifications	-	-	-
Income for the period	-	-	-
Other comprehensive income	-	-	1,774
Total comprehensive income	**-**	**-**	**1,774**
As of 30 September 2019	**3,140**	**6,830**	**(17,286)**

Retained earnings/ (losses)	Net profit	Non-controlling interests	Total equity
(19,992)	**8,569**	**9**	**21,034**
8,569	(8,569)	-	-
-	4,821	3	4,824
-	-	-	(1,554)
-	**4,821**	**3**	**3,270**
28,561	**4,821**	**12**	**24,304**
(142)	**-**	**-**	**(142)**
28,419	**4,821**	**12**	**24,162**
4,821	(4,821)	-	-
-	6,961	1	6,962
-	-	-	1,774
-	**6,961**	**1**	**8,736**
33,240	**6,961**	**13**	**32,898**

Ekotechnika AG, Walldorf
CONSOLIDATED NOTES

1. GENERAL INFORMATION

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

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

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

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 mandatory applicable for the period beginning on 1 October 2018 have been adopted.

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries as at 30 September 2019 and 2018 and for the years ended 30 September 2019 and 2018.

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

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

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

2.3 Business combinations

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

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

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

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

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

2.4 Foreign currencies

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

Currency	as of 30 September 2019	Average rate for 2019	as of 30 September 2018	Average rate for 2018
RUR/EUR	70.3161	73.858	76.2294	72.1544

	Average rate		Average rate
Three months ended 12/31/18	75.9205	Three months ended 12/31/17	68.7783
Three months ended 03/31/19	75.1715	Three months ended 03/31/18	69.8727
Three months ended 06/30/19	72.5210	Three months ended 06/30/18	73.7505
Three months ended 09/30/19	71.8329	Three months ended 09/30/18	76.1837

2.4.1 Transactions and balances

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

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

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

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

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

2.4.2 Group companies

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

2.5 Fair value measurement

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

2.6 Revenue recognition

Revenue is income arising in the course of the Group’s ordinary activities. Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognized net of discounts, returns and value added taxes, other similar mandatory payments.

2.6.1 Sales of agricultural machinery, spare parts, fuel, tires, intelligent farming and forestry machinery and spare parts

Sales are recognized when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer’s acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognized based on the price specified in the contract, net of the volume discounts.

As a practical expedient no element of financing is deemed present as the sales are made with a credit term of one year or less.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.6.2 Sales of after-sales services

The Group provides after-sales services under fixed-price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labor hours spent relative to the total expected labor hours.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

2.6.3 Interest income

Interest income is recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortized costs, net of the expected credit losses provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

2.7 Leases

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

2.7.1 Group as a lessee

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

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

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

2.8 Taxation

2.8.1 Current income tax

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

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

2.8.2 Deferred taxes

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the 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 VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.9 Intangible assets, research and development costs

Intangible assets that are not acquired in a business combination are initially recognized 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 amortized 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.

Research and development costs

Research expenditure is recognized as an expense when it is incurred. Costs incurred as part of development projects (design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and the costs can be measured reliably. Other development expenditures are recognized as expenses at the time they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs with a limited useful life are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

2.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Minor repair and day-to-day maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

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

2.11 Borrowing costs

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

The commencement date for capitalization is when

(a) the Group incurs expenditures for the qualifying asset;

(b) it incurs borrowing costs; and

(c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalization of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalized are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalized.

2.12 Impairment of non-financial assets

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

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

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

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

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

2.13 Financial instruments

2.13.1 Financial instruments – key measurement terms

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost ("AC") is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

2.13.2 Financial instruments – initial recognition

Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognized for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognized when the Group becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loan from related parties and loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortized on a straight line basis over the term of the loan from related parties and loans to related parties. The differences are immediately recognized in profit or loss if the valuation uses only level 1 or level 2 inputs.

2.14 Financial assets

2.14.1 Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

2.14.2 Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

2.14.3 *Financial assets – reclassification*

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

2.14.4 Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognizes net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the ECL.

The Group applies simplified approach for impairment of trade receivable. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL.

2.14.5 Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

2.14.6 Financial assets – derecognition

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.14.7 Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognizes a modification gain or loss in profit or loss.

2.15 Financial liabilities

2.15.1 Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

2.15.2 Financial liabilities – derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

2.16 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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

2.18 Trade and other receivables

Trade and other receivables are recognized initially at fair value and are subsequently carried at AC using the effective interest method.

2.19 Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at AC using the effective interest method.

2.20 Loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

2.21 Inventories

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

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

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

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

2.22 Provisions

The Group's obligation to repair or replace faulty goods under the standard warranty terms is recognized as a provision.

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

Warranty provisions

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

2.23 Recognition of transactions between related parties

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

- If, in accordance with IFRS, initial recognition is to be performed at fair value, the Group measures such transactions at fair value irrespective of the actual amount of consideration
- In all other cases, the Group recognizes operations based on the value of the consideration in accordance with the transaction arrangement.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Adoption of IFRS 9 "Financial Instruments".

The Group adopted IFRS 9, Financial Instruments, from 1 October 2018. The Group elected not to restate comparative figures and recognized any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant new accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 5.

(a) Cash and cash equivalents

All classes of cash and cash equivalents as disclosed in Note 21 were reclassified from loans and receivables measurement category under IAS 39 to amortized cost measurement category under IFRS 9 at the adoption date of the standard. The expected credit losses for cash and cash equivalents balances were insignificant.

(b) Loans and accounts receivable

All classes of loans and accounts receivable as disclosed in Notes 17 and 19 were reclassified from loans and receivables measurement category under IAS 39 to amortized cost measurement category under IFRS 9 at the adoption date of the standard. The expected credit losses for loans and accounts receivable balances were insignificant.

(c) Financial liabilities

There were no changes to the classification and measurement of financial liabilities.

	Measurement category		Provision under IAS 39 or IAS 37 as of 30 September 2018 EUR'000	Remeasurement EUR'000	Credit loss allowance under IFRS 9 as of 1 October 2018 EUR'000
	IAS 39	IFRS 9			
Loans issued	Loans and receivables	Amortized cost	3,333	142	3,475
Trade accounts receivable and other financial assets	Loans and receivables	Amortized cost	1,675	-	1,675
Total			**5,008**	**142**	**5,150**

Adoption of IFRS 15 "Revenue from Contracts with Customers".

The Group applied simplified method of transition to IFRS 15 "Revenue from Contracts with Customers", and elected to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application.

The application of the new standard since 1 October 2018 did not have a material impact on the Group's financial position or its financial performance. Therefore, the comparatives and balances of equity as of 1 October 2018 were not restated.

The following amended standards became effective for the Group from 1 October 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2 "Share-based Payment".
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts".
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28.
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".
- Amendments to IAS 40 "Transfers of Investment Property".

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

(b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income.

The Group decided that it will apply the standard from its mandatory adoption date of 1 October 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

As at 30 September 2019 the Group has non-cancellable lease commitments of EUR 429 thousands. All these commitments relate to long-term leases and do not relate to low values leases, which could be recognized on a straight-line basis as expense in profit or loss.

A reconciliation of the operating lease commitments disclosed in Note 31 to the recognized liability is as follows:

	09/30/2019/ 10.01.2019 EUR'000
Total future minimum lease payments for non-cancellable operating leases (Note 31)	429
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	1,246
Effect of discounting to present value	(461)
Total lease liabilities	**1,214**

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

5. ACCOUNTING POLICY FOR PRIOR PERIODS

Due to adoption of the new standards the Group changed its accounting policy. Below the accounting policy for the prior year is presented:

5.1 Financial assets

5.1.1 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.

5.1.2 Subsequent measurement

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

Loans and receivables

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

Derecognition

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

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

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

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

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

5.2 Impairment of financial assets

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

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

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

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

5.3 Financial liabilities

5.3.1 Initial recognition and measurement

Financial liabilities have the following measurement categories:

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

(b) other financial liabilities.

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

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

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

5.3.2 Subsequent measurement

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

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

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

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

5.4 Revenue recognition

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

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

5.4.1 Sale of goods

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

- The Group has transferred the significant risks and rewards of ownership of the goods to the buyer, usually on delivery of the goods to the customer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be established reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

5.4.2 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.

5.4.3 Interest income

For all financial instruments measured at amortized cost interest income is recorded using the 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.

6. 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

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 2019, the management of the Group concluded that there were no indicators of impairment of its assets (the same as in the previous year). See Note 16 for more details.

Estimates and assumptions

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

Writing down of inventories to net realizable value

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

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

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

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

Changes in write down of inventories are recognized within cost of goods and services sold in profit and loss. For more detail see Note 18.

Impairment of trade receivables and loans issued

The Group determines an allowance for impairment of accounts receivable and for loans issued at the end of the reporting period. The Group assesses whether objective evidence of impairment exists individually for receivable that are individually significant, or collectively for accounts receivable that are not individually significant. The Group assesses whether objective evidence of impairment exists individually for loans issued on an individual basis. The Group recognizes an impairment loss on an individual receivable and loans issued or a group of receivable if the loss expectation at initial recognition of the receivables or loans issued has not changed, but it could be estimated reliably, based on past history, that loss events have occurred after initial recognition, but before the reporting date. In certain cases it may not be possible for the Group to identify a single, discrete event that caused the impairment; rather, the combined effect of several events may have caused the impairment. However, losses expected as a result of future events, no matter how likely, are not recognized. Details are disclosed in Note 17 and 19.

Taxes

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

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

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

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

Starting from 2015, more specific and detailed rules were put in place establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such legal entity’s worldwide income will be taxed in Russia.

The tax liabilities of the Group were determined on the assumption that foreign company Ekotechnika AG was not subject to applicable Russian taxes, because it was not Russian tax resident by way of application of the new tax residency rules. However, Russian tax authorities may challenge this interpretation of relevant legislation in regard to the foreign company of the Group. The impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Tax exposure items, which were identified by management at the end of the reporting period as those, that can be subject to different interpretations of the laws, approximated to EUR 5,776 thousand with respect of the corporate income tax as of 30 September 2019 (2018: EUR 4,137 thousand) and EUR 6,683 thousand with respect of value added tax (2018: EUR 3,547 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.

As the latest developments in German legislation regarding the tax treatment of restructuring profits have not proved to be entirely clear, the following situation occurred: The nominal amount of the holders' receivables waiver, e.g. within the frameworks of debt-to-equity swaps, from tax authority perspective, means a tax restructuring gain of EUR 57.4 million. Under the procedure of the so-called "resolution on restructuring", the German Federal Ministry of Finance instructed tax authorities to write-off the debt balance under certain conditions after setting off the retained losses, which usually result from taxation of the profit from rehabilitation. In autumn 2016, this approach was deemed as unconstitutional by Supreme authorities. A further "confidence protection decree" of the Federal Ministry of Finance has also been collected by court. As a consequence, the restructuring gains would be fully taxable, which would result in a tax burden of EUR 5-6 millon. In the meantime, a new legal situation has been created which can be applied retroactively upon application. On this basis, the management considers this risk to be low and unlikely and assumes that the corresponding tax assessments will be in the company's favor.

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 warranty expenses are included into other operating income (in Note 11).

As of 30 September 2019, warranty provision amounted to EUR 1,169 thousand (2018: EUR 1,450 thousand). As of 30 September 2019, reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 1,713 thousand (2018: EUR 1,411 thousand).

7. 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 2019 the Group reported net income of EUR 6,962 thousand (2018: EUR 4,824 thousand) and net cash used in operating activities of EUR 4,439 thousand (2018: net cash generated by operating activities of EUR 3,957 thousand). As of 30 September 2019 the Group's equity amounted to EUR 32,898 thousand (30 September 2018: EUR 24,304 thousand) and current assets exceed current liabilities by EUR 7,551 thousand (30 September 2018: current liabilities exceed current assets by EUR 1,490 thousand).

Renewal of credit facilities: Because the Group depends on being able to generate adequate cash and cash equivalents from its operations to cover its liabilities, there is a major uncertainty concerning the Group's ability to continue as a going concern. Based on the Group's current plans and taking into account the related uncertainty, the management clearly believes that the Group will be able to secure sufficient financial resources to continue its operations in the foreseeable future as of the date of preparation of the consolidated financial statements for 2019 financial year. This also includes the refinancing of bank loans which are due for repayment in 2020 to the extent that these exceed the cash flow from operating activities. The reason for this ongoing refinancing is that the group companies use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis. The management assumes expects that this will continue to be the case in future.

As of 30 September 2019, the Group had short-term bank loans in the amount of EUR 44,281 thousand (30 September 2018: EUR 32,433 thousand). Subsequent to 30 September 2019 and as of the date of approval of these financial statements, the Group has serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 15,313 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 14,557 thousand (subsequent to 30 September 2018 and as of the date of approval of the financial statements for the year ended 30 September 2018: The Group serviced its debt obligations in a timely manner, repaid loans, which had come due in an amount of EUR 20,221 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 24,491 thousand). The current bank loans as per date of release for submission amounted to approximately EUR 43,863 thousand (per signing date of the financial statements for the year ended 30 September 2018: EUR 36,408 thousand).

Management believes that covenants breach (Note 25) will not result in early repayment of the related borrowings. Management holds negotiations with the banks and believes that the renewal of the Group's loans will be possible in the current market conditions, when they come due.

8. SUBSIDIARIES

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

Designation	Domicile	Type of company	As of 30 September 2019	As of 30 September 2018
OOO EkoNivaTechnika-Holding	Moscow, Russia	Holding	99.99%	99.99%
OOO EkoNiva-Chernozemie	Voronezh, Russia	Machinery sales	99.99%	99.99%
OOO EkoNivaSibir	Novosibirsk, Russia	Machinery sales	99.99%	99.99%
OOO EkoNiva-Kaluga	Kaluga, Russia	Machinery sales	liquidated	99.99%
OOO EkoNiva-Technika	Moscow, Russia	Machinery sales	99.99%	99.99%
OOO Abris	Voronezh, Russia	Advertising	liquidated	99.99%

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

9. REVENUES

Revenue comprises the following:

	2019 EUR'000	2018 EUR'000
Sale of agricultural machinery and equipment	108,679	113,736
Sale of spare parts	40,226	39,099
Revenue from rendering of services	3,838	3,445
Sale of lubricants	3,387	3,037
Sale of tires	2,393	2,286
Sale of trade-in machinery	896	1,131
Sale from intelligent farming	852	932
Sale of forestry spare parts	59	-
	160,330	163,666

10. PURCHASE COST OF GOODS SOLD

Purchase cost of goods sold comprise the following:

	2019 EUR'000	2018 EUR'000
Cost of agricultural machinery and equipment	96,188	98,133
Cost of spare parts	30,150	28,711
Cost of lubricants	2,588	2,361
Cost of tires	2,217	1,995
Cost of trade-in machinery	745	998
Cost of intelligent farming	579	648
Cost of forestry spare parts	30	-
	132,497	132,846

11. OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2019 EUR'000	2018 EUR'000
Reimbursement of warranty costs	1,770	1,067
FOREX gain	733	1
Reimbursement of marketing expenses	340	364
Contractual penalties income	104	47
Commission / agent remuneration	47	24
Other income	721	1,443
	3,715	**2,946**

12. PAYROLL EXPENSES

Personnel costs break down as follows:

	2019 EUR'000	2018 EUR'000
Wages and salaries	4,870	4,450
Bonuses	3,642	3,665
Social contributions	1,860	1,716
	10,372	**9,831**

The average number of staff in the Group during the year ended 30 September 2019 was 544 employees (2018: 502). Of these 174 (2018: 167) work in administration, 199 (2018: 176) in customer service, and 171 (2018: 159) in sales department.

13. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2019 EUR'000	2018 EUR'000
Warranty costs	1,238	855
Expenses on transport vehicles	1,236	1,103
Travel and representation expenses	1,033	683
Expenses on premises	772	902
Audit, consulting and legal fees	750	740
Marketing and advertising expenses	480	569
Cost of workshops	389	395
Other taxes	214	675
Office expenses	207	159
Bank charges	169	231
Communication expenses	119	114
Contractual penalties losses	15	205
FOREX loss	1	2,533
Other expenses	458	1,804
	7,081	**10,968**

The research and development costs incurred in the current and previous reporting periods were insignificant.

14. FINANCIAL INCOME / FINANCIAL EXPENSES

Financial income comprises the following:

	2019 EUR'000	2018 EUR'000
Interest income	1,672	1,897
FOREX gain	200	4
Other financial income	4	9
	1,876	**1,910**

Financial expenses comprise the following:

	2019 TEUR	2018 TEUR
Interest expenses	3,818	3,734
Bank charges	1,074	865
FOREX loss	2	134
Other financial expenses	34	106
	4,928	**4,839**

15. INCOME TAX EXPENSE

15.1 Income taxes recognized in the consolidated statement of profit or loss and other comprehen sive income

Income tax expense is constituted as follows:

	2019 EUR'000	2018 EUR'000
Current year income tax expense	2,094	1,276
Deferred income tax expenses/ (credit)	(779)	374
Income tax expense	**1,315**	**1,650**

The tax rate of 20% applies for the Group's Russian sub-sidiaries 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.

15.2 Tax reconciliation

	2019 EUR'000	2018 EUR'000
Income before tax	8,277	6,474
Income tax at a tax rate of 25%	(2,069)	(1,619)
Influence of differences in tax rates of different countries	467	324
Change in unrecognized deferred tax assets	656	(75)
Effect of expenses that are not deductible in determining taxable profit	(368)	(280)
Total	**(1,315)**	**(1,650)**

15.3 Composition of deferred tax assets and liabilities

	As of 1 October 2018 EUR'000	Change to profit and loss EUR'000	Foreign currency translation EUR'000	As of 30 September 2019 EUR'000
Property, plant and equipment	50	(59)	1	**(8)**
Inventories	2,755	(568)	203	**2,390**
Short-term financial assets	48	11	5	**64**
Trade receivables	(2,674)	1,323	(158)	**(1,509)**
Other financial assets	(22)	(588)	(31)	**(641)**
Other short-term assets	(303)	(54)	(28)	**(385)**
Other long-term liabilities	92	(27)	6	**71**
Provisions	212	4	18	**234**
Trade accounts payable	5	(47)	(2)	**(44)**
Advances received	(478)	523	(14)	**31**
Other financial liabilities	106	10	9	**125**
Other short-term liabilities	634	(177)	44	**501**
Prepayments	21	14	3	**38**
Tax loss carryforwards	473	(242)	28	**259**
Total	**919**	**123**	**84**	**1,126**
Unrecognized deferred tax assets	**(634)**	**656**	**(22)**	**-**
Net deferred tax assets/(liabilities)	**285**	**779**	**62**	**1,126**

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

As of 30 September 2019 and 2018, deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries was no recognized. The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, aggregate to EUR 12,947 as of 30 September 2019 (2018: EUR 8,889).

As of 30 September 2019, the Group has loss carryforwards amounting to EUR 1,295 thousand (2018: EUR 2,365 thousand) available for which no deferred tax asset has been recognized as it is not probable that those loss carryforwards can be used in foreseeable future.

16. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise the following:

EUR'000	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Gross book value as of 30 September 2017	**1,229**	**19,984**	**42**	**323**	**3,711**	**1,410**	**1,033**	**158**	**27,890**
Additions	93	370	3,178	711	914	91	227	7	**5,591**
Disposals	(21)	(533)	-	(40)	(270)	(12)	(49)	(2)	**(927)**
Transfer	-	-	(40)	40	-	-	-	-	**-**
Foreign currency translation	(130)	(2,032)	(172)	(70)	(411)	(148)	(115)	(19)	**(3 097)**
as of 30 September 2018	**1,171**	**17,789**	**3,008**	**964**	**3,944**	**1,341**	**1,096**	**144**	**29,457**
Additions	-	1,122	565	206	545	217	287	37	**2,979**
Disposals	-	-	-	-	(257)	(20)	(119)	(7)	**(403)**
Transfer	-	638	(1,562)	924	4	(4)	-	-	**-**
Foreign currency translation	97	1,584	203	139	344	123	101	17	**2,608**
as of 30 September 2019	**1,268**	**21,133**	**2,214**	**2,233**	**4,580**	**1,657**	**1,365**	**191**	**34,641**

EUR'000	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Accumulated depreciation as of 30 September 2017	**-**	**(3,956)**	**-**	**-**	**(2,943)**	**(931)**	**(795)**	**(125)**	**(8,750)**
Disposals	-	156	-	-	244	7	49	2	**458**
Depreciation charge for the year		(921)			(563)	(107)	(149)	(13)	**(1,753)**
Transfer	-	-	-	-	-	-	-	-	**-**
Foreign currency translation	-	444	-	-	316	100	87	15	**962**
as of 30 September 2018	**-**	**(4,277)**	**-**	**-**	**(2,946)**	**(931)**	**(808)**	**(121)**	**(9,083)**
Disposals	-	-	-	-	204	8	116	7	**335**
Depreciation charge for the year	-	(914)	-	-	(683)	(144)	(213)	(10)	**(1,964)**
Transfer	-	-	-	-	-	-	-	-	**-**
Foreign currency translation	-	(406)	-	-	(272)	(85)	(72)	(10)	**(845)**
as of 30 September 2019	**-**	**(5,597)**	**-**	**-**	**(3,697)**	**(1,152)**	**(977)**	**(134)**	**(11,557)**

EUR'000	Land	Building	Advances for construction	Construction in progress	Transport	Equipment	Office equipment and furniture	Other fixed assets	Total
Net book value									
as of 30 September 2018	**1,171**	**13,512**	**3,008**	**964**	**998**	**410**	**288**	**23**	**20,374**
as of 30 September 2019	**1,268**	**15,536**	**2,214**	**2,233**	**883**	**505**	**388**	**57**	**23,084**

During 2019 financial year depreciation charge was EUR 1,964 thousand (2018: EUR 1,753 thousand) on property, plant and equipment and amortization charge was EUR 65 thousand (2018: EUR 76 thousand) on intangible assets.

As of 30 September 2019 and 2018 there were no commitments to acquire property, plant and equipment.

The carrying amount of the assets recognized under finance lease agreements amounted to EUR 929 thousand as of 30 September 2019 (2018: EUR 898 thousand). The leased assets are represented by transportation vehicles and equipment.

As of 30 September 2019 and as of 30 September 2018, the management of the Group concluded that there were no indicators of impairment of its assets and consequently no impairment test on assets had been performed.

Assets pledged as security

The Group's property, plant and equipment with carrying amount of EUR 9,006 thousand as of 30 September 2019 (2018: EUR 10,727 thousand) was pledged as a security for the Group's bank loans and borrowings. The Group does not have the right to sell these assets before having settled the related liabilities or having obtained a written permission from the banks.

17. LONG-TERM AND SHORT-TERM LOANS ISSUED

Type	Interest rate, % 09/30/2019	Interest rate, % 09/30/2018	Maturity	Level	09/30/2019 EUR'000	09/30/2018 EUR'000
Long-term loans to related parties	9.0%	9.0%	01/31/2021	Level 2	2,311	2,643
Long-term loans to third parties	11.0%	11.0%	11/02/2020	Level 2	2,650	2,445
Long-term loans issued to employees	-	-	-	Level 2	148	135
Less: Provision for loan impairment	-	-	-	-	(2,751)	(2,552)
Long-term loans issued	-	-	-	-	**2,358**	**2,671**
Short-term loans to related parties	8.0% - 12.5%	8.0% - 12.5%	01/31/2020 - 09/09/2020	Level 2	18,722	15,391
Short-term loans to third parties	11.0% - 12.0%	11.0%	09/30/2019 - 12/15/2019	Level 2	1,372	768
Short-term loans issued to employees	-	-	-	Level 2	103	120
Less: Provision for loan impairment	-	-	-	-	(1,658)	(781)
Short-term loans issued	-	-	-	-	**18,539**	**15,498**
Total	-	-	-	-	**20,897**	**18,169**

All loans issued are unsecured. The fair value of loans issued equals EUR 20,838 thousand as of 30 September 2019 (2018: EUR 18,058 thousand).

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans carried at amortized cost between the beginning and the end of the reporting period:

	Credit loss allowance			Gross carrying amount		
EUR'000	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
As of 1 October 2018	**(142)**	**(3,333)**	**(3,475)**	**18,169**	**3,333**	**21,502**
New originated	(646)	-	(646)	24,209	-	24,209
Transfer to credit-impaired (from Stage 1 to Stage 3)	612	(612)	-	(612)	612	-
Derecognized during the period	-	-	-	(22,769)	-	(22,769)
Changes in accrued interest	-	-	-	794	-	794
Foreign currency translation differences, net	(7)	(281)	(288)	1,289	281	1,570
Total movements with impact on credit loss allowance charge for the period	(41)	(893)	(934)	2,911	893	3,804
As of 30 September 2019	**(183)**	**(4,226)**	**(4,409)**	**21,080**	**4,226**	**25,306**

Movements in the Group's provision for impairment of loans issued in 2018 financial year are as follows:

	EUR'000
As of 1 October	**(1,907)**
Bad debt expense	(1,707)
Foreign currency translation	281
As of 30 September	**(3,333)**

18. INVENTORIES

Inventories comprise the following:

	09/30/2019 EUR'000	09/30/2018 EUR'000
Agricultural machinery	18,244	18,518
Spare parts	10,203	9,732
Forestry machinery	6,913	-
Forestry spare parts	1,198	-
Tires	722	707
Lubricants	511	578
Trade-in machinery	303	276
Intelligent farming	192	176
Other inventory	127	71
	38,413	**30,058**

During the 2019 financial year, EUR 224 thousand was recognized as an income within purchase cost of goods sold related to recovery of inventories to net realisable value (2018: expense within purchase cost of goods sold related to write-downs of inventories to net realisable value EUR 235 thousand).

Inventories with carrying amount of EUR 2,569 thousand as of 30 September 2019 (2018: EUR 1,515 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.

19. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets comprise the following:

	09/30/2019 EUR'000	09/30/2018 EUR'000
Trade receivables, gross	48,446	35,434
Other financial assets, gross	175	270
Allowance for credit losses	(1,855)	(1,675)
Trade receivable and other financial assets, net	**46,766**	**34,029**

The movement in the allowance for expected credit losses provision of trade receivables was as follows:

	EUR'000
as of 1 October 2018	**(1,609)**
New originated	(72)
Foreign currency translation	(135)
Derecognized during the period	37
as of 30 September 2019	**(1,779)**

Movements in the provision for impairment of trade receivables in 2018 are as follows:

	TEUR
as of 1 October 2017	**(2,055)**
Bad debt expense	(28)
Foreign currency translation	195
Utilized	279
as of 30 September 2018	**(1,609)**

Trade receivables are mainly non-interest bearing and payable within 90-180 days.

The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due:

	30 September 2019			
Ageing of trade receivables	Gross carrying amount EUR'000	Stage 1 (12-months ECL) EUR'000	Stage 3 (lifetime ECL for credit impaired) EUR'000	Net carrying amount EUR'000
Neither past due nor impaired	14,044	(211)	-	**13,833**
Past due	34,402	(499)	(1,069)	**32,834**
less than 6 months	23,034	(345)	-	**22,689**
from 6 to 12 months	6,483	(97)	(27)	**6,359**
more than 1 year	4,885	(57)	(1,042)	**3,786**
	48,446	**(710)**	**(1,069)**	**46,667**

The ageing analysis of trade receivables as of 30 September 2018 is as follows:

Ageing of trade receivables	09/30/2018 EUR'000
Neither past due nor impaired	10,642
Impaired	1,608
Past due	23,184
less than 6 months	18,568
from 6 to 12 months	2,343
more than 1 year	2,273
	35,434

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

20. OTHER SHORT-TERM ASSETS

Other short-term assets comprise the following:

	09/30/2019 EUR'000	09/30/2018 EUR'000
Other taxes receivable	654	2,370
Other current assets	2,027	1,411
	2,681	**3,781**

Other taxes receivable are primarily VAT receivable. Other current assets mainly consist of assets for reimbursement of warranty provision in the amount of EUR 1,713 thousand (2018: EUR 1,411 thousand).

21. CASH ON HAND AND BANK BALANCES

Cash and cash equivalents comprise the following:

	09/30/2019 EUR'000	30.09.2018 EUR'000
Bank balances	503	446
Cash on hand	7	6
	510	**452**

The table below discloses the credit quality of cash and cash equivalents balances:

	09/30/2019 EUR'000	09/30/2018 EUR'000
AAA to BB+	476	369
BB to B+	27	6
B, B-	-	71
Total cash and cash equivalents, excluding cash on hand	**503**	**446**

*The credit quality of banks according to rating agencies S&P, Fitch.

22. SHARE CAPITAL AND CAPITAL RESERVES

Fully paid in share capital as of 30 September 2019 and 2018 is EUR 3,140 thousand consisting of 3,140,000 shares. The amount of additional paid in capital as of 30 September 2019 and 2018 is EUR 6,830 thousand. Additional paid in capital is the excess of the placement value over the par value of shares issued.

The foreign currency translation reserve is influenced by exchange difference arising from translation of the financial statements of Russian subsidiaries denominated in rubles into euro which is used for presentation of consolidated financial statements. As of 30 September 2019 it amounted to EUR 17,286 thousand (30 September 2018: EUR 19,060 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 issued in 2015 due to the swap of the corporate bond into equity. Shares Series A are eligible to receive a preferred dividend in case the company decides to pay any dividends;
- Shares Series B are the ones that existed before the debt-to-equity swap plus those which were issued due to capital increase against cash contribution.

If there is a dividend:

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

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

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

	2019	2018
Income for the period, EUR'000	6,961	4,821
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 (basic and diluted)		
Shares Series A, EUR	2.83	1.96
Shares Series B, EUR	1.63	1.13

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

24. PROVISIONS

Provisions comprise as the following:

EUR'000	Warranty reserve	Tax risks	Court decisions	Total
as of 1 October 2017	**742**	**-**	**-**	**742**
Charge for the year	1,532	448	113	2,093
Foreign currency translation	(120)	(24)	(6)	(150)
Utilized	(704)	-	-	(704)
Unused amounts reversed	-	-	-	-
as of 30 September 2018	**1 450**	**424**	**107**	**1,981**
Charge for the year	1,114	-	-	1,114
Foreign currency translation	102	17	4	123
Utilized	(1,497)	-	(68)	(1,565)
Unused amounts reversed	-	(363)	(43)	(406)
as of 30 September 2019	**1,169**	**78**	**-**	**1,247**
Current	1,169	78	-	1,247
Non-current	-	-	-	-

25. BORROWINGS

The borrowings comprise the following:

		30 September 2019 EUR'000		30 September 2018 EUR'000	
	Level	GBV	FV	GBV	FV
Non-current borrowings from key management	Level 2	336	347	178	183
Current bank loans	Level 2	44,281	44,281	32,433	32,345
Current borrowings from key management	Level 2	98	99	217	219
		44,715	**44,727**	**32,828**	**32,747**

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

EUR'000	Borrowings	Finance lease	Total
Liabilities from financing activities at 1 October 2017	**(32 505)**	**(497)**	**(33,002)**
Cash flows	1,398	628	2,026
Foreign exchange adjustments	3,523	67	3,590
Interest expenses	(3,647)	(87)	(3,734)
Other non-cash movements	(1,597)	(884)	(2,481)
Liabilities from financing activities at 30 September 2018	**(32,828)**	**(773)**	**(33,601)**
Cash flows	(5,172)	717	(4,455)
Foreign exchange adjustments	(3,199)	(60)	(3,259)
Interest expenses	(3,706)	(111)	(3,817)
Other non-cash movements	190	(607)	417
Liabilities from financing activities at 30 September 2019	**(44,715)**	**(834)**	**(45,549)**

As of 30 September 2019 borrowings in the amount of EUR 44,281 thousand (30 September 2018: 30,850 thousand) were secured with guarantees of the related parties. In 2018 other non-cash movements in column “Liabilities from financing activities – Borrowings” relate to reclassification of amounts owed for purchases of machinery, spare parts and other goods from trade payables to borrowings upon settlement of trade payables using letters of credit.

The effective annual interest rates were as follows:

	Non-current loans and borrowings		Current loans and borrowings	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
USD	-	-	-	1.5%
RUR	12.0%	12.0%	8.1% - 12.0%	9.0% - 12.0%
EUR	-	-	-	1.5%

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

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

If covenants are breached the borrowers can increase interest rate or demand early repayment. During the years ended 30 September 2019 and 2018 the Group has complied with all covenants, except covenants relating to borrowings of EUR 44,281 thousand as of 30 September 2019 and EUR 32,433 thousand as of 30 September 2018. As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants.

26. TRADE ACCOUNTS PAYABLES

Trade payables are comprised of trade payables due to third parties in the amount of EUR 42,499 thousand as of 30 September 2019 (30 September 2018: EUR 40,678 thousand) and due to related party in the amount of EUR 17 thousand (30 September 2018: EUR 170 thousand). Trade payables can be non-interest bearing and interest bearing. As of 30 September 2019 trade payables in the amount of EUR 22,962 thousand (30 September 2018: EUR 21,966 thousand) were secured with guarantees of the related parties. Fair value of the payables approximates their carrying amount due to the short remaining term.

27. ADVANCES RECEIVED

The advance received from the customer amounting to EUR 2,520 thousand (30 September 2018: EUR 1,548 thousand) represents a contract liability.

EUR 1,548 thousand of revenue was recognized in the current reporting period arising from contracts with customers as at 1 October 2018. All other contracts are for periods of one year or less or are billed based on time incurred. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

28. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

	09/30/2019 EUR'000	09/30/2018 EUR'000
Employee benefit liabilities	3,355	2,494
Other financial liabilities	526	919
Short-term finance lease payable	448	380
	4,329	**3,793**

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 2019 long-term finance lease liabilities of EUR 387 thousand (30 September 2018: EUR 393 thousand) were included in other long-term liabilities.

29. OTHER SHORT-TERM LIABILITIES

Other current liabilities comprise the following:

	30.09.2019 EUR'000	30.09.2018 EUR'000
VAT payable	5,142	2,145
Other taxes payable	327	222
	5,469	**2,367**

30. OTHER LONG-TERM LIABILITIES

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

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

	30 September 2019		30 September 2018	
	Present value EUR'000	Minimum lease payments EUR'000	Present value EUR'000	Minimum lease payments EUR'000
Less than 1 year	448	516	379	446
More than 1 year but less than 5	387	411	393	426
More than 5 years	-	-	-	-
	835	**927**	**772**	**872**
Future interest	**90**		**100**	

31. FUTURE OPERATING LEASE PAYMENTS

As of the reporting date, the Group had non-cancellable operating lease contracts which oblige it to pay leasing installments. They pertain almost exclusively to long-term contracts for land and buildings.

The aggregate amounts of future rent payments are as follows:

	09/30/2019 EUR'000	09/30/2018 EUR'000
Due within one year	165	247
Due within one up to five years	226	777
Due in more than five years	38	56
	429	**1,080**

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.

The Russian ruble was moderately volatile in the financial year. On 30 September 2018 the exchange rate was about 76.23 RUR/EUR, it continued to rise, reaching its peak of 79.66 RUR/EUR in December 2018 and started to fall since then to 70.32 RUR/EUR on 30 September 2019. The average rate for the financial year was 73.86 RUR/EUR (2018: 72.15 RUR/EUR).

During 2019 financial year the key rate went up to 7.75% in December 2018 and beginning from June 2019 the steadily decrease to 7.00% by 9 September 2019.

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

33. FINANCIAL RISK MANAGEMENT

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

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

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

The sensitivity analyses in the following sections relate to the position as of 30 September 2019 and 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.

Foreign currency risk

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

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

30 September 2019 EUR'000	**Level**	**USD**	**RUR**	**EUR**	**CAD**	**Total**
Long-term loans issued	Level 2	-	148	2,210	-	**2,358**
Short-term loans issued	Level 2	-	15,575	2,964	-	**18,539**
Trade receivable	Level 2	4,314	39,169	3,184	-	**46,667**
Other financial assets	Level 2	-	73	26	-	**99**
Cash and cash equivalents	Level 1	11	430	69	-	**510**
Total monetary financial assets		**4,325**	**55,395**	**8,453**	**-**	**68,173**
Long-term loans and credits	Level 1	-	336	-	-	**336**
Long-term trade accounts payable	Level 2	-	-	-	601	**601**
Other long-term liabilities	Level 2	-	387	-	-	**387**
Short-term loans and credits	Level 2	-	44,378	1	-	**44,379**
Trade payables	Level 2	13,488	9,253	12,693	6,481	**41,915**
Other financial liabilities	Level 2	74	669	231	-	**974**
Total monetary financial liabilities		**13,562**	**55,023**	**12,925**	**7,082**	**88,592**
Net monetary position		**(9,237)**	**372**	**(4,472)**	**(7,082)**	**(20,419)**

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

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 show the sensitivity of the Group's earnings before income taxes to a generally possible change in the exchange rate of the US dollar, the euro and the Canadian dollar against the ruble, assuming that all other variables remain constant.

USD/RUR	Change in USD/ RUR rate	Effect on loss before income tax EUR'000
2019	10.00%	(924)
	-15.00%	1,386
2018	10.00%	(617)
	-15.00%	926

EUR/RUR	Change in EUR/ RUR rate	Effect on loss before income tax EUR'000
2019	10.00%	(447)
	-15.00%	671
2018	10.00%	(680)
	-15.00%	1,019

CAD/RUR	Change in CAD/ RUR rate	Effect on loss before income tax EUR'000
2019	10.00%	(708)
	-15.00%	1,062

33.5 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 risk of fluctuations in market interest rates to which the Group is exposed generally results from the variable-interest loans, which had a balance of EUR 0 thousand as of 30 September 2019 and 2018.

33.6 Credit risk

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

Expected credit loss (ECL) measurement.

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor (“CCF”). CCF is a coefficient that shows the probability of conversion of the committen amounts to an on-balance sheet exposure within a defined period. The Group’s management estimates that 12-month and lifetime CCFs are materially the same. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate (“EIR”) for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which the Group has a present contractual obligation to extend credit.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;

- international rating agencies have classified the borrower in the default rating class;

- the borrower meets the unlikeliness-to-pay criteria listed below:

- the borrower is deceased;
- the borrower is insolvent;
- the borrower is in breach of financial covenant(s);
- it is becoming likely that the borrower will enter bankruptcy; and
- the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities, SICR is assessed on an individual basis by monitoring the triggers stated below. For other financial assets SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group's Management. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The level of ECL that is recognized in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognize interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognizes the cumulative changes in lifetime expected credit losses.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on an individual basis for the following types of loans: loans with unique credit risk characteristics, individually significant loans. The Group performs an assessment on a portfolio basis for corporate loans when no borrower-specific information is available. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers of the Group. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer, product type, credit risk rating, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Group Management.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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.

Trade receivables risk concentration

As of 30 September 2019, the Group had nine customers that owed the Group more than EUR 1,000 thousand each and made up 64% of trade receivables balance (2018: seven customers owed more than EUR 1,000 thousand each accounted for 60% of trade receivables balance), from which six customers were related parties counting for 56% of the balance (2018: five customers counting for 50% of the balance) and three customers were third parties counting for 8% of the balance (2018: two customers counting for 10% of the balance).

34. LIQUIDITY RISK MANAGEMENT

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

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

as of 30 September 2019 EUR'000	On demand	Less than 3 months	Between 4 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Loans and borrowings	44,281	98	-	336	-
Trade payables	2,202	37,899	1,814	-	601
Other financial liabilities	-	655	387	411	-
Total	**46,483**	**38,652**	**2,201**	**747**	**601**

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

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).

	30.09.2019 EUR'000	30.09.2018 EUR'000
Loans and borrowings	44,715	32,828
Less: cash and cash equivalents	(510)	(452)
Net debt	**44,205**	**32,376**
Equity	32,898	24,304
Capital and net debt	**(11,307)**	**(8,072)**

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2019 and 2018.

35. SEGMENT REPORTING

The Group has three 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 results from operating activities 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 2019	Central region EUR'000	Blackearth region EUR'000	Siberian region EUR'000	All other EUR'000	Elimination and adjustments EUR'000	Consolidated EUR'000
Revenue	**80,734**	**59,910**	**23,003**	**807**	**(4,124)**	**160,330**
Sales of goods for resale - third parties	77,391	57,765	20,202	-	1,134	156,492
Sales (all) - Group companies	1,636	959	1,855	807	(5,257)	-
Revenue from rendering of services	1,707	1,186	946	-	(1)	3,838
Purchase cost of goods sold	**(67,948)**	**(49,625)**	**(18,431)**	**(780)**	**4,287**	**(132,497)**
Gross profit/(loss)	**12,786**	**10,285**	**4,572**	**27**	**163**	**27,833**
Other operating income	1,779	1,227	853	6,276	(6,420)	3,715
Payroll expenses	(3,421)	(2,508)	(1,176)	(3,267)	-	(10,372)
Depreciation and amortization	(1,203)	(491)	(185)	(232)	82	(2,029)
Other operating expenses	(4,576)	(4,578)	(2,410)	(1,989)	6,472	(7,081)
Loss from impairment of financial assets	(155)	137	(121)	(599)	1	(737)
Results from operating activities	**5,210**	**4,072**	**1,533**	**216**	**298**	**11,329**

Year ended 30 September 2018	Central region EUR'000	Blackearth region EUR'000	Siberian region EUR'000	All other EUR'000	Elimination and adjustments EUR'000	Consolidated EUR'000
Revenue	**75,559**	**67,876**	**25,221**	**967**	**(5,957)**	**163,666**
Sales of goods for resale - third parties	72,326	65,774	24,246	116	(2,241)	160,221
Sales (all) - Group companies	1,797	931	122	851	(3,701)	-
Revenue from rendering of services	1,436	1,171	853	-	(15)	3,445
Purchase cost of goods sold	**(61,453)**	**(55,793)**	**(20,373)**	**(959)**	**5,732**	**(132,846)**
Gross profit/(loss)	**14,106**	**12,083**	**4,848**	**8**	**(225)**	**30,820**
Other income	1,302	930	610	6,644	(6,540)	2,946
Payroll expenses	(2,996)	(2,655)	(1,009)	(3,171)	-	(9,831)
Depreciation and amortization	(1,045)	(520)	(194)	(191)	121	(1,829)
Other operating expenses	(6,978)	(5,984)	(2,559)	(2,198)	6,751	(10,968)
Loss from impairment of financial assets	12	109	(157)	(1,699)	-	(1,735)
Results from operating activities	**4,401**	**3,963**	**1,539**	**(607)**	**107**	**9,403**

	2019 EUR'000	2018 EUR'000
Result from operating activity	**11,329**	**9,403**
Financial income	1,876	1,910
Financial expenses	(4,928)	(4,839)
Income before tax	**8,277**	**6,474**
Income tax expense, total	(1,315)	(1,650)
Income for the period	**6,962**	**4,824**

In the financial year 2019 one customer made 17% of Central segment revenue (2018: two customers made 34% of revenue), one customer made 33% of Siberian segment revenue (2018: one customer made 38%) and one main customer made 29% of Black Earth segment revenue (2018: one customer made 35%).

36. BUSINESS ACTIVITIES WITH RELATED PARTIES

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

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

	Entities under common control		Parent company		Associates		Key management personnel		Total	
EUR'000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sale of agricultural machinery	36,537	45,412	-	-	-	-	-	-	**36,537**	**45,412**
Sale of spare parts	10,585	8,568	-	-	-	-	-	-	**10,585**	**8,568**
Sale of tires	899	605	-	-	-	-	-	-	**899**	**605**
Sale of lubricants	999	641	-	-	-	-	-	-	**999**	**641**
Sale from intelligent farming	123	135	-	-	-	-	-	-	**123**	**135**
Revenue from rendering of services	346	192	-	-	-	-	-	-	**346**	**192**
Other income	133	346	-	-	-	-	-	-	**133**	**346**
Purchase of goods ad services	(1,969)	(1,399)	-	-	(3)	(2)	-	-	**(1,972)**	**(1,401)**
Remuneration of key management	-	-	-	-	-	-	(1,084)	(1,046)	**(1,084)**	**(1,046)**
Other expenses of key management	-	-	-	-	-	-	(22)	(15)	**(22)**	**(15)**
Impairment of loans issued	-	-	(512)	-	-	-	-	-	**(512)**	**-**

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

EUR'000		Trade receivable, other financial assets	Trade accounts payable and other short-term liabilities
Entities under common control	09/30/2019	29,492	380
	09/30/2018	19,046	289
Associates	09/30/2019	1	1
	09/30/2018	1	1
Key management personnel	09/30/2019	-	833
	09/30/2018	-	660
Total	09/30/2019	**29,493**	**1,214**
	09/30/2018	**19,047**	**950**

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

EUR'000		Long-terms loans issued [17]	Short-terms loans issued [17]
Entities under common control	09/30/2019	2,210	17,372
	09/30/2018	2,536	14,249
Parent company	09/30/2019	-	522
	09/30/2018	-	1,033
Associates	09/30/2019	-	-
	09/30/2018	-	96
Total	09/30/2019	**2,210**	**17,894**
	09/30/2018	**2,536**	**15,378**

EUR'000		Interest income	Interest expense
Entities under common control	2019	1,620	-
	2018	1,774	-
Parent company	2019	1	-
	2018	1	-
Associates	2019	-	-
	2018	9	-
Key management personnel	2019	-	50
		-	42
Total	2019	**1,621**	**50**
	2018	**1,784**	**42**

EUR'000		Short-term borrowings	Long-term borrowings
Key management personnel	09/30/2019	98	336
	09/30/2018	217	178
Total	09/30/2019	**98**	**336**
	09/30/2018	**217**	**178**

During the year ended 30 September 2019 EUR 23,536 thousand (2018: EUR 45,653 thousand) of loans were issued to the related parties, which is included into the line "Issuance of loans" in the consolidated cash flow statement. During the year ended 30 September 2019 the Group received settlement of loans issued to related parties of EUR 22,526 thousand (2018: EUR 42,315 thousand), which is included into the line "Proceeds from settlement of loans issued" in the consolidated cash flow statement.

As of 30 September 2019 the Group acted as a guarantor on the bank loans of the companies of Ekosem-Agrar Group (entities under common control), amounting to EUR 134 thousand (2018: EUR 533 thousand). The carrying amount of guarantees was EUR 2 thousand (2018: EUR 8 thousand). The guarantees were issued to support Ekosem-Agrar Group's purchase of machines from the Group. As the date of issuing these financial statement management doesn't expect that the parties holding the guarantee will demand any payment.

Additionally, as of 30 September 2019 the Group had guarantees issued by its related parties to secure the Group's loans and trade payables. See Notes 25 and 26.

37. PROPOSAL FOR THE APPROPRIATION OF INCOME FOR THE YEAR

The Executive Board and the Supervisory Board of Ekotechnika AG propose to the Annual General Meeting to carry forward in full the balance sheet profit of EUR 4,437,918.45 consisting of the net loss for the 2019 financial year of EUR 1,063,115.39 and the profit carried forward of EUR 5,501,033.84.

38. AUDITOR'S FEE

The fee for the annual audit (total remuneration plus expenses without VAT) recorded as an expense in the year ended 30 September 2019 was EUR 42 thousand (2018: EUR 38 thousand).

39. RELEASE

The Executive Board of Ekotechnika AG released the consolidated financial statements for submission to the Supervisory Board on 20 December 2019. The Supervisory Board has to examine the consolidated financial statements and declare whether the consolidated financial statements are approved.

Walldorf, 20 December 2019

Stefan Dürr	Björne Drechsler
Chairman of the Board	Board Member

INDEPENDENT AUDITOR'S REPORT

To Ekotechnika AG, Walldorf

Audit Opinions

We have audited the consolidated financial statements of Ekotechnika AG, Walldorf, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2018 to September 30, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Ekotechnika AG for the financial year from October 1, 2018 to September 30, 2019.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2019, and of its financial performance for the financial year from October 1, 2018 to September 30, 2019, and

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

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

Basis for the Audit Opinions

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

Material Uncertainty Related to Going Concern

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

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

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

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

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

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

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

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

Saarbrücken, December 23, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Michael Rohkämper)	(sgd. ppa. Elena Yorgova-Ramanauskas)
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