EKOTECHNIKA

ANNUAL REPORT

from 1 October 2019 to 30 September 2020

Modern equipment for efficient farming

CONTENT

FOREWORD

STEFAN DUERR
Chairman of the Board

BJOERNE DRECHSLER
Board Member

We took important operational steps in building up our new John Deere sales territories in Siberia and north-west Russia. Thanks to the new regions, we increased sales of new machines and spare parts already in the 2020 season.

Dear shareholders and business friends, dear employees,

The Russian agricultural market showed a positive performance in 2020. Given the importance of food production, the latter remained unaffected by the coronavirus pandemic; positive harvest results in certain regions and a generally positive price trend for agricultural commodities created good conditions for our company, which is the largest trader of imported agricultural machinery. We took important operational steps in building up our new John Deere sales territories in Siberia and north-west Russia. Thanks to the new regions, we increased sales of new machines and spare parts already in the 2020 season. A total of 245 tractors as well as 117 combines and forage harvesters were sold in the past financial year – a noticeable increase over the previous year, when 206 tractors and 62 combines and forage harvesters were sold. This sent revenues in our largest business segment rising by approximately 21%. Sales in the Spare Parts segment also picked up noticeably from around EUR 46 million to around EUR 57 million.

Moreover, we expect the territory expansion to have a clearly positive impact on our Smart Farming segment in the future. As a recent study by the Center for Industry Expertise of Russian agricultural bank Rosselkhoz and the National Research University of the Higher School of Economics in Moscow expects the global market for smart farming to grow to USD 10 billion by 2025 and to as much as USD 240 billion by 2050, we see lucrative growth opportunities for us in this segment.

Last year’s implementation of a dedicated Smart Farming Department therefore represented an important step. Going forward, we will place a clear focus on this growth segment and provide special training for employees, which is essential for scaling.

The cooperation agreement signed in July 2020 with Cognitive Pilot, a joint venture in which Russia’s Sberbank holds an interest, also deserves special mention in this context. Over the next few years, we will cooperate closely with Cognitive Pilot to establish a nationwide service network for smart farming equipment in Russia. Under a three-year contract, we plan to install the “Cognitive Agro Pilot” system on up to 10,000 combines from various manufacturers. Another essential part of the partnership will be the development of new smart farming solutions and products using Cognitive Pilot’s autonomous driving and control system.

Despite these operationally and strategically positive developments, our earnings declined in the financial year 2019/2020. This is exclusively attributable to negative currency effects resulting from the depreciation of the ruble. Against the backdrop of interest rate cuts and a persistently low oil price, the Russian currency lost almost a third of its value against the euro in the course of the financial year. While we had assumed an average ruble exchange rate of RUB 73/EUR when preparing the forecast for the past financial year, the ruble exchange rate actually stood at RUB 93/EUR at the end of the financial year on 30 September 2020. This led to mostly unrealized exchange losses, which will have a partially positive impact on our earnings in the financial year 2020/2021, which has just started.

As in the past, we are making conservative plans for the financial year 2020/2021 and project sales revenues of between EUR 190 million and EUR 200 million and gross profit of around EUR 30 million to EUR 33 million. Earnings before interest and taxes (EBIT) will come in at between EUR 7 million and EUR 10 million.

We thank you for your trust and hope you will remain loyal to our company in 2021.

Yours sincerely,

Stefan Duerr　　　　Bjoerne Drechsler

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
The financial year 2019/2020 was a major challenge for many companies across the globe. Ekotechnika AG (hereinafter also referred to as “**Ekotechnika**”, “**entity**” or “**company**”) continued to improve its position in the Russian market for agricultural machinery during this period and closed the financial year very successfully in operational terms. The only downer was the weakening of the ruble and the resulting adverse currency effects, which are the reason why earnings showed a negative trend compared to the previous year.

Management continued to work intensively on expanding the company’s market presence and improving internal structures. The focus was placed on making the sale of new machines and spare parts more efficient, increasing customer satisfaction in the Service segment and further expanding business activities in the new sales territories of the main supplier, John Deere, taken over in the financial year 2018/2019.

Cooperation between the Executive Board and the Supervisory Board

In the financial year 2019/2020, the Supervisory Board of Ekotechnika AG again continuously monitored the Executive Board and regularly advised it on managing the company. In doing so, we satisfied ourselves that all actions taken by the Executive Board were legitimate and proper and served the intended purpose. We were regularly and comprehensively informed by the Executive Board in written and oral form about all issues of business development, strategy, planning, risk situation and compliance that were relevant to the company and the Group.

The members of the Supervisory Board at all times 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 members of the Supervisory Board also maintained a close and regular exchange of information and ideas with each other and with the Executive Board between Supervisory Board meetings and kept themselves informed of significant developments in the entity.

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 2019/2020, thus ensuring the positive development of Ekotechnika AG.

Supervisory Board meetings

In the year under review, the Supervisory Board held three physical meetings as well as two video conferences and passed four further resolutions by phone. The subject of all of our regular plenary consultations was the general development of the company with regard to strategic objectives, e.g. sales revenues and results as well as the financial and earnings position of the Ekotechnika Group. 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 and constructive exchange. At all meetings, the reports of the Executive Board were reviewed and the performance of the company as well as strategic issues were discussed with the members of the Executive Board. In this context, we always discussed the general economic environment and the business performance of the Ekotechnika Group. The members of the Executive Board also attended all meetings of the Supervisory Board.

As part of the resolution adopted by phone on 14 October 2019, we addressed the proposal of the Executive Board already discussed at the meeting in Ilsenburg on 8 September 2019 regarding the possible territory expansions developed with John Deere.

Our first physical meeting in the reporting year was held in Ilsenburg on 15 November 2019. The main topics discussed at this meeting were corporate development and planning with special emphasis on existing and new sales territories as well as forestry machinery in the current financial year. Other topics addressed included the development of the Smart Farming project and the risk management status. The Executive Board also presented the corporate targets for the financial year 2019/2020 to the Supervisory Board, which adopted them in a separate resolution.

At the physical meeting of the Supervisory Board in Potsdam on 20 January 2020, we discussed the general business trend in the first months of the financial year 2019/2020 and, most importantly, subjected the consolidated financial statements for 2018/2019 to a detailed review in the presence of the auditor, Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft. We then approved the consolidated financial statements (IFRS) including the Group management report of the company for the financial year 2018/2019. The stand alone financial statements (HGB) and the dependency report of the company for the financial year 2018/2019 were submitted to us, as Ekotechnika, 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) and the stand alone financial statements (HGB) were not audited by an auditor. The members of the Supervisory Board audited and approved the stand alone financial statements (HGB) prepared by the Executive Board for the financial year 2018/2019, which were thus adopted. We also examined the dependency report and resolved on the report of the Supervisory Board for the financial year 2018/2019. In addition, the measures for preparing the ordinary Annual General Meeting of Shareholders scheduled for 7 April 2020 and further topics were discussed.

The subject of our circular resolution dated 20 February 2020 was the decision on the invitation to the ordinary Annual General Meeting 2020 scheduled for 7 April 2020, including the agenda and the necessary resolution proposals of the Supervisory Board. This Annual General Meeting was later cancelled due to the COVID-19 pandemic and was held on 28 September 2020. At a telephone conference on 5 August 2020, we resolved on the slightly amended invitation to the ordinary Annual General Meeting 2020.

Our next meeting was held by video conference on 27 May 2020. Besides an intensive discussion of the current business trend in the established and new sales territories as well as in the Forestry Machinery segment, we primarily addressed the Smart Farming project, risk management and compliance as well as the possibilities for holding the Annual General Meeting.

A further video conference was held on 7 July 2020 in order to further monitor the current business trend and to discuss, among other things, the management figures as of 30 May 2020 as well as sales revenues and the gross profit margins as of 30 June 2020.

The key subjects addressed at our telephone conference on 24 September 2020 were the adoption of an adjusted version of the rules of procedure for the Executive Board as well as issues relating to cooperation with the Ekosem-Agrar Group.

Our last Supervisory Board meeting in the financial year 2019/2020 was held in Wiesloch on 28 September 2020 after the ordinary Annual General Meeting. Key topics addressed at this meeting were the IFRS financial figures for the first half of the current financial year, the performance of the company in the current financial year and the further planning for the financial year 2020/2021. 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 2019/2020 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 going concern of the company.

With regard to the stand alone financial statements (HGB) of Ekotechnika AG for the financial year 2019/2020, 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 stand alone financial statements (HGB) were not audited by an auditor.

The stand alone financial statements (HGB) and the consolidated financial statements (IFRS) including the Group management report for the financial year 2019/2020 as well as the auditor’s report on the consolidated financial statements were forwarded to all members of the Supervisory Board in good time prior to the Supervisory Board meeting on 14 January 2021 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 2019/2020, the Group management report and the result of the audit in detail at a video conference on 14 January 2021, which was also attended by the auditor. 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 2019/2020.

After completion of its audit, the Supervisory Board approved, on 14 January 2021, the stand alone financial statements (HGB) of Ekotechnika AG prepared by the Executive Board for the financial year 2019/2020. The stand alone financial statements (HGB) were thus adopted in accordance with Section 172 Sentence 1 of the German Stock Corporation Act (AktG). The audited consolidated financial statements (IFRS) including the Group management report of Ekotechnika AG for the financial year 2019/2020 were also approved by the Supervisory Board on 14 January 2021.

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 challenging financial year 2019/2020.

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

Walldorf, January 2021

On behalf of the Supervisory Board

Ohly

Olga Ohly
Chairwoman of the Supervisory Board

EKOTECHNIKA AG, Walldorf
Group Management report as of 30 September 2020

GROUP MANAGEMENT REPORT

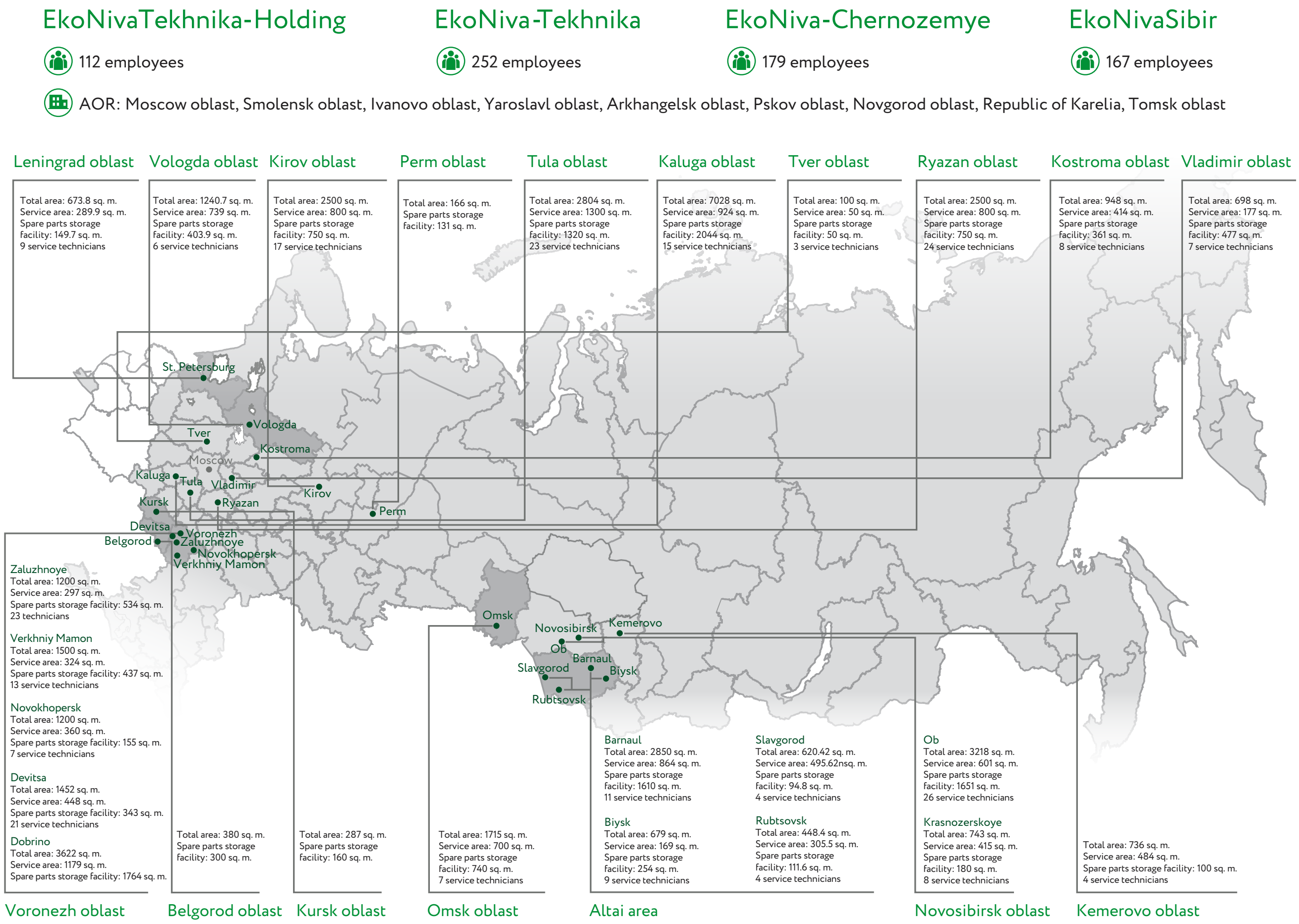
1. BACKGROUND OF THE GROUP

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 2019/2020 financial year, the Ekotechnika Group generated sales revenues of EUR 194 million and earnings before interest and taxes (EBIT) of EUR 5.6 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 728 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.



Last updated on 30 September 2020 (excl. 18 employees of the Ambitech subgroup)

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 70% (2019: 59%) 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), Fliegl, Germany (agricultural trailers), Gregoire Besson, France (tillage equipment), Bednar, Czechia (tillage equipment), and Rauch, Germany (fertilizer spreaders). 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 the meantime, the forestry machinery business has largely been pooled in the Ambitech sub-group.

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 46,000 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 been optimized significantly over the past years and currently stands at 3.37. 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 **Service** operations offer 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 digitization of agriculture 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. In the 2019/2020 financial year, a partnership was formed with Cognitive Pilot to establish a nationwide service network for smart farming equipment in Russia. The Ekotechnika service team will be in charge of consulting, sales, installation of software and hardware, maintenance and technical support for the "Cognitive Agro Pilot" system in 35 regions of Russia. A three-year contract provides for the system to be installed on up to 10,000 combines from various agricultural equipment manufacturers. Another essential part of the partnership will be the development of new smart farming solutions and products using Cognitive Pilot's autonomous driving and control system.

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 machines cannot compete with the technological standard of machines produced by international market leaders.

The 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 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.

In November 2019, Ekotechnika AG took over further John Deere sales territories, namely the regions of Altai and Omsk in Siberia as well as Arkhangelsk, Karelia, the Leningrad region, Pskov, St. Petersburg, Veliki Novgorod and Vologda in northwest Russia. These 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 has already increased sales of the company's traditional new machines and spares parts operations in the 2020 season and will also have a positive impact on the Smart Farming segment in the future.

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 and a supplier of 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. 64.6% of sales revenues. The Ekotechnika Group aims to successively expand the high-margin 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 which new smart farming technologies were tested on a total area of close to 1,000 hectares and, in the subsequent season, on close to 3,000 hectares under real-life conditions. In the past 2019/2020 financial year, further tests and experiments were carried out at seven customers on a total area of 5,000 hectares. The focus was on wheat, maize and soy beans. A wide variety of approaches were tested, especially in the areas of sowing intensity and fertilization standards, which led to numerous positive insights. These must now be further validated on a large scale. The results lead to a significant increase in efficiency, especially in the sowing intensity for maize and soy beans.

In the area of lean production, Ekotechnika is working intensively to optimize numerous production steps.
Here, the main focus is on automatic steering and control systems and machine optimization.

2. ECONOMIC REPORT

2.1 Economic environment

Overall economic trend

On 12 March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, numerous measures were taken worldwide to contain the spread and effects of the coronavirus. Among other things, these measures severely restricted economic activity in many industries and regions around the world. While they were loosened again somewhat in the summer, they have been tightened again in many countries since the beginning of the cold season, when infection figures started to rise again. As the agricultural sector and its suppliers were excluded from the drastic measures because of their systemic relevance (just like food retailers, for instance), the Ekotechnika Group was not hit that hard. Also, Russia is taking a less restrictive approach than many other countries due to the vulnerability of its economy.

Due to the ongoing pandemic, the latest forecast by the International Monetary Fund (IMF) of October 2020 projects a 4.4% decline in global economic output for 2020. Economic growth in the industrialized countries amounted to 1.7% in 2019, with a sharp drop by -5.8% forecast for 2020. Economic output in the emerging and developing countries grew by 3.7% in 2019. In view of the pandemic, a contraction by -3.3% is projected for 2020. Within the group of emerging and developing countries, Russia's GDP is expected to decline by -4.1% in the current year 2020, down from 1.3% GDP growth in 2019.[1]

Der Leitzins der russischen Zentralbank wurde zwischen Oktober und Dezember 2019 sukzessive von 7,0 % auf 6,25 % gesenkt. Im laufenden Jahr 2020 wurde er im Zuge Between October and December 2019, the Russian central bank successively lowered its key interest rate from 7.0% to 6.25%. In the current year 2020, it was further reduced in several steps between February and July in the context of the coronavirus pandemic and has remained at 4.25% since the end of July 2020.[2]

Russia's rate of inflation initially declined from 3.8% to 2.3% between October 2019 and February 2020. The trend then reversed, with a rate of 4.0% reported for October 2020. This is exactly in line with the Russian central bank's inflation target of 4.0%.[3]

The RUB/EUR exchange rate stood at RUB 70.7169/EUR at the beginning of the financial year in October 2019 and at RUB 93.0237/EUR at the end of the financial year (30 September 2020). The average rate for the financial year was RUB 77.3529/EUR. The exchange rate reached its low of RUB 67.8162/EUR on 14 January 2020, compared to a high of RUB 93.0237/EUR on 30 September 2020.[4]

The RUB/USD exchange rate was RUB 64.6407/USD at the beginning of the financial year and RUB 79.6845/USD at the end of the financial year. The average exchange rate for the 2019/2020 financial year was RUB 68.9906/USD. The exchange rate reached a low of RUB 60.9474/USD on 14 January 2020, compared to a high of RUB 80.8815/USD on 24 March 2020.[5]

[1] https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020 (retrieved on 3 December 2020)

[2] https://www.cbr.ru/eng/hd_base/KeyRate/?UniDbQuery.Posted=True&UniDbQuery.From=01%2F10%2F2019&UniDbQuery.To=03%2F12%2F2020 (retrieved on 3 December 2020)

[3] https://de.tradingeconomics.com/russia/inflation-cpi (retrieved on 3 December 2020)

[4] http://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.mode=1&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01239&UniDbQuery.From=01.10.2019&UniDbQuery.To=30.09.2020 (retrieved on 3 December 2020)

[5] http://www.cbr.ru/currency_base/dynamics/?UniDbQuery.Posted=True&UniDbQuery.mode=1&UniDbQuery.date_req1=&UniDbQuery.date_req2=&UniDbQuery.VAL_NM_RQ=R01235&UniDbQuery.From=01.10.2019&UniDbQuery.To=30.09.2020 (retrieved on 3 December 2020)

Russian agricultural and farming equipment market

The Russian agricultural market continued its growth in 2020 largely unaffected by the coronavirus pandemic.[6] According to the Executive Board, the weather conditions in southern Russia were very difficult and led to high losses, especially for crops that are harvested late such as maize and soy beans. Overall, however, the grain harvest was excellent, especially for the crops harvested in July and August and in the more northern regions and Siberia, which led to the second highest harvest yields in Russia.[7] In spite of the high yields, prices continued to rise during the harvest season due to global price dynamics and the weakening ruble, with producers able to achieve very good results. According to the management, sugar beet and sunflower prices were a special case, as they remained at a low level throughout the year but showed a very strong upward trend towards the end of the financial year. It remains to be seen whether this trend will be sustainable.

The sharp reduction in the key interest rate in the past 2019/2020 financial year also led to great investment potential in the capital-intensive agricultural sector. Here, management identified a change in trend in the past financial year. Large agricultural holding companies, which traditionally made high investments, scaled down their investment programs and entered a phase of consolidation after a period of strong growth. This reduced their relative share in the company's sales. By contrast, the traditional retail activities were very strong in the small and medium-sized customer segment. In the opinion of the Executive Board, this is a positive trend, as it allows better planning as well as higher margins and better conditions for the Ekotechnika Group.

According to the September 2020 report of AEB (Association of European Businesses), an independent non-profit organization of more than 500 European and Russian companies and the most important representation of foreign investors in Russia, the Russian market for imported agricultural machinery was characterized by growth in the past financial year. The market for tractors over 150 hp grew by 17%, while the combines segment expanded by as much as 21% and the forage harvester market by 10%.[8]

Generally speaking, the Russian agricultural machinery market can be divided into two segments: Russian, locally manufactured machinery (approx. 65% in total) and imported foreign machinery. The total market for tractors in 2020 is over 11,500 units, of which about 1,500 were imported. The largest manufacturer of locally made products is Rostselmash with a market share of around 55% in the combine market. Rostselmash sold approximately 3,100 combines in 2020. German manufacturer Claas has a local manufacturing site in Krasnodar, where combines are produced. Claas significantly expanded its combine sales in the past financial year and greatly benefits from the local subsidy programs. Sales were over 700 combines. The total market for combines in Russia is expected to exceed 6,000 units in 2020. The Ekotechnika Group's main supplier, John Deere, has two sites in Russia, one assembly plant close to Moscow and another plant in Orenburg, but does not qualify for the 1432 program or for Rosagroleasing funding.

John Deere's share of the total market for tractors over 150 hp decreased slightly from 34.2% to 30.9%. The main competitors, AGCO and CNH, were able to gain further market share at the expense of John Deere. The main reason for this was the very competitive price and financing situation as well as the billing in local currency (source: AEB Report September 2020).

John Deere's share of the combine market rose from 17.9% to 23.4%, reflecting Ekotechnika's success in the segment for high-performance combines. Nevertheless, the inclusion of combines produced by Claas in Russia in the government subsidy program for manufacturer support and governmental leasing programs is a strong driver, and Claas was also able to increase its sales noticeably.

[6] https://www.gtai.de/gtai-de/trade/branchen/branchenmeldung/russland/landwirtschaft-583508 (retrieved on 8 December 2020)
[7] https://www.gtai.de/gtai-de/trade/branchen/branchenmeldung/russland/landwirtschaft-583508 (retrieved on 8 December 2020)
[8] AEB Report based on data from John Deere

The 1432 program

The 1432 program was introduced in 2013 and was originally scheduled to run until 2020. The aim of this program is to support local manufacturers of agricultural equipment. Every manufacturer meeting the requirements of the program is currently eligible for a subsidy of at least 25% on the manufacturing costs and can offer their machines at this additional discount. The program peaked in 2017 with nearly RUB 16 billion in support. In 2018, the amount of state support amounted to around RUB 10 billion. The initial draft budget for 2019 of RUB 2 billion has been increased to RUB 14.5 billion. The program remains subject to further changes and it is very difficult to predict both the volume and the duration. Most recently, in November 2020, the program was extended until 2022.[9]

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 3% p.a. (Source: Rosagroleasing website). This is a great advantage for local manufacturers. Deferrals of lease payments are also offered.[10] The Executive Board expects this program to become more important in the future. This is also suggested by the fact that Russian President Vladimir Putin allocated an additional RUB 6 billion to Rosagroleasing in the summer to provide an additional 1,500 technical units. The aim is to maintain the growth momentum in the Russian agricultural sector.[11]

2.2 Business performance

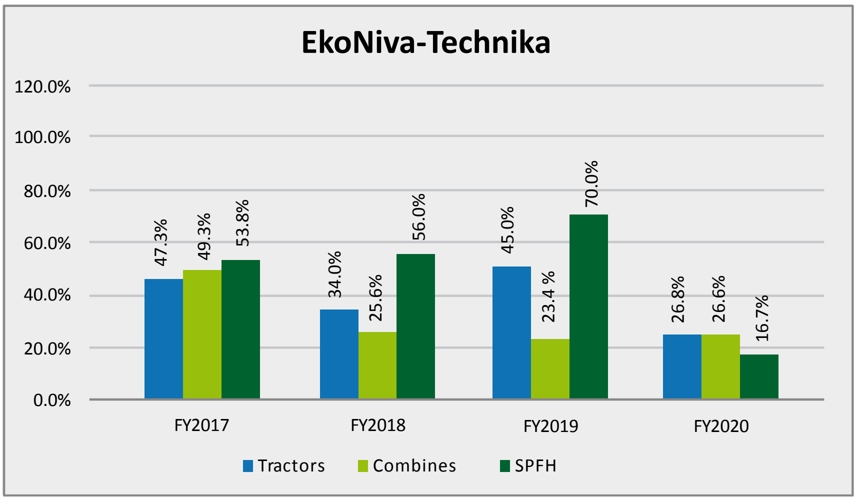
General performance of the Group

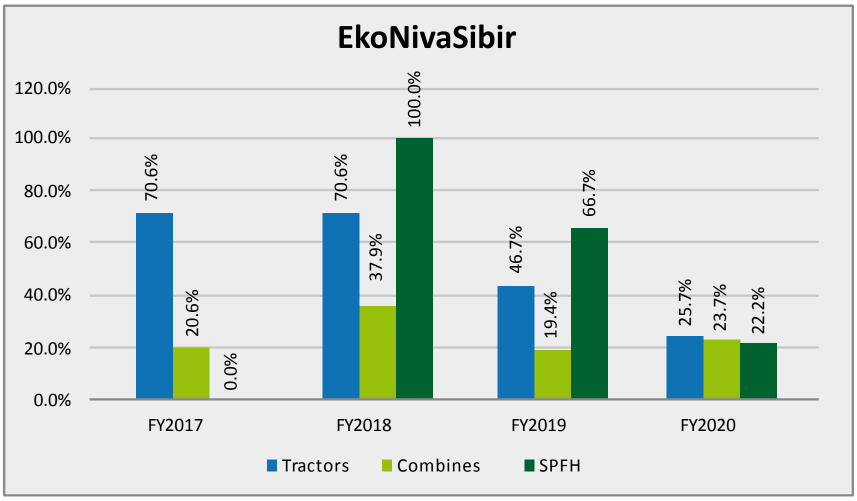
The main customers of Ekotechnika AG operate in the agricultural sector, which is not materially affected by the coronavirus pandemic. The Group was able to continue its operations in the past financial year without any major restrictions.

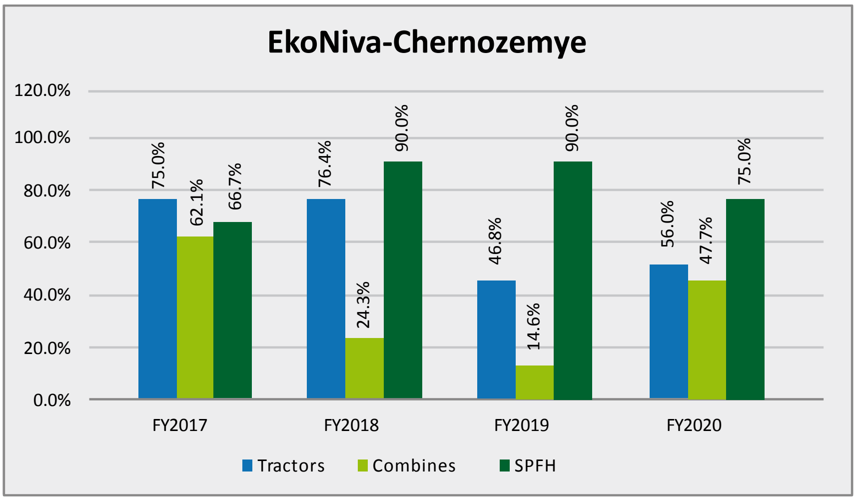
As a result of the expanded sales territories and the overall environment described above, Ekotechnika clearly increased its revenues to EUR 194 million, up from EUR 160 million in the previous 2018/2019 financial year. Sales of new machines, especially combines and forage harvesters but also tractors, showed a good trend in the past financial year. Tractor sales picked up from 206 machines in the previous year to 245 machines. Sales of combines and forage harvesters even climbed from 62 to 117 machines sold. Sales of telescopic handlers declined slightly from 221 to 182 machines due to supply bottlenecks at JCB. By contrast, trailer sales showed an upward trend. This segment was addressed particularly intensively in the past financial year, as the Executive Board believes that many opportunities for profitable growth will arise in this segment in the coming years. 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.

The charts below show the market shares of the Ekotechnika companies in the most important product segments. It is worth mentioning that in all regions the Group exceeds the general Russian-wide market share of John Deere, which was possible thanks to a very well-organized sales network and very close relationships with end customers.

The decline in the market share of John Deere products in Siberia is attributable to the newly won sales territories, which have a high market volume but currently still a low market share in John Deere tractors and combines. These territories dilute the market shares in the new total territory of the Siberian regional company, which is actively working to expand market shares to reach the level that is typical of Ekotechnika. The same applies to EkoNiva-Technika with regard to the new sales territories in northwest Russia. The decline also reflects current developments in the market as a whole, however, as John Deere is currently losing market share for price reasons.







Source: AEB Report 2020 based on John Deere data (SPFH = self propelled forage harvesters)

The Spare Parts segment showed a clearly positive trend compared to the previous year and expanded by 25%. This increase is attributable not only to organic growth but also to the new sales territories, which have been actively developed since February 2020. Moreover, the spare parts business was migrated to the central ERP system in the course of the financial year. Here, too, efficiency improvements in the areas of ordering, warehousing and demand analysis are now becoming visible. Also, Ekotechnika plans to implement a mobile solution for the sales staff in the Spare Parts segment, similar to the Service segment.

Growing by 18%, the Service segment also showed a positive performance and is at the focus of the efficiency increases and better utilization of the existing service centers. Another focus is being placed on customer satisfaction and the full integration of predictive maintenance. Predictive maintenance means that the machines independently report malfunctions, from which predictions about measures to be taken by the service teams are derived using algorithms.

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. In the past financial year, this was only partly possible due to the coronavirus pandemic. This way, it is ensured that the employees identify with the company and the products sold.

In 2020, Ekotechnika also conducted an internal employee survey among large parts of the workforce, asking them about their satisfaction with their superiors and the top management, the technical equipment of their working environment, their salary, etc. Ekotechnika is constantly working to improve employee satisfaction. In addition, the company makes heavy use of interns from various Russian agricultural universities. While the number of interns had to be reduced in the last financial year due to the pandemic, a way was found to enable 52 interns to complete the theoretical part of their training via online courses. Moreover, around 60 interns completed the practical part on site in the companies. In the 2020/2021 financial year, the number of interns is to be increased again, also due to the fact that new locations will be opened.

Organizational structure

Management is actively working on measures to further automate the whole business process by implementing and further developing ERP systems. In particular, the newly introduced electronic document exchange has led to efficiency increases. Another important aspect is the CRM system, which is applied to the entire sales process, as well as a mobile app for coordinating after-sales employees. 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 728. In addition, the aim is to standardize the structures and processes of the various regional companies and to eliminate unnecessary hierarchy levels. The forestry machinery operations have meanwhile largely been pooled in the Ambitech sub-group to ensure a corresponding concentration on the new business segment.

Customer satisfaction

Customer satisfaction plays a key role in corporate success. Ekotechnika has introduced a system for monitoring customer satisfaction in the current financial year and is now actively and systematically surveying its customers on the subject of customer satisfaction. The results are anchored directly in the employee 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 2019/2020 financial year (30 September), the Ekotechnika Group generated total revenues of EUR 193,840 thousand. While this clearly exceeded the previous year's level (2019: EUR 160,330 thousand), it was slightly below the forecast revenue range of EUR 200 million to EUR 213 million due to currency effects. Sales of agricultural machinery accounted for 64.6% of total revenues and totaled EUR 125,316 thousand (2019: 67.8% or EUR 108,679 thousand). The 15% increase in revenues in this business segment was attributable to the start of operations in the new John Deere sales territories. A total of 245 tractors and 117 combines and forage harvesters were sold in the past financial year. In the previous year, 206 tractors and 62 combines and forage harvesters were sold.

	FY 2019/20 Quantity	FY 2018/19 Quantity
Tractors > 160 hp	245	206
Combines and chippers	117	62

At 29.6%, spare parts sales made the second biggest contribution to total revenues. Total spare parts sales reached EUR 57,448 thousand in the reporting period, which clearly exceeded the previous year's EUR 46,006 thousand (28.7% of 2019 revenues). Revenues from customer services totaled EUR 4,540 thousand, up by EUR 702 thousand on the 2018/2019 financial year (EUR 3,838 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.

TEUR	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17	FY 2015/16
Sale of agricultural machinery and equipment	125,316	108,679	113,736	96,249	75,543
Sale of agricultural spare parts, tires and lubricants	57,448	46,006	44,422	47,134	38,150
Revenue from after-sales services	4,540	3,838	3,445	3,034	2,321
Sale of trade-in machinery	2,549	896	1,131	1,156	1,198
Sale of forestry machinery	2,001	-	-	-	-
Sale from smart farming solutions	1,336	852	932	569	-
Sale of forestry spare parts	650	59	-	-	-
Revenues	**193,840**	**160,330**	**163,666**	**148,142**	**117,212**

At EUR 157,024 thousand, the **purchase costs** of agricultural machinery and equipment as well as spare parts sold was higher than the previous year's EUR 132,497 thousand.

At EUR 36,816 thousand, **gross profit** (sales less purchase costs of agricultural machinery, equipment and spare parts sold) clearly exceeded the previous year's level (2019: EUR 27,833 thousand; +32.3%) and the forecast range of EUR 30 million to EUR 33 million.

Other operating income mainly comprises reimbursements of warranty costs and of marketing expenses and amounted to EUR 3,906 thousand in the reporting period, compared to EUR 3,715 thousand in the 2018/2019 financial year.

Payroll expenses picked up by approx. 18% from EUR 10,372 thousand to EUR 12,222 thousand primarily because of the increase in the headcount (+19%). **Depreciation and amortization** also increased significantly by 42.5% from EUR 2,029 thousand in the previous year to EUR 2,891 thousand in the 2019/2020 financial year. This is mainly attributable to the adoption of IFRS 16 and the renewal of the transport vehicle fleet at the end of the 2018/2019 financial year.

Other operating expenses increased by a noticeable EUR 12,843 thousand from EUR 7,081 thousand to EUR 19,924 thousand. This is mainly due to the sharp increase in losses from currency translation of EUR 9,359 thousand. These result from the volatility and general depreciation of the ruble against the euro and are mostly not realized – due to the balance sheet valuation of liabilities to suppliers measured at the RUB/EUR exchange rate, which stood at a historical low (from a ruble perspective) on the balance sheet date.

At EUR 8,535 thousand, **EBITDA** (earnings before interest, taxes, depreciation and amortization) were down by approx. 36.1% on the previous year (2019: EUR 13,358 thousand) because of these currency effects. **Earnings before interest and taxes** (EBIT) reached EUR 5,644 thousand, which was also clearly below the previous year (2019: EUR 11,329 thousand) and below the range of EUR 9 million to EUR 12 million projected by the Executive Board.

The net financial result (financial expenses plus financial income) of EUR -2,829 thousand was slightly (EUR 223 thousand) above the level of the prior year (2019: EUR -3.052 thousand).

Earnings before taxes (EBT) amounted to EUR 2,815 thousand (2019: EUR 8,277 thousand). After deduction of tax expenses of EUR 1,076 thousand (2019: EUR 1,315 thousand), **consolidated net income for the year** stood at EUR 1,739 thousand (2019: EUR 6,962 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 16,720 thousand (2019: EUR 11,206 thousand). Operating cash flow after changes in working capital stood at EUR 20,273 thousand (2019: EUR 475 thousand).

After taxes paid in the amount of EUR 2,530 thousand (2019: EUR 1,768 thousand), interest paid in the amount of EUR 3,625 thousand (2019: EUR 3,618 thousand) and interest received in the amount of EUR 728 thousand (2019: EUR 472 thousand), **operating cash flow** stood at EUR 14,846 thousand (2019: EUR -4,439 thousand).

Cash flow from investing activities amounted to EUR -10,170 thousand in the 2019/2020 financial year, compared to EUR -3,426 thousand in the previous year.

Cash flow from financing activities amounted to EUR 6 thousand in the reporting period (2019: EUR 8,073 thousand).

As of 30 September 2020, cash and cash equivalents totaled EUR 4,849 thousand (2019: EUR 510 thousand).

c) Net assets position

As of 30 September 2020, **total assets** amounted to EUR 123,926 thousand, down by approx. 8% on the previous year (2019: EUR 134,520 thousand). The weakening of the ruble against the euro (30 September 2020: RUB 93.0237/EUR; 30 September 2019: RUB 70.3161/EUR) has a considerable impact on the balance sheet values. If the ruble figures in the balance sheet for the period ended 30 September 2020 were converted into euros at the exchange rate of 30 September 2019, the figures in the euro balance sheet would be approx. 24.4% higher than the figures now reported.

As of the reporting date, **non-current assets** declined slightly by approx. 4% from EUR 26,800 thousand to EUR 25,749 thousand due to the depreciation of the ruble. Adjusted for exchange rate effects, non-current assets increased by roughly 27%. Property, plant and equipment amounted to EUR 21,195 thousand as of 30 September 2020 (30 September 2019: EUR 23,084 thousand). Adjusted for exchange rate effects, they increased by 21% due to the adoption of IFRS 16. In addition, there were long-term loans issued in the amount of EUR 3,665 thousand, compared to EUR 2,358 thousand on the prior year reporting date. This increase is due to the prolongation of loans granted.

Total **current assets** decreased by approx. 9% from EUR 107,720 thousand to EUR 98,177 thousand as of the end of the 2019/2020 financial year. At EUR 23,710 thousand, trade receivables represent the largest change (30 September 2019: EUR 46,667 thousand; -49%). This is due to management's objective of reducing the amount of trade receivables. Inventories increased by around 13% from EUR 38,413 thousand to EUR 43,320 thousand (adjusted for exchange rate effects: increase by approx. 50%). At EUR 17,890 thousand, short-term loan receivables declined slightly by approx. 3% (adjusted for exchange rate effects: increase by approx. 28%) compared to the previous year (30 September 2019: EUR 18,539 thousand).

The Ekotechnika Group's **consolidated equity capital** amounted to EUR 27,588 thousand in the reporting year, down by approx. 16% on the previous year's EUR 32,898 thousand (adjusted for exchange rate effects: increase by approx. 11%). This is attributable to the increase in negative reserves from currency translation from EUR 17,286 thousand to EUR 24,337 thousand resulting from the depreciation of the ruble. At 22.3%, the equity ratio declined to the level recorded at the end of the 2017/2018 financial year (30 September 2019: 24.5%).

Total liabilities amounted to EUR 96,338 thousand, down by EUR 5,284 thousand on the previous year (2019: EUR 101,622 thousand). This amount includes EUR 1,803 thousand in **non-current liabilities** (30 September 2019: EUR 1,453 thousand), which mainly comprise lease liabilities of EUR 1,181 thousand (30 September 2019: EUR 387 thousand) resulting from the adoption of IFRS 16.

Current liabilities amounted to EUR 94,535 thousand as of the balance sheet date, which was about 6% below the prior year level (30 September 2019: EUR 100,169 thousand). This is mainly attributable to the decline in current financial liabilities from EUR 44,379 thousand to EUR 35,149 thousand. Current trade payables increased moderately from EUR 41,915 thousand to EUR 45,344 thousand. By contrast, other current liabilities fell from EUR 5,469 thousand on 30 September 2019 to EUR 2,938 thousand on 30 September 2020. This is primarily due to a decrease in VAT liabilities from EUR 5,142 thousand to EUR 2,662 thousand as of the balance sheet date.

On balance, the management is satisfied with the operating performance in the past financial year. The New Machinery segment performed above plan. After-sales operations also showed a positive trend and were only slightly below plan. By contrast, the Forestry Machinery segment clearly fell short of management's expectations, which was offset by sales of agricultural machinery, though. The currency effects not only meant that the revenue target was not quite reached, but also had a strong adverse impact on EBIT due to temporary exchange losses.

3. OPPORTUNITY AND RISK REPORT

3.1 Opportunity report

Management currently sees the following 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 territories and product portfolios:
The expansion of sales territories, as most recently in late 2019 to include additional regions in Siberia and northwest Russia, will open up interesting growth prospects, as it permits more consistent pricing – especially for services and spare parts – and enables the company to use existing structures more effectively and to leverage further synergies. The new John Deere sales territories led to increased sales of new machines and spare parts already in the 2020 season and will also have a positive impact on the Smart Farming segment in the future. After all, the addition of smart farming equipment to the product portfolio will also open up lucrative growth opportunities. 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 and export support in Russia:
For quite a time already, the Russian government has pursued the medium-term target of producing approx. 85% of all key agricultural commodities consumed in the country locally. The abovementioned import restrictions have added to the pressure. While many agricultural commodities have already reached or exceeded this mark, especially the milk, beef, fruit and vegetable sectors are still far below the target. 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. What is more, the Russian government is intensively addressing the question of how the country's exports can be increased; in this context, it has, among others, placed a special focus on the agricultural sector, which means that positive impulses can also be expected here.

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 intelligent and effective 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. The Russian Agricultural Bank estimates the global market potential of smart farming technologies at USD 240 billion by 2050.[12] Since John Deere, an exclusive partner of the 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. In the meantime, a dedicated department has been set up for the Smart Farming operations; it currently has ten employees and deals exclusively with precision farming and agronomy as well as profitability consulting. Individual targets and sales plans have been agreed with the employees.

A pilot project launched in cooperation with the related company Ekosem-Agrar AG has helped to gain 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-life conditions on a total area of almost 1,000 hectares (2017/2018 season) and later on 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. In the past 2019/2020 financial year, further tests and experiments were carried out at seven customers on a total area of 5,000 hectares. A wide variety of approaches were tested, especially in the areas of sowing intensity and fertilization standards, which led to numerous positive insights. These will be further validated on a large scale.

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

[12] https://www.rshb.ru/news/401393/ (retrieved on 8 December 2020)

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 2019/2020 financial year.

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, preventive monitoring was performed with the help of early warning indicators. The Executive Board receives the information on the risk status on a semi-annual 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).

Sales risk:
Certain machinery stock often has to be ordered by the Group around six months before the sales season, when the companies do not get a lot of orders from customers. This means that the Group ultimately bears the risk that not all machinery will be sold. This, in its turn, poses a liquidity risk and a sales risk in the current volatile environment. Thus, there is a general sales risk arising out of changing customer demands and 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 our customers 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. While the coronavirus crisis was not helpful in this respect, extensive interest rate cuts by the Russian central bank, for instance, have reduced the financing charges in the past 18 months.

Exchange rate trend:
The development of the Russian ruble has a dual impact on the business of the Group. A stronger ruble makes the imported equipment more competitive in comparison with locally manufactured equipment, but reduces the competitive advantage of Ekotechnika's customers, as the main agricultural input costs are recorded in rubles, making customers' production more expensive. This results in lower margins and less purchasing power for the farming operations. A weaker ruble, in turn, makes imported equipment less competitive with locally manufactured equipment, but increases the margin for 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 agricultural holding companies 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 large agricultural holding companies 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. The latter are difficult to plan in the context of the general framework 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. Due to the lockdown imposed in response to the coronavirus pandemic in many countries, global demand for oil dropped dramatically in spring 2020. On 12 April 2020, the large global oil producers, including Russia, agreed on the largest ever reduction in their daily oil output to stabilize the oil market. While the oil price has picked up again since May 2020, it was still around 18% below the level recorded at the beginning of the 2019/2020 financial year on 8 December 2020.[13] The drop in oil prices and oil output reduces the income of oil-producing companies and, as a consequence, the payments to the federal budget, which may have serious economic and social consequences and lead to cost reductions in the public sector.

Competition and reputational damage:

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 reputational damage 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 reputational damage. All these risks would lead to a significant decline in sales.

Coronavirus pandemic:

On 12 March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, Russian authorities implemented numerous measures to contain the spread and impact of the coronavirus, such as travel bans and restrictions, quarantine, emergency shelter orders and restrictions on business activities, including closures. These measures have severely restricted economic activity in Russia and have had an adverse impact on enterprises and market participants as well as on the Russian and global economy and may continue to do so for an unknown period of time. Management has taken the necessary measures to ensure the sustainability of the Group's operations and to support its customers and employees. Taking into account the measures initiated and the Group's current operating and financial results as well as the information currently available to the public, management does not expect the coronavirus pandemic to have a significant adverse impact on the Group's

[13] https://www.finanzen.net/rohstoffe/oelpreis/chart (retrieved on 8 December 2020)

financial position and financial performance in the short term. It cannot be ruled out, however, that a renewed tightening of the measures aimed at preventing the spread of infection or negative effects of such measures on the economic environment in which the Group operates may adversely affect the Group's business in the medium or long term. The Group's management will continue to closely monitor the pandemic and take measures to mitigate the risks to employees and the company as a whole.

Taxation of the restructuring profit:
In the previous financial year, the company had pointed out that developments in German legislation regarding the tax treatment of restructuring profits have not proved to be entirely clear. As a result, the following situation had 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 have been fully taxable, resulting in a tax burden of EUR 5-6 millon. Since in 2020 it was finally recognized by the tax authorities that the profit from the restructuring of the company in 2015 is not taxable, this risk no longer exists.

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 2019/2020 financial year. This also includes the refinancing of bank loans which are due for repayment in 2021 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 2019 and 2020, the Group complied with all the covenants, except for the covenants relating to the loans and borrowings amounting to EUR 35,003 thousand as of 30 September 2020 and to EUR 44,281 thousand as of 30 September 2019. As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants. Management is in regular dialog with the lenders. Up to the date of publication of the present report, the banks had not exercised this right.

In summary, it can be said that – apart from the coronavirus pandemic, whose impact on the agricultural industry is relatively moderate, though, as described above – no material changes have occurred compared to the risks and opportunities of the previous year. 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

In its latest forecast of October 2020, the IMF projects global economic growth of 5.2% for 2021, provided that the impact of the coronavirus pandemic subsides. An increase of 3.9% is forecast for the industrialized countries. At 6.0%, even higher growth is projected for the emerging and developing countries, with a 2.8% increase in GDP assumed for Russia.[14]

Developments in the agricultural and farming equipment market

Management assumes that lending conditions in the current financial year will remain positive and that demand for agricultural machines will pick up in 2021 as many Russian farmers have a continued need to invest in new machinery. This trend should be supported by the improved income situation of many farmers resulting from high world market prices and a weaker ruble.

In its Agricultural Outlook 2020-2029, the Organisation for Economic Co-operation and Development (OECD) projects net agricultural and fish production (excluding feed and seed inputs) to grow by 8% by 2029; this breaks down into growth rates of less than 2% for Western Europe, while growth rates of 18% and 19% are forecasted for Eastern Europe and Central Asia, respectively. The strong growth of Eastern Europe will be led by the Russian Federation and Ukraine at 12% and 26%, respectively.

t is also assumed that the Russian Federation and Ukraine will maintain robust growth in maize, wheat, soy beans and other oilseeds over the next ten years. Almost the entire production growth for these commodities will be driven by improved yields.[15]

In addition, according to a draft program of the Moscow Ministry of Agriculture, the share of agricultural land actually used in Russia is to be increased by at least 12 million hectares by the end of 2030. The program has a budget of RUB 1,411 billion.[16]

According to a study by the Center for Industry Expertise of Russian agricultural bank Rosselkhoz and the National Research University of the Higher School of Ecomonics Moscow on global trends in rural development until 2050, the gradual automation of agriculture and the increasing use of robot technologies represent an important trend in the international agricultural market and also in Russia. The global robotics market is expected to grow to USD 25 billion by 2025, at a CAGR of 26% (2017: USD 4.1 billion). The global smart farming market may reach USD 10.2 billion by 2025 and as much as USD 240 billion by 2050. According to the study, the growing demand for organic and locally produced food is another important growth trend, with Russia in particular being seen as having great development potential. In addition, some parts of the population are projected to return to more rural areas. In Russia, these are primarily the regions of Krasnodar, Voronezh, Leningrad and the Moscow area.[17]

Performance of the Ekotechnika Group

The dependency on the geopolitical, macroeconomic and epidemiological situation in Russia makes it very challenging to provide a forecast for the 2021 financial year.

The average exchange rate for the reporting period was RUB 77.3529/EUR, which means that the ruble was much stronger than assumed by management for the coming year (RUB 86.00/EUR).

[14] https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020 (retrieved on 3 December 2020)
[15] https://www.oecd-ilibrary.org/docserver/1112c23b-en.pdf?expires=1607430942&id=id&accname=guest&checksum=EF7488F64AD38B11689A43B07C56B263 (retrieved on 8 December 2020)
[16] https://www.topagrar.com/panorama/news/russland-landwirtschaft-soll-mindestens-12-millionen-hektar-zusaetzlich-nutzen-11984514.html (retrieved on 8 December 2020)
[17] https://www.rshb.ru/news/401393/ (retrieved on 8 December 2020)

Management currently expects revenues of between EUR 190 million and EUR 200 million for the 2020/2021 financial year, which would be more or less on a par with the revenues generated in the 2019/2020 reporting period. At 333 tractors (2020: 245) and 88 combines and forage harvesters (2020: 117), the planned sales volume for next year will be higher than in the previous year for tractors and lower for combines and forage harvesters. The gross profit margin is projected to decline to around 16-17% (2020: 19%). Management therefore expects gross profit of around EUR 30 million to EUR 33 million and EBIT of approx. EUR 7 million to EUR 10 million.

In view of the long-standing and trustful cooperation with John Deere, the management of the EkoNiva Group plans to strengthen this partnership in 2020/2021. 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 2020/2021. In addition, the company is considering the possibility of operating in certain areas without John Deere products only on the basis of special products.

Walldorf, 21 December 2020

Stefan Duerr	Bjoerne Drechsler
Chairman of the Board	Member of the Executive Board

EKOTECHNIKA AG, Walldorf
Consolidated financial statement for the year ended 30 September 2020

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	09/30/2020 EUR'000	09/30/2019 EUR'000
Non-current assets :			
Intangible assets		95	103
Property, plant and equipment	16	21,195	23,084
Long-term loans issued	17	3,665	2,358
Deferred tax assets	15	794	1,255
		25,749	**26,800**
Current assets:			
Inventories	18	43,320	38,413
Short-term loans issued	17	17,890	18,539
Trade receivables	19	23,710	46,667
Income tax receivable		1,167	18
Prepayments		1,234	793
Other financial assets	19	2,835	99
Other short-term assets	20	3,172	2,681
Cash and cash equivalents	21	4,849	510
		98,177	**107,720**
		123,926	**134,520**

LIABILITIES AND EQUITY

	Notes	09/30/2020 EUR'000	09/30/2019 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	(24,337)	(17,286)
Retained earnings		40,201	33,240
Income for the period		1,739	6,961
		27,573	**32,885**
Non-controlling interests		15	13
		27,588	**32,898**
Non-current liabilities:			
Long-term borrowings	25	107	336
Long-term trade accounts payable	26	291	601
Long-term lease liabilities	29	1,181	-
Other long-term liabilities	31	-	387
Deferred tax liabilities	15	224	129
		1,803	**1,453**
Current liabilities:			
Provisions	24	1,707	1,247
Short-term borrowings	25	35,149	44,379
Trade accounts payable	26	45,344	41,915
Income tax payable		-	310
Advances received	27	4,451	2,520
Other financial liabilities	28	3,971	4,329
Short-term lease liabilities	29	975	-
Other short-term liabilities	30	2,938	5,469
		94,535	**100,169**
		123,926	**134,520**

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	10/01/2019-09/30/2020 EUR'000	10/01/2018-09/30/2019 EUR'000
Revenues	9	193,840	160,330
Purchase cost of goods sold	10	(157,024)	(132,497)
Gross profit		**36,816**	**27,833**
Other operating income	11	3,906	3,715
Payroll expenses	12	(12,222)	(10,372)
Depreciation and amortization	16	(2,891)	(2,029)
Other operating expenses	13	(19,924)	(7,081)
Loss from impairment of financial assets		(41)	(737)
		(31,172)	(16,504)
Operating profit		**5,644**	**11,329**
Financial income	14	1,882	1,876
Financial expenses	14	(4,711)	(4,928)
		(2,829)	(3,052)
Income before tax		**2,815**	**8,277**
Income tax expense, total	15	(1,076)	(1,315)
Income for the period		**1,739**	**6,962**
Attributable to:			
Parent company's shareholders		1,739	6,961
Non-controlling interests		-	1
Other comprehensive income/(loss) for the period			
Items that may be classified subsequently to profit:			
Exchange differences on translation of foreign operations, net of tax		(7,049)	1,774
Attributable to:			
Parent company's shareholders		(7,051)	1,774
Non-controlling interests		2	-
Comprehensive income/(loss) for the period		**(5,310)**	**8,736**
Attributable to:			
Parent company's shareholders		(5,312)	8,735
Non-controlling interests		2	1
Earnings per share (basic and diluted)		**in EUR**	**in EUR**
Shares Series A	23	0,71	2,83
Shares Series B	23	0,41	1,63

Ekotechnika AG, Walldorf
CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	10/01/2019-09/30/2020 EUR'000	10/01/2018-09/30/2019 EUR'000
Operating activities			
Income for the period		1,739	6,962
Amortization and depreciation of non-current assets	16	2,891	2,029
(Gain)/loss on disposal of property, plant and equipment		(109)	(55)
Net foreign exchange losses/(gains), net		9,357	(930)
Interest expense	14	3,205	3,294
Interest expense on extended accounts payable	14	473	524
Interest income	14	(1,873)	(1,672)
Income taxes recognized in profit or loss	15	1,076	1,315
Impairment of financial assets		41	737
Other non-cash items		(80)	(998)
Operating cash flows before changes in working capital, provisions, income taxes and interests paid		**16,720**	**11,206**
Change in inventories		(17,183)	(5,352)
Change in trade receivables and prepayments		14,353	(10,402)
Change in other financial and short-term assets		(3,287)	913
Change in trade payables and advances received		9,907	344
Change in other financial and short-term liabilities		(237)	3,766
Cash flows before income taxes and interest paid		**20,273**	**475**
Income taxes paid		(2,530)	(1,768)
Interest paid		(3,625)	(3,618)
Interest received		728	472
Net cash generated\(used) from operating activities		**14,846**	**(4,439)**
Investing activities			
Proceeds from disposal of property, plant and equipment		173	124
Acquisition of property, plant and equipment		(3,987)	(2,364)
Acquisition of intangible assets		(219)	(106)
Issuance of loans		(15,524)	(23,764)
Proceeds from settlement of loans issued		9,387	22,684
Net cash used in investing activities		**(10,170)**	**(3,426)**
Financing activities			
Proceeds from borrowings		101,391	74,598
Repayment of borrowings		(99,712)	(65,808)
Payment of lease liabilities		(1,673)	(717)
Net cash flows from financing activities		**6**	**8,073**
Net increase in cash and cash equivalents		**4,682**	**208**
Cash and cash equivalents at beginning of year		510	452
Effect of exchange rate fluctuations on cash and cash equivalents		(343)	(150)
Cash and cash equivalents at end of year		**4,849**	**510**

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 2018	**3,140**	**6,830**	**(19,060)**
Reclassifications	-	-	-
Income for the period	-	-	-
Other comprehensive income	-	-	1,774
Total comprehensive income	**-**	**-**	**1,774**
As of 1 October 2019	**3,140**	**6,830**	**(17,286)**
Reclassifications	-	-	-
Income for the period	-	-	-
Other comprehensive income/(loss)	-	-	(7,051)
Total comprehensive income/(loss)	**-**	**-**	**(7,051)**
As of 30 September 2020	**3,140**	**6,830**	**(24,337)**

Retained earnings	Net profit/ (loss)	Non-controlling interests	Total equity
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**
6,961	(6,961)	-	-
-	1,739	-	1,739
-	-	2	(7,049)
-	**1,739**	**2**	**(5,310)**
40,201	**1,739**	**15**	**27,588**

Ekotechnika AG, Walldorf
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Duerr.

The Group has a leading positions in the area of farm machinery supplies and servicing; it is one of the largest dealers of John Deere in the Russian Federation and over all 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 2019 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 2020 and 2019.

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 (RUB), which is the currency of the primary economic environment in which the subsidiaries operate.

Currency	As of 30 September 2020	Average rate for 2020	As of 30 September 2019	Average rate for 2019
RUB/EUR	93.0237	77.3529	70.3161	73.8580

	Average rate		Average rate
Three months ended 12/31/2019	70.5414	Three months ended 12/31/18	75.9205
Three months ended 03/31/2020	73.2348	Three months ended 03/31/19	75.1715
Three months ended 06/30/2020	79.6486	Three months ended 06/30/19	72.5210
Three months ended 09/30/2020	85.9671	Three months ended 09/30/19	71.8329

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, precision farming equipment 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 Lease liabilities and right-of-use assets

2.7.1 *Lease liabilities*

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

Extension and termination options are included in a number of lease contracts across the Group. These terms are used to maximize operational flexibility in terms of managing the assets used in the Group’s operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group’s incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of items with value of USD 5,000 or less.

2.7.2 *Right-of-use assets*

The Group leases various offices, warehouses, equipment and vehicles. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. (However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.)

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

Land	3-15 years
Buildings	3 years
Machinery and equipment	3 years
Transport vehicles	3 years

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.

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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	2 – 30 years
• Transport	2 – 10 years
• Equipment	1 – 30 years
• Office equipment and furniture	1 – 20 years
• Other fixed assets	1 – 10 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.

Under purchase contracts with some suppliers the Group has the right to initiate an extension of the payment period for a portion of accounts payable. Initially and upon extension the relevant payables classified as Trade accounts payable. Such payables become interest-bearing upon extension, interest expense arising due to extension classified as part of financial expenses in the consolidated statement of profit or loss and included in the cash flows from financing activities in the consolidated cash flow statement.

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, forestry machninery, trade-in machinery and precision farming equipment: 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

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The Group decided to apply the standard from its mandatory adoption date of 1 October 2019 using the modified retrospective method, without restatement of comparatives and using certain simplifications allowed by the standard. 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 liabilities on adoption (adjusted for any prepaid or accrued expenses).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 October 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases,

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17, Leases, and IFRIC 4, Determining whether an Arrangement contains a Lease.

The weighted average incremental borrowing rate applied be the Group to the leased liabilities on 1 October 2019 was 9,5%.

A reconciliation of the operating lease commitments disclosed in Note 32 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 as at 30 September 2019 (Note 32)	429
- Finance lease liabilities as at 30 September 2019	834
- Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	890
- Effect of discounting to present value	(331)
- Less short-term leases not recognized as a liability	(36)
- Less low-value leases not recognized as a liability	(1)
Total lease liabilities recognized as at 1 October 2019	1,785
Of which are:	
Short-term lease liabilities	**594**
Long-term lease liabilities	**1,191**

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 October 2019:

	Notes	Impact of adopting IFRS 16
Increase in property, plant and equipment	16	951
Decrease in long-term liabilities and short-term financial liabilities		834
Increase in lease liabilities	29	(1,785)

The following other new pronouncements do not have any material impact on the Group:

- 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).

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 2020 or later, and which the Group has not early adopted. These amendments are not expected to have any material impact on the Group when adopted:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020)

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 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.

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.

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.

Judgements

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 2020, the management of the Group concluded that there were no indicators of impairment of its assets (the same as in the previous year).

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 from 1 to 3 years.

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 receivables 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 the past may be challenged in the 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 the management at the end of the reporting period as those, that can be subject to different interpretations of the laws, approximated to EUR 3,876 thousand with respect of the corporate income tax as of 30 September 2020 (2019: EUR 5,776 thousand) and EUR 5,057 thousand with respect of value added tax (2019: EUR 6,683 thousand). Those are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; these obligations are not recorded as the Group's liabilities.

Warranty provision

As required by the dealership agreements with the manufacturers of agricultural machinery, the Group provides its customers with warranty, which is normally for one year. According the dealership agreement, quality failures which fall under the warranty must be fixed by the Group without additional payment from its clients. The manufactures of machinery shall reimburse the Group's expenses on removal of defects within the warranty period in size and at rates agreed by the parties. Based on this the Group concluded that it is a primarily obligor regarding the warranty, therefore, it recognizes warranty provision relating to agricultural machinery sold, for which warranty has not expired, as well as reimbursement asset relating to receivables 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 2020, warranty provision amounted to EUR 1,707 thousand (2019: EUR 1,169 thousand) and reimbursement asset relating to warranty expenses, included into other short-term assets, amounted to EUR 2,263 thousand (2019: EUR 1,713 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 2020 the Group reported net income of EUR 1,739 thousand (2019: EUR 6,962 thousand) and net cash generated by operating activities of EUR 14,846 thousand (2019: net cash used in operating activities of EUR 4,439 thousand). As of 30 September 2020 the Group's equity amounted to EUR 27,588 thousand (30 September 2019: EUR 32,898 thousand) and current assets exceed current liabilities by EUR 3,642 thousand (30 September 2019: EUR 7,551 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 the year ended 30 September 2020. This also includes the refinancing of bank loans which are due for repayment in 2021 to the extent that these exceed the cash flow from operating activities. The reason for this ongoing refinancing is that the Group's companies use short-term loans from Russian banks. The vast majority of these credit facilities are renewed on a regular basis. The management expects that this will continue to be the case in the future.

As of 30 September 2020, the Group had short-term bank loans in the amount of EUR 35,003 thousand (30 September 2019: EUR 44,281 thousand). Subsequent to 30 September 2020 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 10,950 thousand and attracted certain new loans and renewed its existing loans in an amount of EUR 6,390 thousand (subsequent to 30 September 2019 and as of the date of approval of the financial statements for the year ended 30 September 2019: The Group 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). The current bank loans as per date of release for submission amounted to approximately EUR 31,773 thousand (per signing date of the financial statements for the year ended 30 September 2019: EUR 43,863 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 2020	As of 30 September 2019
OOO EkoNivaTechnika-Holding	Moscow, Russia	Holding	99.99 %	99.99 %
OOO EkoNiva-Chernozemie	Voronezh, Russia	Agicultural machinery sales	99.99 %	99.99 %
OOO EkoNivaSibir	Novosibirsk, Russia	Agicultural machinery sales	99.99 %	99.99 %
OOO EkoNiva-Technika	Moscow, Russia	Agicultural machinery sales	99.99 %	99.99 %
OOO Ambitech	Sankt-Petersburg, Russia	Forestry machinery sales	99.99 %	-

The equity interests above represent interests of the parent company in each respective subsidiary. The investment in OOO "EkoNiva-Technica Holding" constitutes a direct investment and all others are indirect investments.

9. REVENUES

Revenue comprises the following:

	2020 EUR'000	2019 EUR'000
Sale of agricultural machinery and equipment	125,316	108,679
Sale of agricultural spare parts, tires and lubricants	57,448	46,006
Revenue from rendering of services	4,540	3,838
Sale of trade-in machinery	2,549	896
Sale of forestry machinery	2,001	-
Sale of precision farming equipment	1,336	852
Sale of forestry spare parts	650	59
	193,840	**160,330**

10. PURCHASE COST OF GOODS SOLD

Purchase cost of goods sold comprise the following:

	2020 EUR'000	2019 EUR'000
Cost of agricultural machinery and equipment	109,210	96,188
Cost of agricultural spare parts, tires and lubricants	42,680	34,955
Cost of trade-in machinery	2,262	745
Cost of forestry machinery	1,428	-
Cost of precision farming equipment	958	579
Cost of forestry spare parts	486	30
	157,024	**132,497**

11. OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2020 EUR'000	2019 EUR'000
Reimbursement of warranty costs	1,812	1,770
Reimbursement of marketing expenses	427	340
Other income	1,667	1,605
	3,906	**3,715**

12. PAYROLL EXPENSES

Personnel costs break down as follows:

	2020 EUR'000	2019 EUR'000
Wages and salaries	5,747	4,870
Bonuses	4,152	3,642
Social contributions	2,323	1,860
	12,222	**10,372**

The average number of staff in the Group during the year ended 30 September 2020 was 647 employees (2019: 544). Of these 188 (2019: 174) work in administration, 243 (2019: 199) in customer service, and 216 (2019: 171) in the sales department.

13. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2020 EUR'000	2019 EUR'000
FOREX loss	9,359	1
Expenses for transport vehicles	1,347	1,236
Warranty costs	1,311	1,238
Travel and representation expenses	950	1,033
Audit, consulting and legal fees	911	750
Expenses for premises	724	772
Transportation expenses	697	393
Marketing and advertising expenses	638	480
Cost of workshops	614	389
Other taxes	602	214
Office expenses	314	207
Bank charges	242	169
Other expenses	2,215	199
	19,924	**7,081**

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:

	2020 EUR'000	2019 EUR'000
Interest income	1,873	1,672
FOREX gain	-	200
Other financial income	9	4
	1,882	**1,876**

Financial expenses comprise the following:

	2020 EUR'000	2019 EUR'000
Interest expenses	3,205	3,294
Bank charges	771	1,074
Interest expense on extended accounts payable	474	525
FOREX loss	-	2
Other financial expenses	261	33
	4,711	**4,928**

15. INCOME TAX EXPENSE

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

Income tax expense is constituted as follows:

	2020 EUR'000	2019 EUR'000
Current year income tax expense	737	2,094
Deferred income tax expenses/ (credit)	339	(779)
Income tax expense	**1,076**	**1,315**

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

15.2 Tax reconciliation

	2020 EUR'000	2019 EUR'000
Income before tax	2,815	8,277
Income tax at a tax rate of 25%	(704)	(2,069)
Influence of differences in tax rates of different countries	207	467
Change in unrecognized deferred tax assets	-	656
Effect of expenses that are not deductible in determining taxable profit	(579)	(368)
Total	**(1,076)**	**(1,315)**

15.3 Composition of deferred tax assets and liabilities

	As of 30 September 2019 EUR'000	Adoption of IFRS 16 EUR'000	As of 1 October 2019 EUR'000	Change to profit and loss EUR'000	Foreign currecy translation EUR'000	As of 30 September 2020 EUR'000
Property, plant and equipment	(8)	(190)	(198)	(295)	84	**(409)**
Inventories	2,390	-	2,390	(1,569)	(319)	**502**
Short-term financial assets	64	-	64	(38)	(9)	**17**
Trade receivables	(1,509)	-	(1,509)	1,135	177	**(197)**
Prepayments	38	-	38	(2)	(9)	**27**
Other financial assets	(641)	-	(641)	(91)	172	**(560)**
Other short-term assets	(385)	-	(385)	107	76	**(202)**
Long-term lease liabilities	-	238	238	84	(54)	**268**
Other long-term liabilities	71	(71)	-	-	-	**-**
Provisions	234	-	234	197	(90)	**341**
Trade accounts payable	(44)	-	(44)	58	1	**15**
Advances received	31	-	31	(104)	10	**(63)**
Other financial liabilities	125	(96)	29	(63)	(9)	**(43)**
Short-term lease liabilities	-	119	119	113	(39)	**193**
Other short-term liabilities	501	-	501	57	(133)	**425**
Loss carry forward	259	-	259	72	(75)	**256**
Net deferred tax assets/(liabilities)	**1,126**	**-**	**1,126**	**(339)**	**(217)**	**570**

	As of 1 October 2018 EUR'000	Change to profit and loss EUR'000	Foreign currecy 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**

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, aggregate to EUR 13,362 thousand as of 30 September 2020 (2019: EUR 12,947 thousand). The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilized. The 10-year expiry period for tax loss carry-forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2021. The amount of losses that can be utilized each year during that period is limited to 50% of annual taxable profit.

As of 30 September 2020, the Group has loss carry-forwards amounting to EUR 2,532 thousand (2019: EUR 1,280 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 AND RIGHT-OF USE ASSETS

Property, plant and equipment and right-to-use 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 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**
Application of IFRS 16	**43**	**908**	**-**	**-**	**-**	**-**	**-**	**-**	**951**
as of 1 October 2019	**1,311**	**22,041**	**2,214**	**2,233**	**4,580**	**1,657**	**1,365**	**191**	**35,592**
Lease modification	-	(478)	-	-	-	-	-	-	**(478)**
Additions	659	1,946	678	506	2,061	494	446	51	**6,841**
Disposals	-	(55)	(3)	(17)	(918)	(2)	(121)	(2)	**(1,118)**
Reclass	-	(24)	-	29	(63)	443	(381)	(4)	**-**
Transfer	9	421	(998)	537	-	22	5	4	**-**
Foreign currency translation	(432)	(5,681)	(487)	(723)	(1,300)	(566)	(324)	(53)	**(9,566)**
as of 30 September 2020	**1,547**	**18,170**	**1,404**	**2,565**	**4,360**	**2,048**	**990**	**187**	**31,271**

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 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)**
Lease modification	-	24			-	-	-	-	**24**
Disposals	-	34	-	-	896	2	121	1	**1,054**
Depreciation charge for the year	(14)	(1,387)	-	-	(846)	(163)	(250)	(29)	**(2,689)**
Reclass	-	(4)			24	(379)	349	10	**-**
Transfer	-	-	-	-	-	-	-	-	**-**
Foreign currency translation	2	1,591	-	-	890	372	202	35	**3,092**
as of 30 September 2020	**(12)**	**(5,339)**	**-**	**-**	**(2,733)**	**(1,320)**	**(555)**	**(117)**	**(10,076)**

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 2019	**1,268**	**15,536**	**2,214**	**2,233**	**883**	**505**	**388**	**57**	**23,084**
as of 30 September 2020	**1,535**	**12,831**	**1,404**	**2,565**	**1,627**	**728**	**435**	**70**	**21,195**

Until 30 September 2019 the leases of property, plant and equipment were classified as either finance leases or operating leases (Notes 30 and 31). From 1 October 2019, the leases are recognized as right-of-use assets and corresponding liabilities from the date when the leased asset becomes available for use by the Group.

The Group recognized right-of-use assets as follows:

	Land EUR'000	Buildings EUR'000	Transport EUR'000	Equipment EUR'000	Total EUR'000
Gross book value					
as of 30 September 2020	**-**	**-**	**1,547**	**100**	**1,647**
Application of IFRS 16	**43**	**908**	**-**	**-**	**951**
as of 1 October 2019	**43**	**908**	**1,547**	**100**	**2,598**
Lease modification	-	(478)	-	-	**(478)**
Additions	38	775	2,041	-	**2,854**
Disposals	-	-	(97)	-	**(97)**
Foreign currency translation	(17)	(268)	(705)	(24)	**(1,014)**
balance 30 September 2020	**64**	**937**	**2,786**	**76**	**3,863**
Accumulated depreciation					
as of 1 October 2019	**-**	**-**	**(684)**	**(30)**	**(714)**
Lease modification	-	24	-	-	**24**
Disposals	-	-	52	-	**52**
Additions	(14)	(331)	(828)	(30)	**(1,203)**
Foreign currency translation	2	52	298	9	**361**
as of 30 September 2020	**(12)**	**(255)**	**(1,162)**	**(51)**	**(1,480)**
Net book value					
as of 1 Ocotober 2019	**43**	**908**	**863**	**70**	**(1,884)**
as of 30 September 2020	**52**	**682**	**1,624**	**25**	**2,383**

During the 2020 financial year depreciation charge was EUR 2,689 thousand (2019: EUR 1,964 thousand) on property, plant and equipment.

During the 2020 financial year amortization charge was EUR 202 thousand (2019: EUR 65 thousand) on intangible assets.

As of 30 September 2020 and 2019 there were no commitments to acquire property, plant and equipment.

Assets pledged as security

The Group's property, plant and equipment with carrying amount of EUR 6,776 thousand as of 30 September 2020 (2019: EUR 9,006 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, % 09/30/2020	Interest rate, % 09/30/2019	Maturity	Level	09/30/2020 EUR'000	09/30/2019 EUR'000
Long-term loans to related parties [37]	8.0% - 9.0%	9.0% - 11.0%	01/31/2022	Level 2	3,655	2,311
Long-term loans to 3rd parties				Level 2	-	2,650
Long-term loans issued to employees				Level 2	84	148
Less: Provision for loan impairment					(74)	(2,751)
Long-term loans issued					**3,665**	**2,358**
Short-term loans to related parties [37]	8.5% - 12.5%	8.0% - 12.5%	12/31/2020 - 04/01/2021	Level 2	18,923	18,722
Short-term loans to 3rd parties	10.0% - 11.0%	11.0% - 12.0%	10/31/2020 - 11/02/2020	Level 2	2,659	1,372
Short-term loans issued to employees				Level 2	52	103
Less: Provision for loan impairment					(3,744)	(1,658)
Short-term loans issued					**17,890**	**18,539**
Total					**21,555**	**20,897**

All loans issued are unsecured. The fair value of loans issued equals EUR 21,591 thousand as of 30 September 2020 (2019: EUR 20,838 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:

EUR '000	Stage 1 (12-months ECL)	Credit loss allowance Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Gross carrying amount 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 1 October 2019	**(183)**	**(4,226)**	**(4,409)**	**21,080**	**4,226**	**25,306**
New originated	(544)	-	(544)	15,524	-	15,524
Transfer to credit-impaired (from Stage 1 to Stage 3)	512	(512)	-	(512)	**512**	**-**
Changes to ECL measurement model assumptions	6	-	6	-	-	-
Derecognized during the period	23	218	241	(10,088)	(218)	(10,306)
Changes in accrued interest	-	-	-	739	-	739
Foreign currency translation differences, net	23	865	888	(5,025)	(865)	(5,890)
Total movements with impact on credit loss allowance charge for the period	20	571	591	638	**(571)**	**67**
30 September 2020	**(163)**	**(3,655)**	**(3,818)**	**21,718**	**3,655**	**25,373**

18. INVENTORIES

Inventories comprise the following:

	09/30/2020 EUR'000	09/30/2019 EUR'000
Agricultural machinery	22,738	18,244
Agricultural spare parts, tires and lubricants	13,912	11,436
Forestry machinery	4,415	6,913
Forestry spare parts	1,376	1,198
Trade-in machinery	383	303
Precision farming equipment	308	192
Other inventory	188	127
	43,320	**38,413**

During the 2020 financial year, EUR 139 thousand were recognized as income within purchase cost of goods sold related to recovery of inventories to net realisable value (2019: EUR 224 thousand).

Inventories with carrying amount of EUR 5,375 thousand as of 30 September 2020 (2019: EUR 2,569 thousand) were pledged to secure the Group's bank loans and borrowings. The Group has an obligation to maintain the inventory balance at or above the pledged level.

19. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets comprise the following:

	09/30/2020 EUR'000	09/30/2019 EUR'000
Trade receivables, gross	24,135	48,446
Other financial assets, gross	2,894	175
Allowance for credit losses	(484)	(1,855)
Trade receivable and other financial assets, net	**26,545**	**46,766**

Other financial assets mainly consist of bonuses from suppliers.

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 1 October 2019	**(1,779)**
Changes in estimates and assumptions	481
Foreign currency translation	233
Derecognized during the period	640
As of 30 September 2020	**(425)**

The credit loss allowance for trade receivables and other financial assets 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:

	09/30/2020				09/30/2019			
Ageing of trade receivables and other financial assets	**Gross carrying amount EUR'000**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Net carrying amount EUR'000**	**Gross carrying amount EUR'000**	**Stage 1 (12-months ECL)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Net carrying amount EUR'000**
Neither past due nor impaired	7,117	(66)	-	7,051	14,143	(211)	-	13,932
Impaired								
Past due	19,912	(295)	(123)	19,494	34,478	(499)	(1,145)	32,834
Less than 6 months	14,106	(214)	-	13,892	23,034	(345)	-	22,689
From 6 to 12 months	2,399	(35)	(1)	2,363	6,483	(97)	(27)	6,359
More than 1 year	3,407	(46)	(122)	3,239	4,961	(57)	(1,118)	3,786
	27,029	**(361)**	**(123)**	**26,545**	**48,621**	**(710)**	**(1,145)**	**46,766**

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:

	09/30/2020 EUR'000	09/30/2019 EUR'000
Other taxes receivable	816	654
Other current assets	2,356	2,027
	3,172	**2,681**

Other taxes receivable are primarily VAT receivable. Other current assets mainly consist of assets for reimbursement of warranty provision in the amount of EUR 2,263 thousand (2019: EUR 1,713 thousand).

21. CASH ON HAND AND BANK BALANCES

Cash and cash equivalents comprise the following:

	09/30/2020 EUR'000	09/30/2019 EUR'000
Bank balances	1,615	503
Short-term deposits	3,225	-
Cash on hand	9	7
	4,849	**510**

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

	09/30/2020 EUR'000	09/30/2019 EUR'000
AAA to BB+	4,332	476
BB to B+	508	27
Total cash and cash equivalents, excluding cash on hand	**4,840**	**503**

*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 2020 and 2019 is EUR 3,140 thousand consisting of 3,140,000 shares. The amount of additional paid in capital as of 30 September 2020 and 2019 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 2020 it amounted to EUR 24,337 thousand (30 September 2019: EUR 17,286 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:

- Step 1: 26.47% of total dividend are given to Series A shareholders only;
- Step 2: 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:

	2020	2019
Income for the period, EUR'000	1,739	6,961
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), in EUR		
Shares Series A	0.71	2.83
Shares Series B	0.41	1.63

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 the following:

EUR'000	Warranty reserve	Tax risks	Court decisions	Total
As of 1 October 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**
Charge for the year	2,053	-	-	**2,053**
Foreign currency translation	(452)	(7)	-	**(459)**
Utilized	(1,063)	-	-	**(1,063)**
Unused amounts reversed	-	(71)	-	**(71)**
As of 30 September 2020	**1,707**	**-**	**-**	**1,707**

25. BORROWINGS

The borrowings comprise the following:

		09/30/2020 EUR'000		09/30/2019 EUR'000	
	Level	**GBV**	**FV**	**GBV**	**FV**
Non-current borrowings from key management	Level 2	107	115	336	347
Current bank loans	Level 2	35,003	35,003	44,281	44,281
Current borrowings from key management	Level 2	146	148	98	99
		35,256	**35,266**	**44,715**	**44,727**

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

EUR'000	Borrowings	Lease	Total
Liabilities from financing activities at 1 October 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)**
Adoption of IFRS 16	-	(951)	**(951)**
Liabilities from financing activities at 01 October 2019	**(44,715)**	**(1,785)**	**(46,500)**
Lease modification	-	454	**454**
Additions	-	(2,854)	**(2,854)**
Cash flows	1,307	1,673	**2,980**
Foreign exchange adjustments	11,210	594	**11,804**
Interest expenses	(2,967)	(238)	**(3,205)**
Other non-cash movements	(91)	-	**(91)**
Liabilities from financing activities at 30 September 2020	**(35,256)**	**(2,156)**	**(37,412)**

As of 30 September 2020 borrowings in the amount of EUR 35,003 thousand (30 September 2019: 44,281 thousand) were secured with guarantees of the ultimate controlling party.

The effective annual interest rates were as follows:

	Non-current loans and borrowings		**Current loans and borrowings**	
	09/30/2020	**09/30/2019**	**09/30/2020**	**09/30/2019**
RUB	12.0%	12.0%	5.9% - 12.0%	8.1% - 12.0%

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 positive level of profitability;
- 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 lenders can increase interest rate or demand early repayment. During the years ended 30 September 2020 and 2019 the Group has complied with all the covenants, except for the covenants relating to borrowings of EUR 35,003 thousand as of 30 September 2020 and EUR 44,281 thousand as of 30 September 2019. As a result, the banks technically got the right to demand earlier repayment of the loans with the breached covenants. Management of Ekotechnika AG does not expect this.

26. TRADE ACCOUNTS PAYABLES

Trade payables are comprised of trade payables due to third parties in the amount of EUR 45,635 thousand as of 30 September 2020 (30 September 2019: EUR 42,499 thousand) and due to related party in the amount of EUR 0 thousand (30 September 2019: EUR 17 thousand). Trade payables can be non-interest bearing and interest bearing. As of 30 September 2020 trade payables in the amount of EUR 31,337 thousand were secured with guarantees of the ultimate controlling party (30 September 2019: EUR 22,444 thousand of the ultimate controlling party and EUR 518 thousand of the entities under common control). 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 4,451 thousand (30 September 2019: EUR 2,520 thousand) represents a contract liability.

EUR 2,083 thousand (2019: EUR 1,548 thousand) of revenue was recognized in the current reporting period arising from contracts with customers as at 30 September 2019 (2019: 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:

	09/30/2020 EUR'000	09/30/2019 EUR'000
Employee benefit liabilities	3,129	3,355
Other financial liabilities	842	526
Short-term finance lease payable	-	448
	3,971	**4,329**

The employee benefit liabilities represent wages and salary, bonuses to staff, unused vacation accruals and related social contributions.

29. LONG-TERM AND SHORT-TERM LEASE LIABILITIES

The Group recognized lease liabilities as follows:

	09/30/2020 EUR'000	10/01/2019 EUR'000
Long-term lease payable	1,181	1,191
Short-term lease payable	975	594
	2,156	**1,785**

Interest expense included in financial expenses of the 2020 financial year was EUR 238 thousand.

Expenses relating to short-term leases amounting to EUR 131 thousand and relating to leases of low-value assets amounting EUR 2 thousand that are not shown as short-term leases were included in "Other operating expenses".

30. OTHER SHORT-TERM LIABILITIES

Other current liabilities comprise the following:

	09/30/2020 EUR'000	09/30/2019 EUR'000
VAT payable	2,662	5,142
Other taxes payable	276	327
	2,938	**5,469**

31. OTHER LONG-TERM LIABILITIES

Other long-term liabilities comprise leases. The Group has leases for land, building and vehicles, generally passenger cars.

As of 30 September 2019 future minimum payments under finance lease and present value of the net minimum lease payments were as follows:

	09/30/2019	
	Present value EUR'000	Minimum lease payments EUR'000
Less than 1 year	448	516
More than 1 year but less than 5	386	411
	834	**927**
Future interest	**90**	

32. FUTURE OPERATING LEASE PAYMENTS

As of 30 September 2019 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 were as follows:

	09/30/2019 EUR'000
Due within one year	165
Due within one up to five years	226
Due in more than five years	38
	429

33. 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 highly volatile in the 2020 financial year. On 30 September 2019 the exchange rate was about 70.32 RUB/EUR, it continued to rise, reaching its peak of 93.02 RUB/EUR on 30 September 2020. The average rate for the financial year was 77.35 RUB/EUR (2019: 73.86 RUB/EUR).

During the 2020 financial year the key rate was decreased several times and reached its minimum at 4.25% in July 2020.

The main customers of the Group are operating in the agricultural sector which has not been significantly affected by the fast spread of the Coronavirus infection, that was declared as a pandemic on 11 March 2020 by the World Health Organization. The Group did not stop working and did not have any restrictions in its activities.

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.

34. 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, foreign currency 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 2020 and 2019.

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:

09/30/2020 EUR'000	**Level**	**USD**	**RUB**	**EUR**	**CAD**	**Total**
Long-term loans issued	Level 2	-	84	3,581	-	**3,665**
Short-term loans issued	Level 2	-	17,662	228	-	**17,890**
Trade receivable	Level 2	1,374	19,783	2,511	42	**23,710**
Other financial assets	Level 2	730	1,556	534	15	**2,835**
Cash and cash equivalents	Level 1	3	4,745	101	-	**4,849**
Total monetary financial assets		**2,107**	**43,830**	**6,955**	**57**	**52,949**
Long-term loans and credits	Level 1	-	107	-	-	**107**
Long-term trade accounts payable	Level 2	-	-	-	291	**291**
Long-term lease liabilities	Level 2	-	1,181	-	-	**1,181**
Short-term loans and credits	Level 2	-	35,149	-	-	**35,149**
Trade payables	Level 2	11,739	11,044	17,300	5,261	**45,344**
Short-term lease liabilities	Level 2	-	975	-	-	**975**
Other financial liabilities	Level 2	11	538	293	-	**842**
Total monetary financial liabilities		**11,750**	**48,994**	**17,593**	**5,552**	**83,889**
Net monetary position		**(9,643)**	**(5,164)**	**(10,638)**	**(5,495)**	**(30,940)**

09/30/2019 EUR'000	Level	USD	RUB	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 short-term 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)**

The Group is primarily exposed to risks from changes in the exchange rate between euro (EUR), Russian ruble (RUB) 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.

EUR/RUB	Change in EUR/RUB rate	Effect on loss before income tax EUR'000
2020	10.00%	(1,064)
	-15.00%	1,596
2019	10.00%	(447)
	-15.00%	671

USD/RUB	Change in USD/RUB rate	Effect on loss before income tax EUR'000
2020	10.00%	(964)
	-15.00%	1,446
2019	10.00%	(924)
	-15.00%	1,386

CAD/RUB	Change in CAD/RUB rate	Effect on loss before income tax EUR'000
2020	10.00%	(550)
	-15.00%	824
2019	10.00%	(708)
	-15.00%	1,062

34.5 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 2020 and 2019.

34.6 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 2020 the Group had fore customers that owed the Group more than EUR 1,000 thousand each and made up 44% of trade receivables balance (2019: nine customers owed more than EUR 1,000 thousand each accounted for 64% of trade receivables balance), all of them are related parties (2019: six customers counting for 56% of the balance were retaled parties and three customers counting for 8% of the balance were third parties).

35. LIQUIDITY RISK MANAGEMENT

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

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

As of 30 September 2020 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	35,003	146	-	107	-
Trade payables	4,485	31,460	9,399	291	-
Lease liabilities		298	830	892	389
Other financial liabilities	-	731	111	-	-
Total	**39,488**	**32,635**	**10,340**	**1,290**	**389**

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**

Capital management

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

The capital structure of the Group comprises net debt (i.e. loans and borrowings as presented in Note 25, less cash and cash equivalents) as well as the equity of the Group (comprising paid registered capital, capital reserves, accumulated losses, additional paid-in capital).

	09/30/2020 EUR'000	09/30/2019 EUR'000
Loans and borrowings	(35,256)	(44,715)
Less: cash and cash equivalents	4,849	510
Net debt	**(30,407)**	**(44,205)**
Total capital	27,588	32,898
Capital and net debt	**(2,819)**	**(11,307)**

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 September 2020 and 2019.

36. 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.

The 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 2020	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	**86,568**	**71,121**	**49,143**	**912**	**(13,904)**	**193,840**
Sales of goods for resale - third parties	*80,449*	*64,649*	*46,658*	*-*	*(2,456)*	*189,300*
Sales (all) - Group companies	*4,124*	*5,204*	*1,111*	*912*	*(11,351)*	*-*
Revenue from rendering of services	*1,995*	*1,268*	*1,374*	*-*	*(97)*	*4,540*
Purchase cost of goods sold	**(71,571)**	**(58,259)**	**(39,496)**	**(874)**	**13,176**	**(157,024)**
Gross profit/(loss)	**14,997**	**12,862**	**9,647**	**38**	**(728)**	**36,816**
Other operating income	1,252	1,033	1,990	4,609	4,978	3,906
Payroll expenses	(3,971)	(2,368)	(2,158)	(3,725)	-	(12,222)
Depreciation, amortization and impairment	(1,686)	(505)	(442)	(331)	73	(2,891)
Other operating expenses	(9,333)	(6,680)	(6,620)	(2,573)	5,282	(19,924)
Loss from impairment of financial assets	193	57	251	(542)	-	(41)
Results from operating activities	**1,452**	**4,399**	**2,668**	**(2,524)**	**(351)**	**5,644**

Year ended 30 September 2019	Central region	Blackearth region	Siberian region	All other	Elimination and adjustments	Consolidated
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	**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**

	2020 EUR'000	2019 EUR'000
Result from operating activity	**5,644**	**11,329**
Financial income	1,882	1,876
Financial expenses	(4,711)	(4,928)
	2,815	**8,277**
Income tax expense, total	(1,076)	(1,315)
Income for the period	**1,739**	**6,962**

In the 2020 financial year one customer made 15% of Central segment revenue (2019: one customer made 17% of revenue), one customer made 21% of Siberian segment revenue (2019: one customer made 33%) and one main customer made 19% of Black Earth segment revenue (2019: one customer made 29%).

37. 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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sale of agricultural machinery	10,969	36,537	-	-	-	-	-	-	**10,969**	**36,537**
Sale of agricultural spare parts, tires and lubricants	14,564	12,483	-	-	-	-	-	-	**14,564**	**12,483**
Sale of precision farming equipment	86	123	-	-	-	-	-	-	**86**	**123**
Revenue from rendering of services	379	346	-	-	-	-	-	-	**379**	**346**
Other income	231	133	-	-	-	-	-	-	**231**	**133**
Purchase of goods ad services	(1,597)	(1,969)	-	-	(3)	(3)	-	-	**(1,600)**	**(1,972)**
Remuneration of key management	-	-	-	-	-	-	(1,045)	(1,084)	**(1,045)**	**(1,084)**
Other expenses of key management	-	-	-	-	-	-	(32)	(22)	**(32)**	**(22)**
Impairment of loans issued	-	-	(512)	(512)	-	-	-	-	**(512)**	**(512)**

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

EUR '000		Trade receivable, other financial assets and other short-term assets	Trade accounts payable, other financial liabilities and other short-term liabilities
Entities under common control	09/30/2020	15,233	66
	09/30/2019	29,492	380
Associates	09/30/2020	1	1
	09/30/2019	1	1
Key management personnel	09/30/2020	-	753
	09/30/2019	-	833
Total	09/30/2020	**15,234**	**820**
	09/30/2019	**29,493**	**1,214**

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

EUR '000		Long-term loans granted	Short-term loans granted
Entities under common control	09/30/2020	3,581	17,799
	09/30/2019	2,210	17,372
Parent company	09/30/2020	-	11
	09/30/2019	-	522
Total	09/30/2020	**3,581**	**17,810**
	09/30/2019	**2,210**	**17,894**

EUR '000		Interest income	Interest expense
Entities under common control	09/30/2020	1,811	-
	09/30/2019	1,620	-
Parent company	09/30/2020	-	-
	09/30/2019	1	-
Key management personnel	09/30/2020	-	29
	09/30/2019	-	50
Total	09/30/2020	**1,811**	**29**
	09/30/2019	**1,621**	**50**

EUR '000		Short-term borrowings	Long-term borrowings
Key management personnel	09/30/2020	146	107
	09/30/2019	98	336
Total	09/30/2020	**146**	**107**
	09/30/2019	**98**	**336**

During the year ended 30 September 2020 EUR 15,297 thousand (2019: EUR 23,536 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 2020 the Group received settlement of loans issued to related parties of EUR 9,171 thousand (2019: EUR 22,526 thousand), which is included into the line "Proceeds from settlement of loans issued" in the consolidated cash flow statement.

As of 30 September 2019 some of the Group' companies acted as guarantors on the bank loans of the companies of Ekosem-Agrar Group (entities under common control), amounting to EUR 134 thousand. The carrying amount of guarantees was EUR 2 thousand. The guarantees were issued to support Ekosem-Agrar Group's purchase of machines from the Group. During the year ended 30 September 2020 the liabilities were settled by the related party.

38. 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 3,141,913.82 consisting of the net loss for the 2020 financial year of EUR 1,296,004.63 and the profit carried forward of EUR 4,437,918.45.

39. 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 2020 was EUR 45 thousand (2019: EUR 42 thousand).

40. RELEASE

The Executive Board of Ekotechnika AG released the consolidated financial statements for submission to the Supervisory Board on 21 December 2020. The Supervisory Board has to examine the consolidated financial statements and declare whether the consolidated financial statements are approved.

Walldorf, 21 December 2020

Stefan Duerr
Chairman of the Board

Bjoerne Drechsler
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, 2020, 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, 2019 to September 30, 2020, 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, 2019 to September 30, 2020.

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, 2020, and of its financial performance for the financial year from October 1, 2019 to September 30, 2020, 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, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

We also:

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

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

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

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

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

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

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

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

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

Saarbrücken, 22 December 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Michael Rohkämper)	(sgd. Elena Yorgova-Ramanauskas
Wirtschaftsprüfer	Wirtschaftsprüferin
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