IMC S.A. and its subsidiaries

Consolidated financial statements
For the year ended 31 December 2017

and
Report of the the réviseur d'entreprises agréé

CONTENTS

Statement of Board of Directors responsibilities for preparation and approval of Consolidated financial statements for the year ended 31 December 2017

The Board of Directors of the Group of companies "IMC" (the Group) is responsible for preparing the Consolidated financial statements which reflect in all material aspects the financial position of the Group as at 31 December 2017, as well as the results of its activities, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing Consolidated financial statements the Board of Directors is responsible for:

- selecting appropriate accounting policies and their consistent application;

- making reasonable measurement and calculation;

- following principles of IFRS as adopted by the European Union or disclosing all considerable deviations from IFRS in the notes to Consolidated financial statements;

- preparing Consolidated financial statements of the Group on the going concern basis, except for the cases when such assumption is not appropriate;

- accounting and disclosing in the Consolidated financial statements all the relations and transactions between related parties;

- accounting and disclosing in the Consolidated financial statements all subsequent events that would result in an adjustment or a disclosure;

- disclosing all claims related to previous or potential legal proceedings;

- disclosing in the Consolidated financial statements all the loans or guarantees to the Management.

The Board of Directors is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Group;

- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Group's registration;

- taking reasonable steps within its cognizance to safeguard the assets of the Group;

- detecting and preventing from fraud and other irregularities.

These Consolidated financial statements as at 31 December 2017 prepared in compliance with IFRS as approved by the European Union are approved on behalf of the Board of Directors on 25 April 2018.

On behalf of the Board of Directors:

Chief Executive Officer	ALEX LISSITSA	signed
Chief Financial Officer	DMYTRO MARTYNIUK	signed

Board of Directors statement

This statement is provided to confirm that, to the best of our knowledge, the Consolidated financial statements for the year ended 31 December 2017, and the comparable information, have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union and give a true, fair and clear view of Group's assets, financial standing and net results, and that the directors' report on the operations truly reflects the development, achievements and position of the Group, including a description of the key risk factors and threats.

On behalf of the Board of Directors:

Chief Executive Officer	ALEX LISSITSA	signed
Chief Financial Officer	DMYTRO MARTYNIUK	signed

Management report

1. Business and General Conditions

Macro-economic development

- **World economy**

In 2017 unfavorable and unstable weather conditions in major production regions of corn and soybean resulted in some decrease of global production of corn (-3%) and soybean (-1%). 2017/18 MY is the first season for the last 5 years when the global corn stocks decreased (-11.6%), which caused upward price trend for corn (+3% 2017 vs. 2016 and +17% in Q1 2018 vs December 2017).

Soybean prices n 2017 fluctuated the same level as in 2016. Wheat prices demonstrated some minor growth (+2-4%).

Ukraine continue to be the key global exporter of corn (#4), wheat (#6), sunflower oil and sunflower meal (#1).

According to the United States Department of Agriculture (USDA report, February 2018) the following results are forecast for IMC's main crops in 2017/18 MY:

Corn

Global corn production in 2017/18 MY - 1 041.7 mln MT, - 3% vs. 2016/17 MY

Global corn consumption in 2017/18 MY - 1068.4 mln MT, + 0.7% vs. 2016/17 MY

Global corn ending stocks in 2017/18 MY - 203 .1 mln MT, -11.6% vs. 2016/17 MY

Wheat

Global wheat production in 2017/18 MY – 758.2 mln MT, +1% vs. 2016/17 MY

Global wheat consumption in 2017/18 MY - 744.8 mln MT, +0.7% vs. 2016/17 MY

Global wheat ending stocks in 2017/18 MY - 266.1 mln MT, +5% vs. 2016/17 MY

Soybean

Global soybean production in 2017/18 MY – 346.9 mln MT (-1% vs. 2016/17)

Global soybean crushing in 2017/18 MY – 300.1 (+4% vs. 2016/17)

Global soybean ending stocks in 2017/18 MY – 98.1 (+2% vs. 2016/17)

- **Ukrainian economy**

According to different estimations, GDP of Ukraine in 2017 grew by 2% (vs. growth of 2.3% in 2016; decline of 9.9% in 2015 and decline of 6.6% in 2014).

According to the State Statistic Service of Ukraine inflation in Ukraine in 2017 amounted to 13.7% (vs. 12.4% in 2016, 43.3% in 2015 and 24.9% in 2014).

The national currency (hryvnia) devaluated by 3.1% in 2017 (vs. 11.7% in 2016 and 34% in 2015).

2017 year was the extremely difficult for the agrarians in Ukraine, when because of the cold spring, arid summer and heavy rains in the autumn productivity of the majority of crops decreased versus 2016 year. As a result, total production of grain and leguminous in 2017 is preliminary estimated by State Statistics Service of Ukraine to the amount of 61.3 million tonnes (-7.3% vs. 2016), the harvest of sunflower – 12.2 million tonnes (-10.7% vs. 2016).

Taxation changes

Since 1 January 2017 VAT benefit for farmers in Ukraine has been cancelled (in 2016 Ukrainian farmers had VAT benefit, allowing retaining a portion of VAT payments as follows: 80% by cattle farmers (with 20% channeled to the state budget), 15% by crop farmers, and 50% by all other producers)). In 2017, VAT for farmers in Ukraine was administrated in a standard way (including VAT refund on export of grain).

Development of IMC S.A. and its Subsidiaries (the hereinafter «the Group » or «IMC»)

- **Business overview**

Today IMC is the vertically integrated and high-technology group of companies operating in Sumy, Poltava and Chernihiv region (northern and central Ukraine) in three segments: crop farming, dairy farming, elevators and warehouses.

Crop farming

The land bank of the company consists of five clusters within which the fields are situated close to each other. This allows increasing extensively the operational efficiency, and decreasing the expenditure through optimizing of human and technical resources involvement, as well as promoting of effective operational management.

IMC applies modern manufacturing and management practice in agriculture, and constantly invests in acquisition of new farming machinery and equipment of the leading world brands.

On the fields of IMC the system of different depth soil cultivation is applied: deep ripping, ploughing, disking, and cultivation. Rotation of these cultivation methods allows creating the optimal conditions for growing and development of agricultural crops.

The IMC technology for crop farming anticipates using of seeds, fertilizers, and crop-protecting products only from the best national and foreign manufacturers.

The elements of precision farming are tested and introduced, such as: systems for GPS-monitoring of the machinery, auto-piloting, satellite monitoring, variable norms for seeding, and differentiated fertilization.

Dairy farming

Dairy farming supplies high quality milk for customers-processing enterprises and ensures working places in the regions.

The major portion of milk which IMC produces is rated as a milk of Extra category and the rest – as category I. IMC is one of the few industrialized milk producers which has an Operational permit for Baby Food Products, allowing it to sell milk to baby-food processing plants. This is another evidence of the high quality of the produced milk by the Company.

Elevators and warehouses

IMC owns and operates storage facilities with significant storage capacity situated in close proximity to its operations in each of its clusters.

The Company utilizes only its own storage facilities. The existing storage capacities satisfy 100% of the Company's storage needs with sufficient capacity to meet its projected increased production in the short-term.

The existing storage capacities enable IMC to sell its produce throughout the marketing season, to reduce negative impact of crop pressure on prices at harvest time and at the same time to mitigate risks related to physical security of stocks.

The Company also leases excess storage capacity to the third parties.

- **Corporate structure**

The parent company of the Group of companies "IMC" is IMC S.A. It is a limited company registered in accordance with the legislation of Luxembourg. As at year end 2017, IMC S.A. has two subsidiaries, Unigrain Holding Limited and Negoce Agricole S.A.

Unigrain Holding Limited is a direct subsidiary company of IMC S.A. and the parent company of Burat-Agro LLC, Burat LLC, Chernihiv Industrial Milk Company LLC, PJSC Mlibor. In addition, PJSC PKZ belongs directly to Burat LLC and the subsidiary company Zemelniy Kadastroviy Centr Plus belongs directly to Chernihiv Industrial Milk Company LLC.

In 2011 IMC S.A. purchased (indirectly, through its direct subsidiary company Unigrain Holding Limited) the silo PJSC Vyryvske HPP and the following agrarian companies:

- PAE Slavutich
- PE Progress 2010
- PAE Promin
- AF Kalynivska-2005, Ltd
- AF Zhovtneva, Ltd
- AF Shid-2005, Ltd
- AIE Vyrynske, Ltd
- Pisky, Ltd
- SE Vyry-Agro

On November 30, 2011 to decrease expenses and to improve management quality the agrarian companies PAE Slavutich and PE Progress 2010 were joined to Chernihiv Industrial Milk Company LLC, and PAE Promin was joined to Burat-Agro LLC.

On August 30, 2011 owing to increase of volumes of export sales of the Group the direct subsidiary company Unigrain Holding Limited established Aristo Eurotrading Ltd (BVI).

During the 12-month period ended 31 December 2012 IMC S.A. purchased (indirectly, through its direct subsidiary company Unigrain Holding Limited and Burat-Agro LLC belongs directly to Unigrain Holding Limited) the following agrarian companies:

- Ukragrosouz KSM, Ltd
- PAC Slobozhanschina Agro
- Bluerice Limited. The following companies became the part of the Group, as their owner is Bluerice Limited: Agroprogress Holding Ltd, Agroprogress PE, Bobrovitsky Hlebzavod Ltd, Plemzavod Noviy Trostyanets Ltd, PJSC "Bobrovitske HPP", Losinovka-Agro Ltd, Parafiyivka-Progress Ltd, Nosovsky Saharny Zavod Ltd.

In November 2013 owing to increase of volumes of export sales of the Group IMC established Negoce Agricole S.A. (Luxembourg).

In December 2013 IMC S.A. purchased (indirectly, through its subsidiary companies Unigrain Holding Limited and PAC Slobozhanschina Agro) the agrarian company AgroKIM Ltd.

During 2014-2016 Group's structure was optimized by mergering of some companies.

- **Group strategy**

On 13 February 2018 the Board of Directors of IMC S.A. (hereinafter "the Company") published the updating of the Company's strategy for 2016 – 2020:

- Before the introduction of the agricultural land market in Ukraine, the Company does not plan to expand the land bank in large scale, as it was planned earlier in the strategy 2016-2020, published on 15 February 2016 (see current report 3/2016 as of 15 February 2016).
- Other strategic goals published on 15 February 2016 concerning storage capacities and crop mix are unchanged: 1) Storage capacity modernization; 2) Growing of limited number of highly profitable export-oriented crops (corn, sunflower, soybean, wheat). Corn is a key crop with the share in crop mix about 50%.
- Taking into account a strong focus on business efficiency, the Company has defined additional strategic goal till 2020 - achievement of a leading position among agricultural companies in Europe in introduction of innovations.
- Profit received in 2017-2020, the Company plans to invest mainly in projects on operational efficiency improvement, debt reduction and payment of dividends to its shareholders.

- **The enterprise risk management and internal control system**

Risk management at IMC

Risk management is the process of reducing the possibility of adverse consequences either by reducing the likelihood of an event or its impact or taking advantage of the upside risk. The goal of the risk management at IMC is to provide a reasonable assurance that Group's business objectives will be achieved. This process encompasses such stages as risk identification, risk assessment, risk respond and risk mitigation, monitoring.

IMC's management is responsible for day-to-day monitoring, identification, assessment and planning mitigation activities concerning operational risks in the course of its ordinary performance. Internal controls at IMC are the main tools of operational risks mitigation process. Established internal policies and internal regulatory documents are the primary mediums of internal controls implementation.

The Board of Directors currently maintains responsibility for overseeing enterprise risk management process and strategic risks. Major risk exposures are regularly discussed at the board meetings.

IMC's accounting-related risk management system

IMC's control system relies on daily resource planning analyses which are detailed by cost center and cost article, department, thus providing all the necessary information for controlling inventories and products.

IMC established internal controlling instruments to secure proper accounting in compliance with legal requirements.

IMC's accounting procedures are governed by standardized guidelines and rules as well as a clearly defined course of action in different situation. Therefore, standard account parameters and booking directions for various production operations were established. Another control tool is the clear allocation of functions regarding various accounting processes. For Group consolidation and accounting purposes all bookkeeping data of the consolidated companies may be accessed automatically.

The internal control system of IMC is based on the accounting database thus integrating all controlling processes. Accounting processes are carried out on a high-level basis and are monitored and adjusted by specialists.

IMC's accounting-related risk management system is set up in a way that the risk of misrepresentation could mainly ensue from new business processes or amendments to legal provisions. Risks are contained by transferring decisions on accounting-relevant data resulting from new business processes to the management level. Ongoing continuation training regarding the applicable accounting provisions from time to time is provided to the management.

The Internal Control and Risk Management Department

The Internal Control and Risk Management Department was established as the separate unit in a corporate governance structure of the Group.

The Department is created with the aim of the regular independent monitoring and estimation of effectiveness of the IMC corporate governance, efficiency of separate business processes at the level of group and separate structural subdivisions, assessing of adequacy of the risk management process, providing with recommendations and participation during an improvement process. The Department participates in improvement of internal control, risk management and governance processes.

The Department regularly provides the management of IMC and the Audit Committee with independent and objective valuations and consultations. This involves an objective analysis of actual data with the aim of estimation and expression of an opinion on reliability of systems, processes, operations.

- **Personnel**

For more than a decade, IMC has been proud of its stable and well-coordinated team – professionals with valuable skills, knowledge and experience. Respect to employees' rights and needs, application of future-oriented approaches, continuous learning and training programs provision are all at the core of IMC's personnel management.

In 2016 IMC implemented crucial policies that are extremely important for staff to understand that the company they work in is respectful to its employees and human rights. IMC employs people based on principles of equal opportunity, without distinction to race, color, gender, sexual orientation, religion, descent or origin. IMC standards related to employees and human rights are declared in the following documents:

- Non-discrimination and equal opportunities in employment Policy
- Non-discrimination on grounds of sexual orientation and gender identity Policy
- Policy of collective bargaining
- Policy on freedom for workers to form or join trade unions
- Policy of nursing and expectant mothers
- Policy on working hours and overtime
- Employment of young person under the age of 18 Policy.

Policies are freely available to all employees and guests of IMC.

IMC provides its personnel with training and learning opportunities aligned with strategic goals of the Company. Employees obtain knowledge and improve their skills through specialized training programs conducted by internal and external providers. IMC trains its operating and executive personnel mainly from its own staff.

In 2017 more than 250 employees of IMC production departments, including precision farming technologies specialists, were trained by representatives of world's leading agribusiness companies. Also we implemented programs for development of leadership, effective communication, emotional intelligence and people management skills for 85 linear managers.

IMC cooperates with many higher educational institutions, in particular, with the Poltava State Agrarian Academy, Sumy National Agrarian University and National University of Life and Environmental Sciences of Ukraine. In 2015, IMC started internship program for agronomists and engineers on the basis of IMC regional enterprises. Internships are offered and held twice a year. During 2015-2017, 66 students were trained in production departments of IMC regional enterprises, 29 of them were employed.

Personnel structure and wages and related charges were the following:

For the year ended 31 December

	2017	**2016**	**Change in %**
Total number of employees	2 412	2 730	-12%
operating personnel	1 748	2 094	-17%
administrative personnel	642	606	6%
sales personnel	19	24	-21%
non-operating personnel	3	6	-50%
Wages and salaries and related charges per employee (USD, for 12 months ended 31 December)	6 041	3 804	59%

- **Health, Safety and Environment (HSE) management system**

Based on the experience of the world's leading companies, in 2016 IMC has started formation of the Health, Safety and Environment (HSE) management system. HSE department was formed at IMC's headquarter, designed to assist top-management of IMC in development and implementation of the company's strategy in these areas. On June 10, 2016 IMC approved a 5-year strategy of the company on Occupational Health and Safety and Environmental Protection in 2016-2020, which determines the priority directions of development of the company in this area.

At all IMC's enterprises carry out on Monitoring in the areas: natural resource use and environmental legislation, occupational safety at production (compliance review of IMC HSE principles against the requirements of Ukrainian regulatory documents).

IMC is committed to involving all employees in the management for issues of Environment, Health & Safety and Social Aspects at IMC and its subsidiaries.

IMC is constantly renewing its machinery and investing in technology, which has significant positive effect both on environmental and OH&S issues. Employees are receiving corporate personal protective equipment in accordance with the practice of world leading agricultural companies.

IMC is continuously improving the management system in the field of environmental and occupational health & safety, and is implementing new approaches based on the best local and international practices.

IMC's enterprises annually implement a set of measures, where, along with traditional safety briefing instructions and control measures, the following are applied:

- Improvement of labor conditions;
- Identification and elimination of industrial hazards;
- Health and safety management systems improvement;
- Health and safety trainings in partnership with the leading training institutions;
- Provision of modern and high quality personal and mass protective equipment;
- Raising employee awareness and safe work methods promotion;
- Improvement of health care services for the employees;
- Work with contractor organizations.

On July 7, 2016 the Policy & Principles on Health, Safety and Environment of the IMC's enterprises have been adopted.

All IMC's enterprises have the Emergency Preparedness and Response plans (EPRP) for localization and liquidation of emergencies and accidents. The availability of such plans is obligatory in Ukraine and is regulated by legal requirements & local legislation. At the corporate level, the procedure of rapid incident notification from IMC enterprises to the Company Headquarters was implemented in May, 2016 in order to improve emergency response capacity and assure timely decision-making.

Our employees are trained in the actions of the emergencies and accidents. Regular studies are conducted on IMC's enterprises, including those involving external training centers and organizations.

At the corporate level, the procedure of root causes identification was implemented in July, 2016 in order to improve the response to HSE management system, internal investigation and assure timely development of effective corrective and preventive measures.

In 2017 the Corporate Standard of Safety Audits was implemented for all IMC's siloses.

At the internal web site of IMC was developed a database for Behavioral and Technical Safety Audits for application at IMC's enterprises and subsequent analysis of information. For the effective conduct of safety audits in all divisions of the enterprises, the Directors of enterprises have approved schedules for conducting Safety Audits. CEO of IMC have approved schedule for conducting Safety Audits by the Top Management. There was started Executive Safety Audits by the Top Management of IMC's HQ at all siloses. There were 136 managers trained in HSE Leadership, IMC's HSE Strategy & Safety Audits in 2017. Based on the results of the HSE Leadership & Safety Audits training, the participants were issued with certificates from the CEO of IMC Group.

All investments and initiatives in social projects including personalized support and projects of local infrastructure maintenance and development (roads, water supply, public lighting, schools, kindergartens, FAPs and medical points etc.) that IMC conducts within the villages it operates are conducted on the principles of «IMC. Aid to People» program. The Program includes obligatory social consultations and PR efforts for all significant investments. Local communities are involved in projects prioritization, budgeting and planning of necessary actions.

In 2017 the format of social assistance providing to rural communities was changed - from the transfer of funds on accounts of village councils to personalized support to the land plot owners. Medical and household projects were organized in the new format of targeted support. The realization of such large-scale projects became possible due to the change in the structure of the social service - a new position of Village Manager was implemented. The village manager works directly with land plot owners in each village where the IMC operates.

The investments and initiatives for such projects in 2017 have reached UAH 16,2 million.

- **Management Incentive plan**

The Extraordinary shareholders meeting approved on 4 July 2017 a management incentive plan providing to Management Team Members and Eligible Employees as defined in the Management Incentive Plan an option to purchase in aggregate up to 1,878,000 new shares of IMC S.A., such number being equal to 6% of the issued stock of IMC S.A. as at the adoption date of such plan, at the price decided at the discretion of the board of directors of the Company which shall be equal to at least one euro cent EUR 0.01.

Performance period of the Management Incentive Plan is 3 years, starting from January 1, 2017 and ending on December 31, 2019. During the Performance Period, the board of directors of the Company may discretionarily decide when the Shares shall be issued by the Company to the Participants at the Subscription Price.

As a part of this incentive plan, 1 878 000 new ordinary shares were issued with subscription price USD 0.00115. As at the 31 December 2017 the purchase option was fully exercised with share price USD 2.73.

2. Operational and Financial Results

The following table sets forth the Company's results of operations derived from the Consolidated financial statements:

(in thousand USD)	Notes	For the year ended 31 December 2017	31 December 2016	Change in %
CONTINUING OPERATIONS				
Revenue	7	126 761	124 744	2%
Gain from changes in fair value of biological assets and agricultural produce, net	8	62 777	66 187	-5%
Cost of sales	9	(139 086)	(130 004)	7%
GROSS PROFIT		**50 452**	**60 927**	**-17%**
Administrative expenses	10	(9 605)	(6 343)	51%
Selling and distribution expenses	11	(8 893)	(6 521)	36%
Other operating income	12	1 610	2 943	-45%
Other operating expenses	13	(3 422)	(3 252)	5%
Write-offs of property, plant and equipment		(1 656)	(1 764)	-6%
Reversal of impairment of property, plant and equipment		591	-	-
Impairment of property, plant and equipment		(271)	-	-
OPERATING PROFIT		**28 806**	**45 990**	**-37%**
Financial expenses, net	16	(6 043)	(12 294)	-51%
Financial expense, additional return	30	(4 214)	(3 715)	13%
Foreign currency exchange gain/(loss), net	17	(762)	(8 492)	-91%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**17 787**	**21 489**	**-17%**
Income tax expenses, net	18	3	349	-99%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**17 790**	**21 838**	**-19%**

For the purposes of their analyses, the Company's management use **Normalised Net profit**, being Net profit adjusted for some expense items that are deemed to be substantially beyond their control, such as write-offs of property, plant and equipment and foreign currency exchange gains and losses, as well as items believed to be non-recurring. The non-recurring expenses currently include the effect of additional return on warrants (Note 30 to the Consolidated financial statements), as it is assumed that similar transactions will not be occurring in the foreseeable future.

The Normalised Net profit for the periods presented is calculated based on historical information derived from the Consolidated financial statements.

The reconciliation to Normalised Net profit for the period (from continuing operations) is presented as follows:

(in thousand USD)	For the year ended		
	31 December 2017	31 December 2016	Change in %
CONTINUING OPERATIONS			
Net profit for the period	17 790	21 838	
Write-offs of property, plant and equipment	1 656	1 764	
Reversal of impairment of property, plant and equipment	(591)	-	
Impairment of property, plant and equipment	271	-	
Foreign currency exchange (loss)/gain, net	762	8 492	
Non recurring items:			
Effect of additional return	4 214	3 715	
Normalised Net profit	**24 102**	**35 809**	**-33%**

The Company also uses normalised Earnings before interest and taxes (EBIT) and normalised Earnings before interest, taxes, depreciation and amortisation (EBITDA) as key measures of its performance.

Earnings before interest and taxes (EBIT) is an indicator of a company's profitability, calculated as revenue less expenses, the latter excluding tax and interest. To external users, EBIT provides information on the Company's ability to generate earnings directly from its operations, disregarding its cost of capital and the tax burden and thus making the Company's results comparable to similar companies across the industry where those companies may have varying capital structures or tax environments. To the management, EBIT provides a performance measure additionally adjusted for expenses that may be deemed fixed (i.e. stemming from the given capital structure) or externally imposed by the environment (i.e. the tax burden).

The Company calculates Normalised EBIT by adjusting Net profit for the expense items that are deemed to be substantially beyond the control of management, as well as items believed to be non-recurring. The Normalised EBIT for the periods presented is calculated based on historical information derived from the Consolidated financial statements. The reconciliation to Normalised EBIT for the period (from continuing operations) is presented as follows:

(in thousand USD)	For the year ended		
	31 December 2017	31 December 2016	Change in %
CONTINUING OPERATIONS			
Net profit for the period	17 790	21 838	
Write-offs of property, plant and equipment	1 656	1 764	
Reversal of impairment of property, plant and equipment	(591)	-	
Impairment of property, plant and equipment	271	-	
Foreign currency exchange (loss)/gain, net	762	8 492	
Financial expenses, net	6 043	12 294	
Income tax expenses, net	(3)	(349)	
Non recurring items:			
Effect of additional return	4 214	3 715	
Normalised EBIT	**30 142**	**47 754**	**-37%**

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as revenue less expenses, the latter excluding tax, interest, depreciation and amortisation. Being a proxy to the operating cash flow before working capital changes, EBITDA is widely used as an indicator of a company's ability to generate cash flows, as well as its ability to service debt. Consequently, to the management EBITDA serves as a measure to estimate financial stability of the Company. Besides, excluding the effect of depreciation and amortisation along with cost of capital and taxation provides to external users another measures comparable to similar companies regardless of varying tax environments, capital structures or depreciation accounting policies.

The Company calculates Normalised EBITDA by adjusting Net profit for the expense items that are deemed to be substantially beyond the control of management, as well as items believed to be non-recurring. The Normalised EBITDA for the periods presented is calculated based on historical information derived from the Consolidated financial statements. The reconciliation to Normalised EBITDA for the period (from continuing operations) is presented as follows:

(in thousand USD)	For the year ended		
	31 December 2017	**31 December 2016**	**Change in %**
CONTINUING OPERATIONS			
Net profit for the period	17 790	21 838	
Write-offs of property, plant and equipment	1 656	1 764	
Reversal of impairment of property, plant and equipment	(591)	-	
Impairment of property, plant and equipment	271	-	
Foreign currency exchange (loss)/gain, net	762	8 492	
Financial expenses, net	6 043	12 294	
Income tax expenses, net	(3)	(349)	
Depreciation and amortization	9 005	11 248	
Non recurring items:			
Effect of additional return	4 214	3 715	
Normalised EBITDA	**39 147**	**59 002**	**-34%**

Company's Normalised Net profit, as well as Normalised EBIT and EBITDA decreased in Y2017 in comparison with Y2016 mainly due to increase in production cost and strengthening of UAH in 2017.

Revenue

The Company's revenue from sales of finished products increased by 2% in Y2017 in comparison with previous period.

The following table sets forth the Company's sales revenue by products indicated:

(in thousand USD)

	For the year ended		
	31 December 2017	**31 December 2016**	**Change in %**
Corn	79 115	75 991	4%
Sunflower	22 253	24 647	-10%
Wheat	11 031	9 885	12%
Soy beans	7 755	6 615	17%
Potatoes	2 112	1 219	73%
Milk	1 495	3 024	-51%
Cattle	356	1 747	-80%
Other	1 882	998	89%
	125 999	**124 126**	**2%**

The most significant portion of the Company's revenue comes from selling corn, which represented 62,8% in Y2017 and 61,2% in Y2016 of total revenue.

The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

(in thousand USD)

	For the year ended	
	31 December 2017	**31 December 2016**
Corn		
Sales of produced corn *(in tonnes)*	510 320	502 605
Realization price (U.S. $ per ton)	155	151
Revenue from produced corn *(U.S. $ in thousands)*	79 115	75 991
Wheat		
Sales of produced wheat *(in tonnes)*	74 228	68 929
Realization price (U.S. $ per ton)	149	143
Revenue from produced wheat *(U.S. $ in thousands)*	11 031	9 885
Soy beans		
Sales of produced soy beans *(in tonnes)*	20 026	16 996
Realization price (U.S. $ per ton)	387	389
Revenue from produced soy beans *(U.S. $ in thousands)*	7 755	6 615
Sunflower		
Sales of produced sunflower *(in tonnes)*	66 717	75 114
Realization price (U.S. $ per ton)	334	328
Revenue from produced sunflower *(U.S. $ in thousands)*	22 253	24 647
Potatoes		
Sales of produced potatoes *(in tonnes)*	24 428	16 285
Realization price (U.S. $ per ton)	86	75
Revenue from produced potatoes *(U.S. $ in thousands)*	2 112	1 219
Other (produced only)		
Total sales volume *(in tonnes)*	20 778	11 212
Total revenues *(U.S. $ in thousands)*	1 882	998
Total sales volume (in *tonnes)*	**716 497**	**691 141**
Total revenue from sale of crops *(U.S. $ in thousands)*	**124 148**	**119 355**

Revenue relating to sales of corn increased by 4% to USD 79,1 million in current period from USD 76,0 million in previous period, mainly due to an increase in sales volume (tons) in 2017.

Revenue relating to sales of sunflower decreased by 10% to USD 22,3 million in current period from USD 24,6 million in previous period, due to a decrease in sales volume (tons) in 2017.

Revenue relating to sales of wheat increased by 12% to USD 11,0 million in current period from USD 9,9 million in previous period, due to an increase in sales volume (tons) and prices in 2017.

Revenue relating to sales of soy beans increased by 17% to USD 7,8 million in current period from USD 6,6 million in previous period, due to an increase in sales volume (tons) in 2017.

Revenues relating to sales of milk and cattle decreased in current period by 51% and 80% correspondingly due to decrease in the sales volume because of change in the structure of the herd and reorganization of dairy farms.

Cost of sales

The Company's cost of sales increased by 7% to USD 139,1 million in current period from USD 130,0 million in previous period. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

(in thousand USD)

	For the year ended 31 December 2017	For the year ended 31 December 2016	Change in %
Raw materials	(99 306)	(81 581)	22%
Rent	(13 996)	(13 852)	1%
Fuel and energy supply	(11 719)	(8 931)	31%
Depreciation and amortization	(7 498)	(9 489)	-21%
Wages and salaries of operating personnel and related charges	(7 158)	(6 057)	18%
Change in inventories and work-in-progress	6 056	(7 191)	-184%
Third parties' services	(3 602)	(1 457)	147%
Taxes and other statutory charges	(1 036)	(845)	23%
Repairs and maintenance	(768)	(553)	39%
Other expenses	(59)	(48)	23%
	(139 086)	**(130 004)**	**7%**

Increase in cost of sales mainly consists of increase in raw materials by 22% to USD 99,3 million in current period from USD 81,6 million in previous period. This was due to an increase in the amount of disposal of revaluation of agriculture produce and biological assets as a part of cost of sales (from USD 49 514 thousand in 2016 to USD 61 240 thousand in 2017).

Gross profit

The Company's gross profit decreased to USD 50,5 million in current period from USD 60,9 million in previous period, an 17% year-on-year decrease. In relative terms, the total cost of sales went up 7% year-on-year and gain from changes in fair value of biological assets and agricultural produce decreased by 5%.

Administrative expenses

Administrative expenses increased year-on-year to USD 9,6 million in current period from USD 6,3 million in previous period, reflecting an increase in wages and salaries of administrative personnel and related charges to USD 7,1 million from USD 4,0 million.

Selling and distribution expenses

Selling and distribution expenses increased year-on-year to USD 8,9 million in current period from USD 6,5 million in previous period, reflecting an increase in the volume of realization in 2017.

Other operating income

The Company's other operating income decreased by 45% to USD 1,6 million in current period from USD 2,9 million in previous period due to decrease in income from write-offs of accounts payable, income from subsidized VAT and income from the exchange of property certificates.

Other operating expenses

Other operating expenses increased by 5% to USD 3,4 million in current period from USD 3,3 million in previous period reflecting an increase in charity expenses.

Financial expenses, net

The Company's financial expenses, net decreased by 51% to USD 6,0 million in current period from USD 12,3 million in previous period. This decrease was related to the repayment of loans and borrowings in 2016-2017.

Foreign currency exchange loss, net

Foreign currency exchange loss, net decrease to USD 0,8 million in current period from USD 8,5 million in previous period. This increase reflected the strengthening of UAH in 2017 in comparison with 2016 – 11,7% of devaluation as at 31 December 2016 in comparison with 3,1% as at 31 December 2017.

Cash flows

The following table sets out a summary of the Company's cash flows for the periods indicated:

(in thousand USD)

	For the year ended	
	31 December 2017	**31 December 2016**
Net cash flows from operating activities	32 412	29 287
Net cash flows from investing activities	(4 939)	(5 000)
Net cash flows from financing activities	(23 945)	(21 779)
Net increase in cash and cash equivalents	**3 528**	**2 508**

Net cash flow from operating activities

The Company's net cash inflow from operating activities increased to USD 32,4 million in current period from USD 29,3 million in previous period. The increase in 2017 was primarily attributable to increase in sales.

Net cash flow from investing activities

The Company's net cash outflow from investing activities is almost equal to the previous period amount - USD 4,9 million in Y2017 and USD 5,0 million in Y2016.

Net cash flow from financing activities

Net cash outflow from financing activities increased to USD 23,9 million in current period from USD 21,8 million in previous period. The increase in 2017 was primarily due to changes of credit portfolio in the direction of long-term borrowings.

3. Risk report

Risks relating to the Industry

- *Grains prices volatility*

  Changes in market prices for grains can adversely influence on IMC's earnings and financial results.

  To decrease an influence of this risk the Group on permanent basis researches the international and Ukrainian agricultural markets, monitoring price fluctuations and factors affecting these fluctuations (stocks, production, consumption, export, import, forecasts). Based on an analysis of the above-mentioned information the management of the Group makes decisions regarding crop rotation structure and production plans.

  Sound control over the grains production costs at IMC allows the company to ensure sufficient level of marginality regardless price fluctuations. Moreover, annually we utilize forward contracts for a part of corn and wheat crops to retain sufficient cash inflows. Mixture of spot and forward sales over a marketing year results in obtaining reasonable average market prices for grains by the Group.

Operational risks

- *Adverse weather conditions*

  Poor and unexpected weather conditions may disrupt the Group's production of crops.

  The land cultivated by the Group is spread between different climate zones of Ukraine. This allows to reduce the possible negative impact of adverse weather conditions. Additionally, to mitigate an influence of this risk IMC uses the following practices:

  - On the fields of IMC the system of different depth soil cultivation is applied: deep ripping, ploughing, disking, and cultivation. Rotation of these cultivation methods allows creating the optimal conditions for growing and development of agricultural crops;
  - Cultivation of relatively small share (10%) of winter crops in the general crop rotation structure enables to decrease the risk of disruption of a general production of crops during unfavorable winter conditions.

- *Increase of inputs costs*

  The Group's operating costs could increase and adversely affect the IMC's financial performance. The risk of Group's operating costs increase is basically connected to a possible price growth for fuel, seeds, fertilizers and crop protection materials.

  To reduce the risks mentioned above the Group:

  - has implemented the fuel consumption and machinery usage controlling systems using GPS-trackers;
  - follows the land bank development strategy based on principle of fields' close proximity to each other that allows to reduce fuel consumption;
  - is focused on limited number of crops that allows to use and purchase seeds, fertilizers and crop protection materials more efficiently;
  - has built long-term and mutually benefit relationships with suppliers of seeds, fertilizers and crop protection materials.

- *Credit risk*

  Counterparties involved in transactions with IMC may fail to make scheduled payments, resulting in financial losses to IMC.

  To decrease an influence of this risk the Group has implemented credit policy and monitoring practices. Police and operating guidelines include limits in respect of counterparties to ensure that there is no significant concentration of credit risk. Credit risks are managed by legal activities which include security paragraphs into agreements with customers. Also the financial department of the Group constantly carries out monitoring over payment terms deadlines according to goods selling contracts.

- *Risk of key personnel shortage*

  A lack of key personnel can threaten the overall performance of IMC.

  The Group conducts series of activities to mitigate this risk. IMC offers competitive working conditions for potential employees. Performance related remuneration scheme exists to motivate and retain key staff. IMC cooperates with a number of Ukrainian educational institutions for selection and hiring talented students. Educational and professional trainings are regularly held for personnel at IMC.

- *Risk of land loss*

  Land is a key recourse in agricultural production and termination of essential number of land lease agreements can cause significant damage for the Group.

  To mitigate this risk, the Group holds a number of social events for the local communities to make IMC's presence beneficial for company's land lessors. The terms of land lease agreements have been revised and re-signed in the best interest of counterparties.

- *Risk of cybersecurity incidents*

  IMC's corporate information system can be corrupted by virus attack or external intrusion.

  Operations of the group are highly dependent on corporate IT system in all aspects. Companies of the Group have experienced cybersecurity attack which has not had a material impact on our business. To prevent and mitigate this risk a series of actions has been done. The infrastructure of IMC's intranet has been improved in order to mitigate the risk of unauthorized external intrusion. A backup process was reconstructed to ensure a maximum possible safety of corporate business data. The riskiest points of unauthorized external intrusion have been isolated outside IMC's intranet.

Financial risks

- *Risk of capital deficiency*

  Failure to generate or raise sufficient capital may restrict the Group's development strategy

  To decrease an influence of this risk the Group works on several sources of financing: bank crediting, bonds issue, financing by international financial organizations.

- *Risk of liquidity*

  It exists the risk of inability to meet financial obligations of the Group in due time.

  To minimize such risk IMC maintains efficient budgeting and cash management processes to ensure that adequate funds are available to meet business requirements. IMC adopts a flexible CAPEX program enabling capital projects to be deferred if necessary.

- *Risk of interest rate volatility*

  Fluctuations of interest rates influence on the cost of IMC's borrowings.

  The Group utilizes balancing strategy to mitigate interest rate risk. The portfolio of IMC's borrowings consists of 55% of float rate debt and 45% of fixed rate debt.

  IMC's creditors are well-known banks with a foreign capital or international financial institutions. The cost of IMC's financial resources is lower than the market average.

- *Fluctuation in currency exchange rates*

  Unfavorable movements of currency exchange rates can lead to deteriorating of company's financial results.

  The Group utilizes matching strategy to reduce this risk. The main functional currencies for IMC are Ukrainian hryvnia and US dollar. In the course of regular financial planning cash inflows and outflows are matched in each currency. IMC has a stable revenue both in UAH and US dollar which allows to exploit hedging strategy against national currency devaluation.

Legal and regulatory risks

- *Risk of non-compliance*

  The Group's business is influenced by regulatory rules of each country where IMC operates. A breach of these rules can cause legal proceedings and additional costs for the company.

  The monitoring of legislation changes is constantly conducted by the Legal Department at IMC. Employees regularly visit specialized events on legal issues. Group's business operations are conducted in accordance with current legislation taking into account possible future regulatory development.

Anti-corruption and bribery matters

It is the policy of the Group not to engage in bribery or corruption and comply with applicable anti-corruption laws.

We adhere to the UN Global Compact principles:

- We shall work against corruption in all its forms, including extortion and bribery.
- Making, promising or offering any payments, gifts or inducements with the purpose of influencing someone (incl. government officials, suppliers, clients, etc.) to act improperly is strictly forbidden; the same applies to accepting payments, gifts or inducements.
- All payments should be reasonable and fall within the acceptable commercial practice.
- All such expenses have to be properly recorded in the accounts.
- We do not tolerate so-called facilitating payments (for example small unofficial payments to officials in order to speed up processes).
- The Group does not make political contributions.
- When engaging in business relationships the Group chooses its partners with the same zero tolerance approach to corruption and bribery.
- The Group appreciates the risk of corruption and bribery in the countries it operates and continues to take measures to minimize this risk.

- All funds received and paid by the Group and its subsidiaries during the course of business are strictly accounted and handled via bank transfers exclusively to minimize the possibilities of cash being taken in or out for the purposes of bribery. In 2017, the Group continued to ensure its adherence to such cash management.

4. Selected Financial Data

(in thousand USD)

	For the year ended	31 December 2017	31 December 2016
I.	Revenue	126 761	124 744
II.	Operating profit/(loss)	28 806	45 990
III.	Profit/(loss) before income tax	17 787	21 489
IV.	Net profit/(loss)	17 790	21 838
V.	Net cash flow from operating activity	32 412	29 287
VI.	Net cash flow from investing activity	(4 939)	(5 000)
VII.	Net cash flow from financing activity	(23 945)	(21 779)
VIII.	Total net cash flow	3 528	2 508
IX.	Total assets	180 094	158 945
X.	Share capital	59	56
XI.	Total equity	104 038	65 057
XII.	Non-current liabilities	30 923	57 683
XIII.	Current liabilities	45 133	36 205
XIV.	Weighted average number of shares	32 190 121	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	0,55	0,70
XVI.	Book value per share (in USD)	3,22	2,10

On behalf of the Board of Directors:

Chief Executive Officer ALEX LISSITSA signed

Chief Financial Officer DMYTRO MARTYNIUK signed

IMC S.A.
Société anonyme
Registered office: 16 rue Erasme
L-1468Luxembourg, Grand Duchy of Luxembourg
R.C.S Luxembourg: B 157843
(the Company)

Corporate governance statement

Corporate governance

Corporate governance within the Company is based on the Luxembourg law and the listing requirements of the Warsaw Stock exchange where the trading in the Company shares takes place. The Company follows New Code of Best Practices for WSE Listed Companies that entered into force on 1 January 2016 (the "2016 WSE Code", as amended on 13 October 2015).

The Company's corporate governance rules are based on the Company's articles of Association (the "Articles"), and the corporate governance charter (the "Corporate Governance Charter"), and the Company's internal regulations.

Board of Directors

According to the Articles of Association ('STATUTS COORDONNES'), the Company shall be managed by the Board of Directors composed of at least five members, their number being determined by the general meeting of shareholders. Directors need not be shareholders of the Company. The Board of Directors is composed of executive and non-executive directors. At least two directors shall be independent non-executive directors.

The directors shall be elected by the general meeting of shareholders for a period not exceeding six (6) years and until their successors are elected, provided, however, that any director may be removed at any time by a resolution taken by the general meeting of shareholders. The directors shall be eligible for reappointment.

In the event of vacancy in the office of a director because of death, resignation or otherwise, the remaining directors elected by the general meeting of shareholders may elect a director to fill such vacancy until the next general meeting of shareholders.

Directors:

Name	Date of initial appointment	End of mandate
1. Mr. Alex Lissitsa, executive director, CEO	29 March 2012	2022
2. Mr. Dmytro Martyniuk, executive director, CFO	09 March 2011	2022
3. Mr. Oleksandr Petrov, executive director, Chairman	09 March 2011	2022
4. Mr. Alfons Balman, non-executive director	10 September 2013	2019
5. Mr. Kamil Jan Gaworecki, non-executive director	01 June 2016	2019

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association (hereafter referred Articles of Association and Luxembourg Companies Law 1915. The Articles of Association may be amended from time to time by a general meeting of the shareholders under the quorum and majority requirement provided for by the law of 10 August 1915 on commercial companies in Luxembourg, as amended.

The present Board is composed of two independent directors and three directors who either are employed by Subsidiaries of the Company or hold over 5% of votes in the Company.

Independency is assessed taking into consideration the criteria stated in Annex II of the European Commission Recommendation of 15 February 2005.

Powers of Directors

The board is responsible for managing the business affairs of the Company within the clauses of the Article of Association. The directors may only act at duly convened meetings of the board of Directors or by written consent in accordance with article 10 of Articles of Association.

The Board of Directors is vested with the broadest powers to act on behalf of the Company and to perform or authorize all acts of administrative or disposal nature, necessary or useful for accomplishing the Company's object. All powers not expressly reserved by the Law to the sole shareholder or, as the case may be, to the general meeting of shareholders, fall within the competence of the Board of Directors.

Meetings of the Board of Directors

The Board of Directors meets upon notice given by the Chairman. A meeting of the Board of Directors must be convened if any two directors so require. The Chairman presides at all meetings of the Board of Directors. In Cairman's absence the Board of Directors may appoint another director as chairman pro tempore by vote of the majority present or represented at such meeting. Except in cases of urgency or with the prior consent of all those entitled to attend, there should be given written notice at least twenty-four hours before the meeting of the Board of Directors. Any such notice shall specify the place, the date, time and agenda of the meeting. The notice may be waived by unanimous written consent by all the directors at the meeting or otherwise. No separate notice is required for meetings held at times and places specified in a time schedule previously adopted by resolution of the Board of Directors.

Every board meeting shall be held in Luxembourg or at such other place indicated in the notice.

Decisions will be taken by a majority of the votes of the directors present or represented at the relevant meeting. Each director has one vote. In case of a tied vote, the Chairman has a casting vote.

One or more directors may participate in a meeting by means of a conference call, by videoconference or by any similar means of communication enabling several persons participating therein to simultaneously communicate with each other. Such methods of participation are to be considered equivalent to a physical presence at the meeting.

A written decision passed by circular means and transmitted by cable, facsimile or any other similar means of communication, signed by all the directors, is proper and valid as though it had been adopted at a meeting of the Board of Directors which was duly convened and held. Such a decision can be documented in a single document or in several separate documents having the same content and each of them signed by one or several directors. Except as far as a written decision passed by circular means is concerned, the minutes of the meeting of the Board of Directors shall be signed by the Chairman of the relevant meeting or any two directors or as resolved at the relevant board meeting or a subsequent board meeting. Any proxies will remain attached thereto.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing an independent administrator (the "Administrator") to maintain the accounting records of the Company independent of IMC S. A. The Administrator has a duty of care to maintain proper books and records and prepare for review and approval by the Board the financial statements intended to give a true and fair view. The Board has appointed Totalserve Management (Luxembourg) S.a.r.l. as Administrator.

Committees

Audit Committee

The Audit committee has been established by the Board to assist the Board of directors with independent verifying and safeguard of the integrity of the company's financial reporting; and oversee the independence of the external auditors

The Committee has responsibility for the following:

(a) Monitoring the establishment of an appropriate internal control framework;

(b) Monitoring corporate risk assessment and compliance with internal controls;

(c) Overseeing business continuity planning and risk mitigation arrangements;

(d) Reviewing reports on any material defalcations, frauds and thefts from the Group;

(e) Monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements;

(f) Reviewing the nomination, performance and independence of the external auditors;

(g) Liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with Committee members' information and knowledge and is adequate for shareholder needs;

(h) Reviewing management processes supporting external reporting;

(i) Reviewing financial statements and other financial information distributed externally; and

(j) Reviewing audit report to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it except for matters relating to the appointment, oversight, remuneration and replacement of the external auditors.

The Committee has unrestricted access to management and the external auditors as it may consider appropriate for the proper performance of its function.

The Board of Directors shall appoint the chairman and members of the Audit Committee from among the non-executive directors and external members which must be independent. The Audit Committee will comprise a minimum of two members. In any case the chairman of the Audit Committee must be appointed from among non-executive directors.

As of 31 December 2017 Audit committee consisted of two members, Alfons Balmann (chairman), a non-executive director and Kamil Jan Gaworecki (member), non-executive director. In the year 2017 the work of the audit committee was confined to interacting with the auditors and appointing the external auditor. In addition, Audit Committee had held meetings as it determined in Corporate governance chart.

Remuneration Committee

The role of the Committee is to advise on remuneration and issues relevant to remuneration policies and practices for senior management.

The Responsibility of the Remuneration Committee includes issues regarding salaries, bonus programs and other employments terms of the CEO and senior management in conjunction with the Board.

Notably, the Remuneration Committee is responsible for:

- submitting proposals to the Board regarding the remuneration of directors and managers, ensuring that these proposals are in accordance with the remuneration policy adopted by the Company;

- discussing with the chief executive officer the performance of executive management and of the individual executives at least once a year based on evaluation criteria clearly defined. The chief executive officer should not be present at the discussion of his own evaluation;

- ensuring that the remuneration of non-executive directors is proportional to their responsibilities and the time devoted to their functions.

The Board of Directors shall appoint the chairman and members of the Remuneration Committee from among the non-executive directors and external members which must be independent. The Remuneration Committee will comprise a minimum of two members. In any case the chairman of the Remuneration Committee must be appointed from among non-executive directors.

As of 31 December 2017 the Company hadn't adopted a remuneration policy. Principles of remuneration of the Board members shall be determined by the General Meeting of Shareholders and Board of Directors shall determine the remuneration of the Executives. Remuneration of the Board is related to the Company's financial results.

Internal control and risk management

The company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of financial records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements. In accordance with Luxembourg legal and regulatory requirements, that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposals of the company's assets that could have a material effect on the financial statements.

External audit

In accordance with the Luxembourg law on commercial companies, an external auditor appointed by the annual general meeting of shareholders certifies the Company's annual and consolidated accounts.

The external audit functions for consolidated financial statements for Y2017 being carried by BDO Audit S.A, for Y2016 – H.R.T. REVISION S.A. (in 2017 BDO Luxembourg and HRT Group united their businesses).

Takeover bids Law statement

- The structure of the capital of the Company is represented in Note 29. The company is a publicly listed company whose shares are owned primarily by institutional investors and Agrovalley Limited whose beneficial owner is Mr. Olexandr Petrov, chairman of the board of directors. As of 31 December 2017, Agrovalley Limited held 22 690 815 shares in the Company, what is equal to 68,39%;
- The Company has no securities which are not admitted to trading on a regulated market;
- The Company has no restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC;
- The details of those shareholders with an interest of 5% or more in the issued share capital of the Company, as notified to the Company, are set out in Note 29. The Company has no other significant direct or/and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings);
- The Company has no holders of any securities with special control rights. Transfer of shares is governing by the Articles of Association of the Company;
- The Company has no adopted system of control of any employee share scheme where the control rights are not exercised directly by the employees;
- The Company has no adopted restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;
- All of the issued and outstanding shares in the Company have equal voting rights and there are no special control rights attaching to the shares;
- The Company didn't receive the information about existence of any agreements between shareholders that may result any restrictions within the meaning of Directive 2004/19/EC;
- The Company has no any agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the Company;
- The Company grants non-availability of any agreements between the company and its board members or/and employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Insider Dealing

The Company follows Warsaw Stock Exchange and insider trading policy rules in regards to the disclosure of insider dealing, which require all Board Members to notify the Company with regards to all transaction in the shares in the Company. Following the rules of the notification, the Company notifies both stock exchanges via appropriate regulatory filings.

On behalf of the Board of Directors

Chief Executive Officer ALEX LISSITSA signed

Chief Financial Officer DMYTRO MARTYNIUK signed

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
IMC S.A.
16, rue Erasme
L-1468 Luxembourg

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of IMC SA and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - operating environment

We draw attention to note 4 "operating environment" to the consolidated financial statements, which describes the current situation in Ukraine. The impact of the political and economic crisis in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of IMC S.A. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of biological assets (notes 21 and 24 to the consolidated financial statements)

Biological assets (non-current and current) are valued at initial recognition at cost and at each balance sheet date at fair value less estimated point-of-sale costs.

Estimating the fair value is a complex process as it is based on discounted cash flows and involves various inputs requiring significant judgments and estimates. As a consequence, we have determined the valuation of biological assets as a key audit matter.

Our procedures were as follows:

- Considering the appropriateness of the model used by the Group and its consistency with prior periods ;
- Reviewing the inputs used in the calculation, such as yields, prices… through comparison with internal supporting documentation including prior years' actual data and external data ;
- Verifying whether the model is arithmetically correct ;
- Reviewing the disclosures in the consolidated financial statements, including disclosures of key assumptions, judgments and sensitivity analysis.

Revenue recognition (note 7)

As disclosed in note 37 to the consolidated financial statements, a significant portion of the revenues relate to non-Ukrainian buyers. Revenue recognition on such contracts depends on incoterms, which define the point of risk and reward transfer. In addition, International Standards on Auditing establish a rebuttable presumption that there are risks of fraud in revenue.

We have therefore considered revenue recognition as a key audit matter.

Our audit procedures covered in particular:

- understanding and assessing the internal control environment relating to the recognition, measurement and presentation of the different natures of sales revenues ;
- assessing compliance of the accounting policies relating to revenue recognition with the accounting standard ;
- performing substantive testing consisting, among other things, of reconciling delivery sheets, sales invoices issued, respective contracts with customers and payments received;
- performing detailed analytical procedures;
- obtaining third party confirmation on the revenue for the year.

Going concern

As mentioned in note 2 to the consolidated financial statements, the Group is mainly active in Ukraine.

In 2014, Ukraine was faced with political and economic turmoil, including the annexation by the Russian Federation of Crimea and separatist movements in Lugansk and Donetsk regions.

Even though the Group has no assets in the regions mentioned above, the Group suffered from the consequences of these events on the Ukrainian economy.

The Group is to a significant extent financed by banks and financial institutions, through loan contracts with covenants. Loans and borrowings represent as at 31 December 2017 35.8 % of total liabilities and equity.

Assessment on going concern is largely dependent on forecasts and estimates made by management.

We therefore have considered going concern as a key audit matter.

In order to address this key audit matter, we have obtained and evaluated the assessment made by management on going concern.

Our procedures included:

- Challenging the reasonableness of the key assumptions underlying the business plan and cash flow forecasts, through a review of past performance and comparison with prior forecasts, a review of the sensitivity analyses of the models, where possible a comparison of the assumptions with external data ;
- Verifying whether the bank covenants are met as at 31 December 2017 as well as prospectively at 31 December 2018, based on the calculations made by management using actual figures as at 31 December 2017 and forecasts as at 31 December 2018 and the conditions of the contracts ;
- Evaluating whether events and developments since the beginning of the year 2018 may have an impact on the business plan and forecasts.

Other information

The Board of directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is 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 Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the audit of the consolidated financial Statements

The objectives of our audit 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 to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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, 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 opinion. 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of 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 our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 25 April 2017. As BDO Audit merged with HRT Révision, which was appointed as "Réviseur d'Entreprises Agréé" for year-end 2016, the duration of our uninterrupted engagement is 2 years.

The management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, on pages 19 to 22 of the consolidated financial statements, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 30 April 2018

BDO Audit
Cabinet de révision agréé
represented by

Jean-Philippe Barret

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
CONTINUING OPERATIONS			
Revenue	7	126 761	124 744
Gain from changes in fair value of biological assets and agricultural produce, net	8	62 777	66 187
Cost of sales	9	(139 086)	(130 004)
GROSS PROFIT		**50 452**	**60 927**
Administrative expenses	10	(9 605)	(6 343)
Selling and distribution expenses	11	(8 893)	(6 521)
Other operating income	12	1 610	2 943
Other operating expenses	13	(3 422)	(3 252)
Write-offs of property, plant and equipment		(1 656)	(1 764)
Reversal of impairment of property, plant and equipment		591	-
Impairment of property, plant and equipment		(271)	-
OPERATING PROFIT		**28 806**	**45 990**
Financial expenses, net	16	(6 043)	(12 294)
Effect of additional return	30	(4 214)	(3 715)
Foreign currency exchange gain/(loss), net	17	(762)	(8 492)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**17 787**	**21 489**
Income tax expenses, net	18	3	349
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**17 790**	**21 838**
Net profit/(loss) for the period attributable to:			
Owners of the parent company		17 528	21 894
Non-controlling interests		262	(56)
Weighted average number of shares		32 190 121	31 300 000
Basic profit per ordinary share (in USD)		0,55	0,70
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Effect of foreign currency translation		(3 820)	(11 932)
Items that will no be reclassified to profit or loss			
Revaluation of property, plant and equipment		22 659	-
Deferred tax charged directly to revaluation of property, plant and equipment		(931)	-
Deferred tax charged directly to amortization of revaluation reserve		140	241
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**18 048**	**(11 691)**
TOTAL COMPREHENSIVE PROFIT		**35 838**	**10 147**
Comprehensive income/(loss) attributable to:			
Owners of the parent company		34 797	10 133
Non-controlling interests		1 041	14

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017
(in thousand USD, unless otherwise stated)

	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	19	81 948	64 650
Intangible assets	20	2 918	4 061
Non-current biological assets	21	2 343	1 432
Prepayments for property, plant and equipment	22	800	1 817
Total non-current assets		**88 009**	**71 960**
Current assets			
Inventories	23	62 161	55 110
Current biological assets	24	15 348	18 202
Trade accounts receivable, net	25	321	276
Prepayments and other current assets, net	26	8 153	9 208
Prepayments for income tax		10	9
Cash and cash equivalents	28	6 092	4 180
Total current assets		**92 085**	**86 985**
TOTAL ASSETS		**180 094**	**158 945**
LIABILITIES AND EQUITY			
Equity attributable to the owners of parent company			
Share capital	29	59	56
Share premium		29 512	24 387
Revaluation reserve		58 825	43 217
Retained earnings		147 853	126 825
Effect of foreign currency translation		(132 700)	(128 876)
Total equity attributable to the owners of parent company		**103 549**	**65 609**
Non-controlling interests		489	(552)
Total equity		**104 038**	**65 057**
Non-current liabilities			
Long-term loans and borrowings	32	27 725	55 185
Deferred tax liabilities	31	3 198	2 498
Total non-current liabilities		**30 923**	**57 683**
Current liabilities			
Current portion of long-term borrowings	32	10 629	9 846
Short-term loans and borrowings	33	26 113	18 547
Trade accounts payable	34	1 303	2 104
Other current liabilities and accrued expenses	35	7 088	5 708
Total current liabilities		**45 133**	**36 205**
Total liabilities		**76 056**	**93 888**
TOTAL LIABILITIES AND EQUITY		**180 094**	**158 945**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(in thousand USD, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Effect of foreign currency translation	Total	Non-controlling interests	Total equity
31 December 2015 (restated*)	**56**	**24 387**	**49 972**	**97 935**	**(116 874)**	**55 476**	**(566)**	**54 910**
Comprehensive income/(loss) for the year								
Profit (loss) for the period	-	-	-	21 894	-	21 894	(56)	21 838
Amortization of revaluation reserve	-	-	(6 996)	6 996	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	241	-	-	241	-	241
Other comprehensive income/(loss)	-	-	-	-	(12 002)	(12 002)	70	(11 932)
Total comprehensive profit/(loss)	**-**	**-**	**(6 755)**	**28 890**	**(12 002)**	**10 133**	**14**	**10 147**
31 December 2016	**56**	**24 387**	**43 217**	**126 825**	**(128 876)**	**65 609**	**(552)**	**65 057**
31 December 2016	**56**	**24 387**	**43 217**	**126 825**	**(128 876)**	**65 609**	**(552)**	**65 057**
Comprehensive income/(loss) for the year								
Profit (loss) for the period	-	-	-	17 528	-	17 528	262	17 790
Revaluation of property, plant and equipment	-	-	21 714	-	-	21 714	945	22 659
Deferred tax charged directly to revaluation of property, plant and equipment	-	-	(761)	-	-	(761)	(170)	(931)
Amortization of revaluation reserve	-	-	(5 485)	5 485	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	140	-	-	140	-	140
Other comprehensive income/(loss)	-	-	-	-	(3 824)	(3 824)	4	(3 820)
Total comprehensive profit/(loss)	**-**	**-**	**15 608**	**23 013**	**(3 824)**	**34 797**	**1 041**	**35 838**
Contributions by and distributions to owners								
Issue of share capital	3	5 125	-	-	-	5 128	-	5 128
Distribution of dividends	-	-	-	(1 985)	-	(1 985)	-	(1 985)
Total contributions by and distributions to owners	**3**	**5 125**	**-**	**(1 985)**	**-**	**3 143**	**-**	**3 143**
31 December 2017	**59**	**29 512**	**58 825**	**147 853**	**(132 700)**	**103 549**	**489**	**104 038**

signed

Alex Lissitsa

Chief Executive Officer

signed

Dmytro Martyniuk

Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax from continuing operations		17 787	21 489
Adjusted to reconcile profit before tax with net cash used in operating activities:			
Gain from changes in fair value of biological assets and agricultural produce, net	8	(62 777)	(66 187)
Disposal of revaluation of biological assets and agricultural produce in the cost of sales, net	9	61 240	49 514
Depreciation and amortization	14	9 005	11 248
Interest expenses and other financial expenses	16	6 341	12 630
Effect of additional return		4 214	3 715
Write-offs of property, plant and equipment		1 656	1 764
Gain on recovery of assets previously written off	12	(968)	(885)
Share based payment		851	-
Foreign currency exchange loss/(gain), net		717	8 464
Lost crops	13	560	389
Loss on disposal of property, plant and equipment	13	514	519
Shortages and losses due to impairment of inventories	13	381	350
Reversal of impairment of property, plant and equipment/(impairment), net		(320)	-
Interest income	16	(298)	(336)
Gain on disposal of inventories	12	(279)	(28)
Income from write-offs of accounts payable	12	(245)	(938)
Accruals for unused vacations		182	141
Accruals for audit services		112	106
Write-offs of VAT	13	84	144
Income from the exchange of property certificates	12	(27)	(320)
Allowance for doubtful accounts receivable	13	19	63
Cash flows from operating activities before changes in working capital		**38 748**	**41 842**
Changes in trade accounts receivable		57	712
Changes in prepayments and other current assets		5 506	(2 950)
Changes in inventories		(13 412)	10 624
Changes in current biological assets		7 071	(4 270)
Changes in trade accounts payable		(764)	(790)
Changes in other current liabilities and accrued expenses		1 770	134
Cash flows from operations		**38 976**	**45 302**
Interest paid		(6 540)	(15 825)
Income tax paid		(24)	(190)
Net cash flows from operating activities		**32 412**	**29 287**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2017
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(5 140)	(5 235)
Purchase of non-current biological assets		-	(38)
Purchase of intangible assets		(55)	(155)
Proceeds from disposal of property, plant and equipment		256	428
Net cash flows from investing activities		**(4 939)**	**(5 000)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term and short-term borrowings		32 587	61 375
Repayment of long-term and short-term borrowings		(54 569)	(83 154)
Issue of share capital		22	-
Repayment of dividends		(1 985)	-
Net cash flows from financing activities		**(23 945)**	**(21 779)**
NET CASH FLOWS		**3 528**	**2 508**
Cash and cash equivalents as at the beginning of the period	28	**4 180**	**6 673**
Effect of translation into presentation currency		(1 616)	(5 001)
Cash and cash equivalents as at the end of the period	28	**6 092**	**4 180**

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

1. Description of formation and business.

IMC S.A. (the "Parent company") is a limited liability company registered under the laws of Luxembourg on 28 December 2010 for an unlimited period of time. IMC S.A. was formed to serve as the ultimate holding company of Unigrain Holding Limited and its subsidiaries. The registered address of IMC S.A. is L-1468, 16 rue Erasme, Luxembourg, Grand Duchy Luxembourg, its register number within the Registre de Commerce et des Sociétés du Luxembourg is RCS Lu B157843.

IMC S.A. and its subsidiaries (the "Group" or the "IMC") is an integrated agricultural company in Ukraine. The main areas of the Group's activities are:

- cultivation of grain and oilseeds crops, potato production;
- dairy farming;
- storage and processing of grain and oilseeds crops.

The Group is among Ukraine's top-10 industrial milk producers. The grain and oilseeds crops produced by the Group are sold in both the Ukrainian and export markets.

Until December 2010 there was no holding company for the Group.

In June 2009 in the course of the corporate reorganization Unigrain Holding Limited was established as a sub-holding company of the Group. Through the series of transactions Unigrain Holding Limited became the immediate parent of Burat-Agro, Ltd., Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., PRJSC Mlibor, PRJSC Poltava Kombikormoviy Zavod and Zemelniy Kadastroviy Centr SA.

In December 2010 IMC S.A. was registered as a holding company of the Group through the ownership of 100% of the voting shares in the company Unigrain Holding Limited.

In June 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company PAE Promin, PE Progress 2010, PAE Slavutich. In November 2011 companies PAE Slavutich and PE Progress 2010 were merged to Chernihiv Industrial Milk Company, Ltd and the company PAE Promin was merged to Burat-Agro, Ltd.

In August 2011 trading company Aristo Eurotrading was formed.

In December 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company AF Kalynivska 2005, Ltd, AF Zhovtneva, Ltd, AF Shid-2005, Ltd, APP Virynske, Ltd, Pisky, Ltd., SE "Viry-Agro" and 80,61% of the voting shares in the company PRJSC "Viryvske HPP".

In March 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Ukragrosouz KSM, Ltd.

In June 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company PAC Slobozhanschina Agro.

In November 2012 the Group was restructured and 6 companies were joined to PAC Slobozhanschina Agro: AF Kalynivska-2005 Ltd, AF Zhovtneva Ltd, AF Shid-2005 Ltd, AIE Vyrynske Ltd, Pisky Ltd, SE Vyry-Agro.

In December 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Bluerice Limited. The following companies became the part of the Group, as their owner is Bluerice Limited: Agroprogress Holding Ltd, Agroprogress PE, Bobrovitsky Hlebzavod Ltd, Plemzavod Noviy Trostyanets Ltd, PRJSC "Bobrovitske HPP", Losinovka-Agro Ltd, Parafiyivka-Progress Ltd, Nosovsky Saharny Zavod Ltd.

In November 2013 trading company Negoce Agricole S.A. was formed.

In December 2013 Losinovka-Agro Ltd was joined to Agroprogress PE.

During the year 2013 the Group acquired the voting shares in the company AgroKIM Ltd and on 30 December 2013 the acquisition was completed and 100% of the voting shares were owned by the Group.

In April 2014 Parafiyivka-Progress Ltd was joined to AgroKIM Ltd.

In May 2015 Plemzavod Noviy Trostyanets Ltd was joined to AgroKIM Ltd.

In May 2016 Ukragrosouz KSM Ltd was joined to Burat-Agro Ltd. (noted * in column cumulative ownership ratio, % as at 31 December 2016).

In October 2016 Zemelniy Kadastroviy Centr PE and Agroprogress Holding Ltd left the Group (noted ** in column cumulative ownership ratio, % as at 31 December 2016).

In December 2016 Bluerice Limited left the Group (noted *** in column cumulative ownership ratio, % as at 31 December 2016).

On 26 April 2017 IMC S.A. (formally Industrial Milk Company S.A., hereinafter the Company) informs that official name of the Company has been changed from Industrial Milk Company S.A. to IMC S.A.

All companies comprising the Group were under the control of the same beneficial owner Mr. Petrov A.L. as at all the reporting dates and have effectively operated as an operating group under common management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

The principal activities of the companies comprising the Group are as follows:

Operating entity	Principal activity	Country of registration	Year established/ acquired	Cumulative ownership ratio, %	
				31 December 2017	31 December 2016
IMC S.A.	Holding company	Luxembourg	28.12.2010	100	100
Burat-Agro Ltd.	Agricultural and farming production	Ukraine	31.12.2007	100	100
Burat Ltd.	Grain elevator	Ukraine	31.12.2007	100	100
Chernihiv Industrial Milk Company Ltd.	Agricultural and farming production	Ukraine	31.12.2007	100	100
PrJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	31.12.2007	87,56	87,56
PrJSC Mlibor	Grain elevator	Ukraine	31.05.2008	72,85	72,85
Unigrain Holding Limited	Subholding company	Cyprus	02.06.2009	100	100
Zemelniy Kadastroviy Centr PE	Preparation of technical documentation concerning land issues	Ukraine	23.11.2010	-	**
Aristo Eurotrading Limited	Trading company	British Virgin Islands	30.08.2011	100	100
PrJSC "Vyryvske HPP"	Grain elevator	Ukraine	28.12.2011	80,61	80,61
Ukragrosouz KSM Ltd	Agricultural production	Ukraine	29.03.2012	-	*
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100	100
Bluerice Limited	Subholding company	Cyprus	28.12.2012	-	***
Agroprogress Holding Ltd	Subholding company	Ukraine	28.12.2012	-	**
Agroprogress PE	Agricultural and farming production	Ukraine	28.12.2012	100	100
Bobrovitsky Hlebzavod Ltd	Bakery production	Ukraine	28.12.2012	100	100
PrJSC "Bobrovitske HPP"	Grain elevator	Ukraine	28.12.2012	92,83	92,83
Nosovsky Saharny Zavod Ltd	Storage facilities	Ukraine	28.12.2012	100	100
Negoce Agricole S.a r.l.	Trading company	Luxembourg	19.11.2013	100	100
AgroKIM Ltd.	Agricultural and farming production, grain elevator	Ukraine	30.12.2013	100	100

Today IMC is the vertically integrated and high-technology group of companies operating in Sumy, Poltava and Chernihiv region (northern and central Ukraine).

The Group controls 133,4 thousand ha (129,6 thousand ha under processing of high quality arable land). As at 31 December 2017 the Group operates in three segments: crop farming, dairy farming, elevators and warehouses.

The financial year of the Group begins on 01 January of each year and terminates on 31 December of each year.

The Group's Consolidated financial statements are public and available at:

http://www.imcagro.com.ua/en/investor-relations/financial-reports.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

2. Basis of preparation of the Consolidated financial statements

Statement of compliance

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union.

These Consolidated financial statements are based on principal accounting policies and critical accounting estimates and judgments that are set out below. These accounting policies and assumptions have been applied consistently to all periods presented in these Consolidated financial statements.

Companies comprising the Group which are incorporated in Ukraine maintain their accounting records in accordance with Ukrainian regulations. Ukrainian statutory accounting principles and procedures differ from those generally accepted under IFRS. Accordingly, the Consolidated financial statements, which have been prepared from the Ukrainian statutory accounting records for the entities of the Group domiciled in Ukraine, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Going concern

These Consolidated financial statements have been prepared on a going concern basis, which contemplates the disposal of assets and the settlement of liabilities in the normal course of business. The recoverability of Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. Management believes that Group has reliable access to sources of financing capable to support appropriate operating activity of Group entities. These Consolidated financial statements do not include any adjustments should the Group be unable to continue as going concern.

Basis of measurement

The Consolidated financial statements are prepared under historical cost basis except for the revalued amounts of property, plant and equipment, biological assets and agricultural produce.

The Group's management has decided to present and measure these Consolidated financial statements in United States Dollars ("USD"). A significant portion of sales contracts and financing are denominated in USD.

Use of estimates

The preparation of these Consolidated financial statements involves the use of reasonable accounting estimates and requires the Management to make judgments in applying the Group's accounting policies. These estimates and assumptions are based on Management's best knowledge of current events, historical experience and other factors that are believed to be reasonable. Note 4 contains areas, related to a high degree of importance or complexity in decision-making, or areas where assumptions and estimates are important for amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). For the companies of the Group operating in Ukraine the Ukrainian Hryvna ("UAH") is the functional currency. For the companies operating in Cyprus and Luxembourg the functional currency is Euro ("EUR").

These Consolidated financial statements are presented in the thousands of United States Dollars ("USD"), unless otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All exchange differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The principal exchange rates used in the preparation of these Consolidated financial statements are as follows:

Currency	31 December 2017	Average for the year ended 31 December 2017	31 December 2016	Average for the year ended 31 December 2016	31 December 2015
UAH/ USD	28,067223	26,59473	27,190858	25,54577	24,000667

Translation into presentation currency

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the official rate at the date of the balance sheet;
- income and expenses are translated at average exchange rate for the period, unless fluctuations in exchange rates during that period are significant, in which case income and expenses are translated at the rate on the dates of the transactions;
- all the equity and provision items are translated at the rate on the dates of the transactions;
- all resulting exchange differences are recognized as a separate component of other comprehensive income;
- in the consolidated statement of cash flows cash balances at the beginning and end of each presented period are translated at rates prevailing at corresponding dates. All cash flows are translated at average exchange rates for the periods presented. Exchange differences arising from the translation are presented as the effect of translation into presentation currency.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Financial statements of Parent company and its subsidiaries, which are used while preparing the Consolidated financial statements, should be prepared as at the same date on the basis of consistent application of accounting policy for all companies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

3. Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are stated at their revalued amounts that are the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

If there is no data about the market value of property, plant and equipment due to the nature of highly specialized machinery and equipment, such objects are evaluated according to acquisition expenses under present-day conditions, adjusted by an ageing percentage.

Property, plant and equipment of acquired subsidiaries are initially recognised at their fair value which is based on valuations performed by independent professionally appraisers.

Valuations are performed frequently enough to ensure that the fair value of a remeasured asset does not differ materially from its carrying amount as at reporting date.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in equity under the line Revaluation reserve. Decreases in the carrying amount as a result of a revaluation are in profit or loss. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decrease related to previous increase of the same asset is recognized against other reserves directly in equity.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

Subsequent major costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that these replacements will materially extend the life of property, plant and equipment or result in future economic benefits. The carrying amount of the replaced part is derecognized. All other day-to-day repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment or their essential component are written-off in a case of their disposal or if future economic benefits from use or disposal of such asset are not expected. 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 other incomes (expenses) in the statement of comprehensive income when the asset is derecognized.

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

Depreciation on assets is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 15-55 years
- Machinery 5-30 years
- Motor vehicles 5-20 years
- Other assets 5-20 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Land is not depreciated.

Construction in progress comprises costs directly related to the construction of property, plant and equipment, as well as the relevant variable and fixed overhead costs related to the construction. These assets are depreciated from the moment when they are ready for operation.

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Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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 in other income (expenses) when the asset is derecognized.

The Group determines whether the useful life of an intangible asset is finite or indefinite.

Useful life of intangible assets is indefinite if the Group suggests that the period during which it is expected that the object of intangible assets will generate net cash inflows to the organization has no foreseeable limit. Intangible assets with indefinite useful lives are not amortized, but reviewed for impairment.

Amortisation of intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The following estimated useful lives, which are re-assessed annually, have been determined for classes of finite-lived intangible assets:

- Land lease rights 5-15 years
- Computer software 5 years

Impairment of property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of a cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. Value in use is the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

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 in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Biological assets

The biological assets are classified as non-current and current depending on the expected pattern of consumption of the economic benefits embodied in the biological assets.

The following categories of biological assets are distinguished by the Group:

- Non-current biological assets of plant-breeding at fair value;
- Non-current biological assets of cattle-breeding at fair value;
- Current biological assets of plant-breeding measured at fair value;
- Current biological assets of cattle-breeding measured at fair value.

The Group assesses a biological asset at initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs, except for the cases where the fair value cannot be determined with reasonable assurance.

Gains or losses from movements in the fair value of biological assets less estimated selling and distribution expenses of the Group are recorded in the period they are incurred in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

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The Group capitalizes expenses between the reporting dates into the cost of biological assets.

- Biological assets of plant-breeding

  The capitalized expenses include all the direct costs and overhead costs related to the farming division. Such costs may include the following costs: raw materials (seeds, mineral fertilizers, fuel and other materials), wages and salaries expenses of production personnel and related charges, amortization and depreciation, land lease expenses and other taxes, third parties' services and other expenses related to the cultivation and harvesting of biological assets of plant-breeding.

- Biological assets of animal-breeding

  The capitalized expenses include all the direct costs and overhead costs related to the livestock breeding. The types of costs that are capitalized in the current biological assets of animal breeding are the following: fodder, means of protection of animals and artificial insemination, fuel and other materials, wages and salaries expenses of production personnel and related charges, amortization and depreciation, third parties' services and other expenses related to the current biological assets of animal breeding.

All expenses related to the non-current biological assets of cattle breeding are included into the cost of milk. The expenses on works connected with preparation of the lands for future harvest are included into the Inventories as work-in-progress. After works on seeding on these lands the cost of field preparation is reclassified to biological assets held at fair value.

Agricultural produce

The Group classifies the harvested product of the biological assets as agricultural produce. Agricultural produce is measured at its fair value less costs to sell at the point of harvest. The difference between the cost and fair value less costs to sell at the point of harvest of harvested agricultural produce is recognized in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

After the initial recognising as at the date of harvesting agricultural produce is treated as inventories. Agricultural produce measurement as at the date of harvest becomes inventories' cost to account.

Inventories

Inventories are measured at the lower of cost or net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of agriculture produce is its fair value less costs to sell at the point of harvesting.

The cost of work in progress and finished goods includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity). Costs are capitalized in work in progress for preparing and treating land prior to seeding in the next period. Work in progress is transferred to biological assets once the land is seeded.

The cost of inventories is assigned by using FIFO method.

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

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes an allowance for such inventories. If such situation occurred, the sum remissive the cost of inventories should be reflected as a part of other expenses in statement of comprehensive income.

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Financial assets

The Group's financial assets include cash and cash equivalents, trade and other accounts receivable, other receivables.

Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every balance sheet date. Financial assets are classified in the following category at the time of initial recognition based on the purpose for which the financial assets were acquired:

- "Loans and receivables" that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes landings given that appeared owing to issuance of facilities to debtor. Receivables include trade and other accounts receivables.

Financial assets are recognized initially at fair value plus directly attributable transaction costs.

The category of financial assets "Loans and receivables" is subsequently measured as follows:

- Receivables are measured at amortized cost using the effective interest method, less allowance for impairment.
- Borrowings issued are measured at amortized cost less impairment losses.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Financial assets of the Group are assessed for indications of impairment at each reporting date. A financial asset is deemed to be impaired if there is objective evidence indicating that a loss event has occurred after initial recognition of the financial asset, and that the loss event has a negative effect on the estimated future cash flows of the financial asset that can be reliably estimated.

For "Loans and receivables" the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. For trade and other receivables, the carrying amount is reduced through the use of an allowance account and for borrowings the carrying amount is reduced directly by the impairment loss. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the receivables, the allowance for impairment is established. When a receivable is determined to be uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Forming of the allowance account is recognized in statement of comprehensive income as other operating expenses.

Prepayments and other non-financial assets

Prepayments are reflected at nominal value less VAT and accumulated impairment losses, other non-financial assets are reflected at nominal value less accumulated impairment losses.

Prepayments are classified as non-current assets when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

A given to the Management option to purchase the Group's shares is classified as deferred expenses in the amount of exceeding of quoted share price under subscription price with impact on share premium in equity. The deferred expenses are recognized as expenses of the period in the line Wages and salaries of administrative personnel and related charges during the term of exercising of the option.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised as a part of other expenses in statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash in hand, call deposits, other short-term highly liquid investments with original maturities of three months or less.

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Financial liabilities

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

Financial liabilities are recognized initially at fair value minus directly attributable transaction costs.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method.

Any difference between amount of received resources and sum to repayment is recorded as interest expenses in statement of comprehensive income at effective interest rate method during the period, when borrowings were received.

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

- Group as a lessee
  Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are classified as finance leases. Assets held under finance lease are included in property, plant and equipment since the commencement of lease at the lower of the fair value of leased property and present value of 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 the statement of comprehensive income.
  Leased assets are 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 lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.
- Group as a lessor
  Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the statement of comprehensive income in the period in which they are earned. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.

Government grants

The Ukrainian legislation provides various tax benefits and grants for companies engaged in agriculture. Such benefits and grants are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance and local authorities.

Government grants related to VAT

According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) received benefits regarding VAT payment on agricultural operations. Correspondingly above, in Y2016 one part of VAT amount was to be paid to the State budget and other part of VAT amount was transferred to the entity's special bank account and could be used to make payments relating to the agricultural activities. As a result of these operations tax amounts were recognized in the statements of comprehensive income as other operating income.

Since 01 January 2017 there were no VAT preferences for farmers.

Taxation

- Income tax
  Income tax expense represents the amount of the tax currently payable and deferred tax.
  Income tax expenses are recorded as expenses or income in the statement of comprehensive income, except when they relate to items directly attributable to other comprehensive income (in which case the amount of tax is taken to other comprehensive income), or when they arise at initial recognition of company acquisition.
  i. Current income tax
     Current income tax assets and liabilities for the current and prior periods 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, by the reporting date, in the countries where the Group operates and generates taxable income.
  ii. Deferred income tax
     Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
     Deferred tax liabilities are recognized for all taxable temporary differences, except:
     - where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, where 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, carry forward of unused tax credits and unused tax losses, 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:
     - where 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, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.
     The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
     Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
     Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
- Single tax 4th group (previously Fixed agricultural tax)
  According to effective legislation, the Ukrainian consolidated companies of the Group involved in production, processing and sale of agricultural products may opt for paying single tax 4th group in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The single tax 4th group is assessed at 0,95% on the deemed value of the land plots owned or leased by the entity (0,81% in 2016). As at 31 December 2017, 5 of the companies comprising the Group were elected to pay single tax 4th group (2016: 5).
- Value added tax (VAT)
  VAT output equals to the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.
  Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statement of financial position.
- Other taxes payable
  Other taxes payable comprise liabilities for taxes other than above, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

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Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. The Group discloses information about contingent liabilities in the Notes to financial statements if any, except for the cases where fulfillment of contingent liabilities is unlikely; because of the remoteness of the event (possible repayment period is more than 12 months).

The Group constantly analyzes contingent liabilities to determine the possibility of their repayment. If the repayment of a liability, which was previously characterized as contingent, becomes probable, the Group records the provision for the period in which repayment of the obligation has become probable.

Contingent assets are not recognized in the financial statements, but disclosed in the Notes where there is a reasonable possibility of future economic benefits.

Share capital

Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction. Any excess of the fair value of consideration received over the par value of shares issued is presented in financial statements as Share premium.

Share based payment

Management Incentive Plan defined an option for a Management to purchase the Group's new shares under the subscription price. The issue of these new shares has an impact on Equity – it increases the line Share capital in the amount of subscription and the line Share premium in the amount that quoted share price exceeds subscription price. At the same tme the deferred expenses were recognized in the amount of share premium. The deferred expenses are recognized as expenses of the period in the line Wages and salaries of administrative personnel and related charges during the term of exercising of the option.

Dividends

Dividends are recognized as a liability and deducted from shareholders' equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the Consolidated financial statements are authorized for issue.

Earnings per share

Earnings per share are determined by dividing the net profit or loss attributable to the owners of parent company by the weighted average number of shares outstanding during the reporting period.

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Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Revenue is measured at fair value of consideration amount received or receivable for the sale of goods and services in the ordinary course of the Group's business activities. Revenue is recorded excluding taxes and duties on sales, discounts and returns.

- Sales of goods
  Revenue from sales of goods is recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The Group uses standardised INCOTERMS which define the point of risks and reward transfers.
- Rendering of services
  Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.

Income from the exchange of property certificates

When the items of property, plant and equipment are acquired in exchange for non-cash asset (property certificate), the initial value of such assets is estimated at fair value. The difference between the price paid for property certificates and the fair value of received items of property, plant and equipment is recognized as income in the period of the exchange operation.

Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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 respective assets. Investment income resulting from temporary investment of received borrowing costs, until their expensing for the purchase of capital construction objects, shall be deducted from the cost of raising borrowing costs that may be capitalized.

All other borrowing costs are expensed in the period they occur.

4. Critical accounting estimates and judgments

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, liabilities and the disclosure of contingent assets and 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.

Used estimates and assumptions are reviewed by the Management of the Group on a continuous basis, by reference to past experiences, current trends and all available information that is relevant at the time of preparation of financial statements. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In the process of applying the Group's accounting policies, Management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts reflected in the Consolidated financial statements.

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Fair value of property, plant and equipment

The Group engages an independent appraiser to determine the fair value of property, plant and equipment on a regular basis.

The assessment is conducted in accordance with International Valuation Standards for property. The assessment procedure is carried out for all groups of property, plant and equipment. The fair value of items of property, plant and equipment is estimated on the basis of comparative and cost plus approaches.

The comparative approach is based on an analysis of sales prices and offers of similar items of property, plant and equipment, taking into account the appropriate adjustments for differences between the objects of comparison and assessment item. Based on the application of this approach, the fair value of property, plant and equipment is determined on the basis of their market value.

The cost approach involves the definition of present value of costs of reconstruction or replacement of the assessment item with their further adjustment by the depreciation (impairment) amount. Based on the application of this approach, the fair value of certain items of property, plant and equipment is determined in the amount of the replacement of these items. The cost plus method is adjusted by the income method data, which is based on the discounted cash flow model. This model is most sensitive to the discount rate, as well as to the expected cash flows and growth rates used for the extrapolation purposes. Judgments of the Group in determining the indices used in the appraisers' calculations may have a significant effect on the determination of fair value of property, plant and equipment, and hence on their carrying amount.

The fair value of property, plant and equipment of all the Group's companies has been measured as at 31 December 2017 by an independent appraiser LLC "Asset Expertise" (ODS Certificate No.439/15 as of 25 May 2015 issued by State Property Fund of Ukraine) (Note 19).

Useful lives of property, plant and equipment

Items of property, plant and equipment owned by the Group are depreciated using the straight-line method over their useful lives, which are calculated in accordance with business plans and operating calculations of the Group's Management with respect to those assets.

The estimated useful life and residual value of non-current assets are influenced by the rate of exploitation of assets, servicing technologies, changes in legislation, unforeseen operational circumstances. The Group's management periodically reviews the applicable useful lives. This analysis is based on the current technical condition of assets and the expected period in which they will generate economic benefits to the Group.

Any of the above factors may affect the future rates of depreciation, as well as carrying and residual value of property, plant and equipment.

There were not any changes in accounting estimates of remaining useful lives of items of property, plant and equipment in reported periods.

Impairment of property, plant and equipment and intangible assets

The Group carries out revaluations on a regular basis and conducts a full valuation exercise if there is an indication of impairment. An impairment review is conducted at the balance sheet date. To test property, plant and equipment and intangible assets for impairment, the Group’s business is treated as three cash generating units: farming division, livestock breeding and storage and processing. The recoverable amount of the cash-generating unit is determined on the basis of value in use. The amount of value in use for the cash-generating unit is determined on the basis of the most recent budget estimates prepared by management and application of the income approach of valuation.

As at 31 December 2017 the impairment of property, plant and equipment amounted to USD 272 thousand (as at 31 December 2016 impairment of property, plant and equipment and intangible assets was not identified) (Note 19).

Fair value of acquisition of subsidiaries

The Group engages an independent appraiser to determine the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. Acquisitions often result in significant intangible benefits for the Group, some of which qualify for recognition as intangible assets. Significant judgment is required in the assessment and valuation of these intangible assets, often with reference to internal data and models.

The estimation of fair value of assets and liabilities is based upon quoted market prices and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Such estimates include assumptions about inputs to our discounted cash flow calculations, industry economic factors and business strategies.

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Fair value of biological assets

Due to an absence of an active market for non-current biological assets for cattle-breeding and biological assets of plants-breeding in Ukraine, to determine the fair value of these biological assets, the Group used the discounted value of net cash flows expected from assets as at reporting date. Fair value is determined based on market prices and a current market-determinated pre-tax rate as at the date of valuation.

The fair value of current biological assets of cattle-breeding is measured using market prices as at reporting date. The fair value is determined based on market prices of livestock of similar age, breed and genetic merit.

The income from recognition of biological assets at fair value for the year ended 31 December 2017 amounted to USD 6 635 thousand (USD 7 318 thousand for the year ended 31 December 2016) (Note 8).

Fair value of agricultural produce

The Group estimates the fair value of agricultural produce at the date of harvesting using the current quoted prices in an active market. Costs to sell at the point of harvest are estimated based on expected future selling costs that depend on conditions of sales agreements. The fair value less costs to sell becomes the carrying value of inventories at the date of harvesting.

The income from recognition of agricultural produce at fair value for the year ended 31 December 2017 amounted to USD 56 142 thousand (USD 58 869 thousand for the year ended 31 December 2016) (Note 8).

Inventories

As at the reporting date the Group assesses the need to reduce the carrying amount of inventories to their net realizable value. The measurement of impairment is based on the analysis of market prices for similar inventories existing at the reporting date and published in official sources. Such assessments can have a significant impact on the carrying amount of inventories.

Besides, at each balance sheet date, the Group assesses inventories for surplus and obsolescence and determines the allowance for obsolete and slow moving inventories. Changes in assessment can influence the amount of required allowance for obsolete and slow moving inventories either positively or negatively.

At the reporting date the item Work-in-progress includes investments in the future harvest. The cost of these investments is based on expenses incurred during the current year. Investment valuation model includes a number of judgments of management about the benefits to be extracted from the utilization of such investments in the future. Management's estimates of the value of investments is based on the recommendations of scientific sources and agronomic calculations of the internal services of the Group.

For the year ended 31 December 2017 shortages and losses due to impairment of inventories amounted to USD 381 thousand (USD 350 thousand for the year ended 31 December 2016) (Note 13).

Fair value of financial instruments

The fair value of financial assets and liabilities is determined by applying various valuation methodologies. Management uses its judgment to make assumptions based on market conditions existing at each balance sheet date. Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. Management uses discounted cash flow analysis for various loans and receivables as well as debt instruments that are not traded in active markets. The effective interest rate is determined by reference to the interest rates of instruments available to the Group in active markets. In the absence of such instruments, the effective interest rate is determined by reference to the interest rates of active market instruments available adjusted for the Group's specific risk premium estimated by Management.

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.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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.

Impairment of trade and other accounts receivable

Management evaluates the recoverability of trade and other accounts receivable by estimating the likelihood of its collection. These estimations are based on an analysis of individual accounts. The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Management estimates the future cash flow by taking into consideration the following: analysis of trade and other accounts receivable in accordance with the contractual credit terms allowed to customers; the collection history of customers; the general economic conditions, the specifics of industry and the financial position of customers.

As at 31 December 2017 allowances for accounts receivable were recognized in the amount of USD 36 thousand (USD 37 thousand as at 31 December 2016) (Note 27).

Impairment of other financial and non-financial assets

Management assesses whether there are any indicators of possible impairment of other financial and non-financial assets at each reporting date. If any events or changes in circumstances indicate that the current value of the assets may not be recoverable or the assets, goods or services relating to a prepayment will not be received, the Group estimates the recoverable amount of assets. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the agreement, the corresponding amount of the asset is reduced directly by the impairment loss in the statement of comprehensive income. Subsequent and unforeseen changes in assumptions and estimates used in testing for impairment may lead to the result different from the one presented in the financial statements.

As at 31 December 2017 allowances for other financial and non-financial assets were recognized in the amount of USD 7 thousand (USD 8 thousand as at 31 December 2016) (Note 27).

Long-term VAT recoverable

The Group classifies the VAT recoverable balance as current or non-current based on expectations as to whether it will be realised within 12 months from the reporting date. In making this assessment, management considered past history of receiving VAT refunds from the State budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, Management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

Taxation

The Group mostly operates in the Ukrainian tax jurisdiction. The Company's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with it, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and penalties accruals.

Management at every reporting period reassessed the Group's uncertain tax positions. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting period.

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

In December 2010, the revised Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later.

The Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future.

Adoption of the Tax Code changes taxation system in Ukraine entirely. Quantity of taxes decreases almost twofold. Gradual decrease of base rates for all fiscal charges is stipulated within several years. Additional rate for tax on income of physical persons is adopted. Regulations settling procedure of taxation covered by the Tax Code are cancelled. These changes substantially increase risks of incorrect interpretation of adopted Tax Code. As a result of future tax inspections additional liabilities may be revealed, which will not comply with tax statements of the Company. Such liabilities may comprise taxes themselves, and also fines and penalties, and their amounts may be material.

The Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future.

Starting from 1 September 2013, Ukrainian legislation implemented new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions with related parties. In accordance with the new rules, the tax authorities obtain additional tools with the help of which they may claim that prices or profitability in transactions with related parties different from arm's length transactions. As the practice of implementation of the new transfer pricing rules has not yet developed and the wording of some clauses of the rules is unclear, the probability that the Group's transfer pricing positions may be challenged by the tax authorities cannot be reliably estimated as of the date of authorization of these Consolidated financial statements for issue.

Management is confident that the Group complies with all transfer-pricing rules.

Legal proceedings

The Group's Management makes significant assumptions in estimation and reflection of the risk of exposure to contingent liabilities related to current legal proceedings and other unliquidated claims, as well as other contingent liabilities. Management's judgments are required in assessing the possibility of a secured claim against the Group or material obligations, as well as in determining probable amounts of final payment or obligations. Due to the uncertainties inherent in the evaluation process, actual expenses may differ from the initial calculations.

These preliminary estimates are subject to changes as new information becomes available from the Group's internal specialists, if any, or from third parties, such as lawyers. Revisions of such estimates may have a significant impact on future operating results.

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Operating environment

In 2014, Ukraine was faced with political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Ukraine also suffered from military aggression from Russia and the collapse of law enforcement in Lugansk and Donetsk regions.

The Ukrainian Hryvna devalued against major foreign currencies. The National Bank of Ukraine introduced a range of measures aimed at limiting the outflow of customer deposits from the banking system, improving the liquidity of banks, and supporting the exchange rate of the Ukrainian Hryvna.

Significant external financing is required to support economic stabilization and the political situation depends, to a large extent, upon success of the Ukrainian government's efforts; yet further economic and political developments are currently difficult to predict and an adverse effect on the Ukrainian economy may continue.

Management is monitoring the developments in the current environment and taking actions where appropriate.

The Group does not have assets in Crimea, Donetsk and Lugansk regions.

New and amended standards and interpretations

Standards and Interpretations in issue but not effective

IFRS 9 Financial instruments

IFRS 9 was issued first in November 2009 and the last revised fersion was issued in July 2014. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement and hedge accounting. IFRS 9 is effective for annual periods on or after 1 January 2018, with early application permitted. Except for hedge accounting. retrospective application is required but providing comparative information is not compulsory. For hedge accounting the reirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial instruments as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Management has assessed the impact of IFRS 9 to the Group's financial statements as follows:

The Group does not expect a significant impact on it's financial statements on applying the classification and measurement requirements of IFRS 9. All financial assets and financial liabilities will continue to be measured at the same bases is currently adopted under IFRS 39.

IFRS 9 requires to record expected credit losses on all of its financial assets. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and other receivables as permited by IFRS 9. In relation of the cash and cash equivalents the Management considers that they hacve low credit risk given their strong external credit rating and hense expected to recognise 12-month expected credit losses from these items.

In general, the Management does not anticipate that the application of IFRS 9 will have a significant impact on the financial statements of the Group.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and amended in April 2016. The new standard will supersede all current revenue recognition requirements under IFRS and its retrospective application is required beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standart on the required effective date using the full retrospective method.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. According to the new standard a five-step model is esteblished to account for revenue from contracts with customers. The Group performed an analysis of IFRS 15 impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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In preparing to adopt IFRS 15 the Group is considering the following:

The Group is in the business of crops cultivation, dairy farming and providing storage and processing services. Crops and services are sold on their own in separate identified contracts with customers. So the sale of crops and dairy farming products or providing of services is the only performance obligation in contracts with customers.

The contracts do not contain any variable considerations or warranty obligations.

The Group receives only short-term advances from its clients and they are presented as a part of Other current liabilities and accrued expenses.

The presentation and disclosure requirements of IFRS 15 are more detailed than under current IFRS, so the Group expects that the notes to the financial statements will be expended.

Thereafter apart from providing more extensive disclosures on the Group's revenue transactions, the Management does not anticipate that the application of IFRS 15 will have a significant impact on the financial statements of the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016. The new standard will supersede all current lease guidance when it becomes effective. IFRS 16 is effective for the annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The Group plans to adopt the new standard on the required effective date.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Such approach should be applied to all leases operation except leases of low-value assets and short-term leases.

The new standard also requires to make more extensive disclosures than under IAS 17.

As at 31 December 2017 the Group has operating land lease commitments in the amount USD 82 159 thousand and operating machinery lease commitments in the amount USD 206 thousand. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases, but relating information is disclosed in Note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and the Group will recognise a right-of-use asset and a liability in respect of these leases.

The Management is assessing the potential impact of the new standard and does not have the accurate estimation of such impact, but anticipates that the application of IFRS 16 will have a significant impact on the financial statements of the Group.

At the date of authorization of these Consolidated financial statements the following interpretations and amendments to the Standards, were in issue but not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

The Board of Directors is currently analyzing the impact of the adoption of these financial reporting standards on the financial statements of the Group.

(in thousand USD, unless otherwise stated)

5. Discontinued operations

In 2016 Zemelniy Kadastroviy Centr PE, Agroprogress Holding Ltd and Bluerice Limited left the Group.

Bluerice Limited and Agroprogress Holding Ltd were subholding companies and didn't exercise any activity. Bluerice Limited was transfered and Agroprogress Holding Ltd was sold. Zemelniy Kadastroviy Centr PE prepared some technic documentation for other companies of the Group. As each company began to prepare such documentation by itself, Zemelniy Kadastroviy Centr PE was sold.

The combined results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of financial position are set out below: USD 35 thousand of net losses; total liabilities exceeded total assets by USD 38 thousand.

6. Correction of previous periods errors

During preparation of its consolidated financial statements for the year ended 31 December 2016, the Group revealed an error in the accounting treatment of the share purchase warrant (Note 30).

Comparative data for the years ended 31 December 2015 and 2014 were recalculated in order to correct the error and to preserve comparability of information. The results were reflected retrospectively as a previous period restatement. The results of reconciliation of the respective disclosure data are presented as follows.

<u>As at 31 December 2015 and for the year ended at that date:</u>

Changes in lines of consolidated statement of financial position and related notes

	Previously reported	Impact of changes	Restated
Share purchase warrant	474	(474)	-
Long-term loans and borrowings	40 473	5 587	46 060
Total	**40 947**	**5 113**	**46 060**

Changes in lines of consolidated statement of comprehensive income and related notes

	Previously reported	Impact of changes	Restated
Gain on reversal of share purchase warrant	409	(409)	-
Effect of additional return	-	(3 141)	(3 141)
Total	**409**	**(3 550)**	**(3 141)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. Revenue

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Revenue from sales of finished products	a	125 999	124 126
Revenue from services rendered	b	762	618
		126 761	**124 744**

a) Revenue from sales of finished products was as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Corn	79 115	75 991
Sunflower	22 253	24 647
Wheat	11 031	9 885
Soy beans	7 755	6 615
Potatoes	2 112	1 219
Milk	1 495	3 024
Cattle	356	1 747
Other	1 882	998
	125 999	**124 126**

b) Revenue from services rendered was as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Processing	256	151
Drying	205	94
Transport	163	167
Storage	107	114
Other	31	92
	762	**618**

8. Gain from changes in fair value of biological assets and agricultural produce, net

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Agricultural produce	24	56 142	58 869
Current biological assets	24	5 519	7 292
Non-current biological assets	21	1 116	26
		62 777	**66 187**

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9. Cost of sales

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Raw materials	a	(99 306)	(81 581)
Rent		(13 996)	(13 852)
Fuel and energy supply		(11 719)	(8 931)
Depreciation and amortization	14	(7 498)	(9 489)
Wages and salaries of operating personnel and related charges	15	(7 158)	(6 057)
Change in inventories and work-in-progress	b	6 056	(7 191)
Third parties' services		(3 602)	(1 457)
Taxes and other statutory charges		(1 036)	(845)
Repairs and maintenance		(768)	(553)
Other expenses		(59)	(48)
		(139 086)	**(130 004)**

a) Raw materials for the year ended 31 December 2017 includes disposal of the gain recorded on initial recognition of realized agriculture produce and biological assets (both of current and non-current) in the amount of USD 61 240 thousand (USD 49 514 thousand for the year ended 31 December 2016).

b) Change in inventories and work-in-progress comprises changes in work-in-progress, agricultural produce and current biological assets. Book values of agricultural produce and biological assets as at the end of the reporting periods comprise fair value component stemming from revaluation conducted for the purposes of initial recognition of agricultural produce and biological assets at fair value.

10. Administrative expenses

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Wages and salaries of administrative personnel and related charges	15	(7 095)	(4 036)
Professional services	a	(656)	(761)
Third parties' services		(325)	(276)
Repairs and maintenance		(309)	(140)
Transport expenses		(247)	(224)
Bank services		(237)	(244)
Depreciation and amortisation	14	(214)	(209)
Other expenses		(522)	(453)
		(9 605)	**(6 343)**

a) Professional services include the following audit and related fees:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Audit	(147)	(159)
Audit review	(48)	(49)
Other services	(2)	(32)
	(197)	**(240)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. Selling and distribution expenses

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Delivery costs		(8 089)	(5 826)
Depreciation	14	(330)	(296)
Wages and salaries of sales personnel and related charges	15	(218)	(173)
Other expenses		(256)	(226)
		(8 893)	**(6 521)**

12. Other operating income

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Gain on recovery of assets previously written off	a	968	885
Gain on disposal of inventories		279	28
Income from write-offs of accounts payable		245	938
Income from the exchange of property certificates	c	27	320
Income from subsidized VAT	b	-	527
Other income		91	245
		1 610	**2 943**

a) Gain on recovery of assets previously written off is represented by amounts of inventory surplus identified during the stocktaking, recovery of amounts previously recognized as doubtful and insurance compensations.

b) According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive preferences regarding VAT payment on agricultural operations.

In 2016 the VAT preferences have been partially preserved for farmers in 2016, allowing retaining a portion of VAT amounts as follows:

- For crop farming operations - 85% of VAT amount is to be paid to the State budget, 15% of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;
- For live-stock breeding operations - 20% of VAT amount is to be paid to the State budget, 80 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;
- For other agricultural activities - 50% of VAT amount is to be paid to the State budget, 50 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities.

Since 01 January 2017 there were no VAT preferences for farmers.

c) Income from the exchange of property certificates represents the difference between the price paid for property certificates and the fair value of received items of property, plant and equipment and recognized as income in the period of the exchange operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. Other operating expenses

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Depreciation	14	(955)	(1 247)
Lost crops		(560)	(389)
Charity		(515)	(138)
Loss on disposal of property, plant and equipment		(514)	(519)
Shortages and losses due to impairment of inventories		(381)	(350)
Write-offs of VAT		(84)	(144)
Wages and salaries of non-operating personnel and related charges	15	(81)	(100)
Allowance for doubtful accounts receivable	27	(19)	(63)
Other expenses		(313)	(302)
		(3 422)	**(3 252)**

14. Depreciation and amortisation

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
Depreciation			
Cost of sales	9	(6 445)	(8 110)
Other operating expenses	13	(955)	(1 247)
Selling and distribution expenses	11	(330)	(296)
Administrative expenses	10	(212)	(207)
Depreciation as a part of article "Lost crops"		(8)	(7)
		(7 950)	**(9 867)**
Amortisation			
Cost of sales	9	(1 053)	(1 379)
Administrative expenses	10	(2)	(2)
		(1 055)	**(1 381)**
		(9 005)	**(11 248)**

15. Wages and salaries expenses

	For the year ended 31 December 2017	For the year ended 31 December 2016
Wages and salaries	(12 494)	(8 673)
Related charges	(2 078)	(1 710)
	(14 572)	**(10 383)**

The average number of employees, persons	2 412	2 730
Remuneration of management	1 885	445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The distribution of wages and salaries and related charges was as follows:

	Note	For the year ended 31 December 2017		For the year ended 31 December 2016	
		Wages and salaries and related charges, thousand USD	Average number of employees, persons	Wages and salaries and related charges, thousand USD	Average number of employees, persons
Operating personnel	9	(7 158)	1 748	(6 057)	2 094
Administrative personnel	10	(7 095)	642	(4 036)	606
Sales personnel	11	(218)	19	(173)	24
Non-operating personnel	13	(81)	3	(100)	6
As a part of article "Construction in progress"		(20)	-	(17)	-
		(14 572)	**2 412**	**(10 383)**	**2 730**

16. Financial expenses, net

	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest income on bank deposits	298	336
Interest expenses on loans and borrowings	(6 231)	(11 752)
Bond interest expenses	-	(629)
Other expenses	(110)	(249)
	(6 043)	**(12 294)**

17. Foreign currency exchange (loss)/gain, net

As at 31 December 2017 Ukrainian Hryvnia depreciated against the USD by 3,1% compared 31 December 2016 (11,7% of devaluation as at 31 December 2016 compared 31 December 2015). As a result, during the year ended 31 December 2017 the Group recognised net foreign exchange loss in the amount of USD 762 thousand (USD 8 492 thousand of loss for the year ended 31 December 2016) in the Consolidated statement of comprehensive income.

18. Income tax expenses

The corporate income tax rate for the year ended 31 December 2017 was: 18% in Ukraine, 12,5% in Cyprus, 27% in Luxemburg (for the year ended 31 December 2016 - 18% in Ukraine, 12,5% in Cyprus, 29% in Luxemburg).

The components of income tax expenses were as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Current income tax	(18)	(79)
Deferred tax	21	428
Income tax benefit reported in the statement of comprehensive income	**3**	**349**
Income tax benefit is attributable to Profit from continuing operations	3	349
Consolidated statement of other comprehensive income		
Deferred tax related to item charged or credit directly to other comprehensive income during year:		
Net gain on revaluation of property, plant and equipment	(621)	241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Reconciliation between tax expenses and the accounting value multiplied by tax rate was as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
01 January	**(2 498)**	**(3 542)**
Income tax benefit (expenses) for the period recognized in other comprehensive income	(791)	241
Income tax benefit (expenses) for the period recognized in profit or loss	21	349
Effect of foreign currency translation	70	454
31 December	**(3 198)**	**(2 498)**

	For the year ended 31 December 2017	For the year ended 31 December 2016
Profit before tax from continuing operations	17 787	21 489
Profit before tax from continuing operations of companies non-payers of incom tax	13 998	21 929
Profit before tax from continuing operations of companies payers of income tax	**3 789**	**(440)**
Profit before tax from continuing operations of companies payers of income tax:		
Ukraine	4	(620)
Cyprus	(12 244)	(1 444)
Luxembourg	23 007	(7 884)
BVI	(6 978)	9 508
	3 789	**(440)**
Tax at statutory tax rate:		
Ukraine 18%	1	-
Cyprus 12,5%	-	-
Luxembourg 27%	6 212	-
BVI 0%	-	-
	6 213	**-**
Non-taxable items	(6 216)	(349)
Income tax benefit	**(3)**	**(349)**

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19. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Initial cost						
31 December 2015	**47 462**	**30 949**	**14 600**	**638**	**448**	**94 097**
Additions	1 391	3 047	1 276	88	315	6 117
Disposals	(1 907)	(1 677)	(552)	(40)	-	(4 176)
Transfer	2	20	1	2	(25)	-
Effect from translation into presentation currency	(5 524)	(3 716)	(1 757)	(78)	(70)	(11 145)
31 December 2016	**41 424**	**28 623**	**13 568**	**610**	**668**	**84 893**
31 December 2016	**41 424**	**28 623**	**13 568**	**610**	**668**	**84 893**
Additions	322	4 098	709	113	1 298	6 540
Disposals	(1 250)	(2 761)	(443)	(131)	-	(4 585)
Transfer	199	121	19	13	(352)	-
Revaluation	12 824	6 041	3 794	-	-	22 659
Reversal of impairment	422	159	11	-	-	592
Impairment	(184)	(83)	(5)	-	-	(272)
Elimination of depreciation	4 260	5 694	5 727	-	-	15 681
Effect from translation into presentation currency	(1 281)	(973)	(439)	(19)	(71)	(2 783)
31 December 2017	**56 736**	**40 919**	**22 941**	**586**	**1 543**	**122 725**
Accumulated depreciation						
31 December 2015	**(4 970)**	**(6 038)**	**(2 457)**	**(549)**	**-**	**(14 014)**
Depreciation for the period	(1 919)	(5 332)	(2 531)	(85)	-	(9 867)
Disposals	457	763	232	34	-	1 486
Effect from translation into presentation currency	671	986	426	69	-	2 152
31 December 2016	**(5 761)**	**(9 621)**	**(4 330)**	**(531)**	**-**	**(20 243)**
31 December 2016	**(5 761)**	**(9 621)**	**(4 330)**	**(531)**	**-**	**(20 243)**
Depreciation for the period	(1 844)	(3 602)	(2 385)	(119)	-	(7 950)
Disposals	415	1 396	271	82	-	2 164
Elimination of depreciation	(4 260)	(5 694)	(5 727)	-	-	(15 681)
Effect from translation into presentation currency	254	414	246	19	-	933
31 December 2017	**(11 196)**	**(17 107)**	**(11 925)**	**(549)**	**-**	**(40 777)**
Net book value						
31 December 2015	**42 492**	**24 911**	**12 143**	**89**	**448**	**80 083**
31 December 2016	**35 663**	**19 002**	**9 238**	**79**	**668**	**64 650**
31 December 2017	**45 540**	**23 812**	**11 016**	**37**	**1 543**	**81 948**

As at 31 December 2017 an independent valuation of the Group's land, buildings, Machinery and vehicles was performed in accordance with International Valuation Standards by an independent appraiser LLC "Asset Expertise" (ODS Certificate No.631/16 as of 28 November 2016 issued by State Property Fund of Ukraine).

Most buildings and constructions were valued using cost approach. Other items of PPE were valued using the market approach. Market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

Cost approach either determines the cost to construct the assets in their present state and considers their remaining useful life or identifies fair value as a depreciated replacement cost. Cost approach was used only in the cases where there was no possibility to use market approach.

The following factors were considered in determining the fair values of buildings under the depreciated replacement cost approach:

• the cost to construct the asset is based on the cost of the necessary materials and construction work as at the date of valuation;
• expected usage of the asset is assessed by reference to the asset's expected capacity or physical output;
• technical or commercial obsolescence arising from changes or improvements in production for the product or service output of the asset as well as physical deterioration.

The independent appraiser used following sources of information:

• producers' price indices according to the Ukrainian bureau of statistics (http://www.ukrstat.gov.ua/) and Eurostat (http://ec.europa.eu/eurostat) (for replacement costs of machinery);
• UPVS register, 1969 y., which is the most commonly used source of information of cost of construction for items which were constructed more than 20 years ago (for replacement costs of buildings and constructions);
• straight-line physical depreciation method was used;
• as preferable source of market price for vehicles was used catalog DonRest
As a result of unobservable market data use in model (for real estate was applied cost approach) results of PPE valuation are related to the third group of data hierarchy.

Impairment test - based on cash generating units

As at 31 December 2017, impairment test was performed by an independent appraiser, since impairment test is an integral part of valuation of property, plant and equipment wherein used the depreciated replacement cost method.

For the purpose of impairment testing, the Group identified 9 cash-generating units (CGUs) related to crop farming, dairy farming, elevators and warehouses, assets of entities of Bobrovitsky Hlebzavod Ltd.

Impairment testing was performed based on value in-use calculation using the DCF method. Cash flow projection is based on the long-term budget approved by management of the Group.

As at 31 December 2016 an impairment review was conducted by the management of the Group.

The key assumptions used for impairment testing are: discount rates, selling prices, amounts of revenue, cost of production, expenses, production and sales volumes. Discount rates were estimated based on weighted average cost of capital and comprised – 21,6%.

Production volume was estimated based on current production level; potential increase in land, crop yields, number of cows or milk yields is not taken into account. Cost of production was estimated based on current actual cost of production inflated by expected level of inflation, taking into account higher inflation levels for costs directly or indirectly pegged to USD (such as gas). When determining selling prices the Group analyzed available forecasts for export and domestic markets, including forecasted supply and demand.

For each CGU, exept dairy farming and assets of Bobrovitsky Hlebzavod Ltd, the estimated fair value exceeded its carrying value as at 31 December 2017. According to the results of the test, impairment of PPE was not identified as at 31 December 2016.

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If property, plant and equipment were measured at cost their book value would be the following:

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
As at 31 December 2015	6 858	10 759	4 236	59	448	**22 360**
As at 31 December 2016	6 921	10 315	4 891	58	668	**22 853**
As at 31 December 2017	6 988	12 106	4 764	78	1 543	**25 479**

Assets under construction

Included in property, plant and equipment at 31 December 2017 was an amount of USD 86 thousand (USD 97 thousand as at 31 December 2016) relating to expenditure for buildings in the course of construction.

Capitalized cost

There were no borrowing costs capitalized as a part of costs of property, plant and equipment during the year ended 31 December 2017 and 2016.

Capital commitments

As at 31 December 2017 The Group had capital commitments in the amount of USD 3 372 thousand (USD 2 976 thousand as at 31 December 2016).

PPE in finance lease

Leased assets, where the Group is a lessee under finance lease agreements, comprise the following items:

	As at 31 December 2017	As at 31 December 2016
Machinery	3 092	3 205
Motor vehicles	2 711	2 802
	5 803	**6 007**

Pledged PPE

The amount of property, plant and equipment pledged to secure bank loans was as follows:

	As at 31 December 2017	As at 31 December 2016
Land and buildings	25 233	22 045
Machinery	6 374	6 819
Motor vehicles	2 086	2 957
Other	3	9
	33 696	**31 830**

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20. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
Initial cost				
31 December 2015	**19**	**114**	**10 742**	**10 875**
Additions	1	336	-	**337**
Disposals	-	(35)	-	**(35)**
Effect from translation into presentation currency	(3)	(32)	(1 260)	**(1 295)**
31 December 2016	**17**	**383**	**9 482**	**9 882**
31 December 2016	**17**	**383**	**9 482**	**9 882**
Additions	-	56	-	**56**
Disposals	-	(73)	-	**(73)**
Effect from translation into presentation currency	(1)	(11)	(295)	**(307)**
31 December 2017	**16**	**355**	**9 187**	**9 558**
Accumulated amortisation				
31 December 2015	**(13)**	**(1)**	**(5 111)**	**(5 125)**
Amortisation for the period	(2)	-	(1 379)	**(1 381)**
Effect from translation into presentation currency	2	-	683	**685**
31 December 2016	**(13)**	**(1)**	**(5 807)**	**(5 821)**
31 December 2016	**(13)**	**(1)**	**(5 807)**	**(5 821)**
Amortisation for the period	(2)	-	(1 053)	(1 055)
Effect from translation into presentation currency	-	-	236	236
31 December 2017	**(15)**	**(1)**	**(6 624)**	**(6 640)**
Net book value				
31 December 2015	**6**	**113**	**5 631**	**5 750**
31 December 2016	**4**	**382**	**3 675**	**4 061**
31 December 2017	**1**	**354**	**2 563**	**2 918**

Property certificates represent deeds supporting ownership right for property units of members of agricultural entity, which are intended for exchange by the Group companies on the property objects of this agricultural entity.

(in thousand USD, unless otherwise stated)

21. Non-current biological assets

	31 December 2017	31 December 2016
Non-current biological assets - animal-breeding		
Cattle	2 334	1 407
Non-current biological assets - plant-breeding		
Perennial grasses	9	25
Total non-current biological assets	**2 343**	**1 432**

As at the reporting dates non-current biological assets of animal-breeding were presented as follows:

	31 December 2017	31 December 2016
Cattle		
Cattle, units	842	1 136
Live weight, kg	318 138	421 508
Book value	**2 334**	**1 407**

Following changes took place in the non-current biological assets of animal-breeding:

	Cattle
31 December 2015	**4 426**
Transfer (from (to) current biological assets)	(422)
Change in fair value	26
Effect from translation into presentation currency	(2 623)
31 December 2016	**1 407**
31 December 2016	**1 407**
Transfer (from (to) current biological assets)	(345)
Sale	(136)
Change in fair value	1 116
Effect from translation into presentation currency	292
31 December 2017	**2 334**

Due to the absence of an active market for cattle in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 19,4% prevailing as at 31 December 2017 (23,2% as at 31 December 2016) was applied for cattle.

As at the reporting dates non-current biological assets of plant-breeding were presented as follows:

	31 December 2017	31 December 2016
Perennial grasses		
Area, ha	147	332
Book value	**9**	**25**

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Following changes took place in the non-current biological assets of plant-breeding:

	Perennial grasses
31 December 2015	**45**
Capitalized expenses	38
Harvesting failure	(34)
Effect from translation into presentation currency	(24)
31 December 2016	**25**
31 December 2016	**25**
Capitalized expenses	-
Harvesting failure	(16)
Effect from translation into presentation currency	-
31 December 2017	**9**

22. Prepayments for property, plant and equipment

	Note	31 December 2017	31 December 2016
Prepayments for property, plant and equipment		800	1 817

As at 31 December 2017 an amount of USD 730 thousand or 91% of the total amount of prepayments for property, plant and equipment is due from the 10 most significant counterparties (as at 31 December 2016 – USD 1 774 thousand or 97%).

23. Inventories

	Note	31 December 2017	31 December 2016
Agricultural produce	a	50 789	46 037
Work-in-progress	b	8 480	6 417
Agricultural materials		1 347	1 404
Fuel		712	636
Spare parts		396	268
Raw materials		293	142
Finished goods		9	17
Other inventories		135	189
		62 161	**55 110**

As at 31 December 2017 cost value of inventories amounting to USD 43 676 thousand (USD 36 214 thousand as at 31 December 2016).

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a) As at the reporting dates agricultural produce was presented as follows:

	31 December 2017	31 December 2016
Corn	46 847	42 763
Soya	2 202	1 473
Potato	884	802
Silage	259	537
Hay	33	60
Wheat	15	17
Sunflower	14	27
Other	535	358
	50 789	**46 037**

The fair value of agricultural produce was estimated based on market price as at date of harvest and is within level 1 of the fair value hierarchy.

b) Work-in-progress includes expenses on works connected with preparation of the lands for the future harvest obtained from the biological assets of plant growing.

As at the reporting dates loans and borrowings were secured by agricultural produce:

	31 December 2017	31 December 2016
Corn	10 664	14 138

24. Current biological assets

	31 December 2017	31 December 2016
Current biological assets of animal-breeding		
Cattle	1 635	1 246
Other	3	12
	1 638	**1 258**
Current biological assets of plant-breeding		
Corn	7 577	11 025
Wheat	6 067	5 901
Grasses	32	18
Other	34	-
Total current biological assets of plant-breeding	**13 710**	**16 944**
Total current biological assets	**15 348**	**18 202**

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As at the reporting dates current biological assets of animal-breeding were presented as follows:

	31 December 2017	31 December 2016
Cattle		
Cattle, units	534	1 074
Live weight, kg	164 747	336 208
Book value	**1 635**	**1 246**
Other		
Number of animals, units	47	64
Live weight, kg	3 874	10 475
Book value	**3**	**12**
Total book value	**1 638**	**1 258**

Following changes took place in the current biological assets of animal-breeding:

	Cattle	Other	Total
31 December 2015	**2 843**	**12**	**2 855**
Capitalized expenses	997	-	**997**
Transfer (from (to) non-current biological assets)	422	-	**422**
Sale	(5 208)	(2)	**(5 210)**
Slaughter	(179)	-	**(179)**
Change in fair value	358	3	**361**
Effect from translation into presentation currency	2 013	(1)	**2 012**
31 December 2016	**1 246**	**12**	**1 258**
31 December 2016	**1 246**	**12**	**1 258**
Capitalized expenses	360	-	**360**
Transfer (from (to) non-current biological assets)	345	-	**345**
Sale	(971)	(8)	**(979)**
Slaughter	(118)	-	**(118)**
Change in fair value	1 108	(3)	**1 105**
Effect from translation into presentation currency	(335)	2	**(333)**
31 December 2017	**1 635**	**3**	**1 638**

As at the reporting dates current biological assets of plant-breeding were presented as follows:

	31 December 2017	31 December 2016
Corn		
Area, ha	7 089	11 119
Book value	**7 577**	**11 025**
Wheat		
Area, ha	12 618	13 731
Book value	**6 067**	**5 901**
Grasses		
Area, ha	213	414
Book value	**32**	**18**
Other		
Area, ha	129	-
Book value	**34**	**-**
Total book value	**13 710**	**16 944**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Following changes took place in the current biological assets of plant-breeding:

	Corn	Sunflower	Wheat	Grasses	Other	Total
31 December 2015	**-**	**-**	**5 951**	**15**	**2**	**5 968**
Capitalized expenses (harvesting 2016)	39 917	11 737	4 289	416	4 653	61 012
Revaluation at fair value at the date of harvest (harvesting 2016)	37 410	13 137	3 784	-	4 538	58 869
Harvesting (harvesting 2016)	(71 307)	(24 522)	(10 222)	(448)	(9 191)	(115 690)
Harvest failure (harvesting 2016)	(17)	(23)	-	(23)	(1)	(64)
Change in fair value (harvesting 2016)	5 812	-	1 119	-	-	6 931
Capitalized expenses (harvesting 2017)	-	-	142	8	-	150
Effect from translation into presentation currency	(790)	(329)	838	50	(1)	(232)
31 December 2016	**11 025**	**-**	**5 901**	**18**	**-**	**16 944**

	Corn	Sunflower	Wheat	Grasses	Other	Total
31 December 2016	**11 025**	**-**	**5 901**	**18**	**-**	**16 944**
Capitalized expenses (harvesting 2017)	41 492	12 711	4 366	179	8 032	66 780
Revaluation at fair value at the date of harvest (harvesting 2017)	37 883	9 545	4 822	-	3 892	56 142
Harvesting (harvesting 2017)	(86 850)	(22 132)	(11 043)	(178)	(11 902)	(132 105)
Harvest failure (harvesting 2017)	(1)	(124)	(1)	(1)	(3)	(130)
Change in fair value (harvesting 2017)	4 204	-	210	-	-	4 414
Capitalized expenses (harvesting 2018)	-	-	2 068	-	-	2 068
Effect from translation into presentation currency	(176)	-	(256)	14	15	(403)
31 December 2017	**7 577**	**-**	**6 067**	**32**	**34**	**13 710**

As at 31 December 2017 and as at 31 December 2016 there were no pledged biological assets.

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy. There were no transfers between any levels during the year ended 31 December 2017.

Description	Fair value as at 31 December 2017	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in fields - corn	7 577	Cash flows	Crops yield - tonnes per hectare Crops price	7,6 per ton 146
Crops in fields - wheat	6 067	Cash flows	Crops yield - tonnes per hectare Crops price	5,9 per ton 151
Cattle	3 969	Discounted cash flows	Milk yield - kg per cow Milk price Discount rate	7300-8400 per year 0,26 USD per liter 19,38%

(in thousand USD, unless otherwise stated)

Changes in key assumptions used to estimate biological assets fair value would have the following effect on the fair value of biological assets:

	Increase/decrease in assumption, %	Effect on fair value of biological assets, th USD
Crops yield	10	1 805
	(10)	(1 805)
Crops price	10	1 805
	(10)	(1 805)
Milk yield	10	384
	(10)	(384)
Milk price	10	1 092
	(10)	(1 092)
Discount rate	1	(32)
	(1)	32

25. Trade accounts receivable, net

	Note	31 December 2017	31 December 2016
Trade accounts receivable		357	313
Allowances for accounts receivable	27	(36)	(37)
		321	**276**

As at 31 December 2017 an amount of USD 307 thousand or 96% of the total amount of trade accounts receivable is due from the 10 most significant counterparties (as at 31 December 2016 – USD 236 thousand or 85%).

Distribution of trade accounts receivable on time frames is the following:

	Total	Neither past due nor impaired	Past due, not impaired: Within 90 days	Past due, not impaired: From 90 to 360 days	Past due, not impaired: More than 1 year
31 December 2017	321	290	30	-	1
31 December 2016	276	211	38	11	16

On the basis of analysis of payments for the current period Financial Directorate of the Group considers that there is no need to form provision for overdue, but not impaired trade accounts receivable.

26. Prepayments and other current assets, net

	Note	31 December 2017	31 December 2016
Prepayments and other non-financial assets:			
Deferred expenses		4 255	-
VAT for reimbursement		1 822	6 842
Advances to suppliers		1 032	1 797
Allowances for advances to suppliers	27	(1)	(2)
		7 108	**8 637**
Other financial assets:			
Non-bank accommodations interest free		295	233
Other accounts receivable		756	344
Allowances for other accounts receivable	27	(6)	(6)
		1 045	**571**
		8 153	**9 208**

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Deferred expenses relate to the purchase option according to the Management Incentive Plan (see Note 29).

As at 31 December 2017 an amount of USD 780 thousand or 76% of the total amount of advances to suppliers is due from the 10 most significant counterparties (as at 31 December 2016 – USD 1 517 thousand or 86%).

As at 31 December 2017 an amount of USD 207 thousand or 70% of the total amount of non-bank accommodations interest free is due from the 10 most significant counterparties (as at 31 December 2016 – USD 182 thousand or 78%).

27. Changes in allowances made

	Note	31 December 2017	31 December 2016
Allowances for trade accounts receivable	25	(36)	(37)
Allowances for advances to suppliers	26	(1)	(2)
Allowances for other accounts receivable	26	(6)	(6)
		(43)	**(45)**

The movements of the allowances were as follows:

	Note	For the year ended 31 December 2017	For the year ended 31 December 2016
As at the beginning of the period		**(45)**	**(129)**
Accrual	13	(19)	(63)
Use of allowances		19	110
Return of allowances		-	25
Effect from translation into presentation currency		2	12
As at the end of the period		**(43)**	**(45)**

28. Cash and cash equivalents

	Currency	31 December 2017	31 December 2016
Cash in bank and hand	USD	4 636	2 940
Cash in bank and hand	UAH	1 161	1 185
Cash in bank and hand	EUR	281	54
Cash in bank and hand	PLN	14	1
		6 092	**4 180**

There were no restrictions on the use of cash and cash equivalents during the year ended 31 December 2017 and 2016.

(in thousand USD, unless otherwise stated)

29. Equity

Share capital

IMC S.A. has one class of ordinary shares. The number of authorized, issued and fully paid shares as at 31 December 2017 is 33 178 000 (31 December 2016 – 31 300 000). All shares have equal voting rights. Par value of one share is USD 0,0018.

	31 December 2017		31 December 2016	
	%	Amount	%	Amount
AGROVALLEY LIMITED	68	38	68	38
NATIONALE-NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A. (previously ING PTE)	*	*	5	3
Other shareholders (each one less than 5% of the share capital)	32	21	27	15
	100	**59**	**100**	**56**

* As at 31 December 2017 the share of NATIONALE-NEDERLANDEN Powszechne Towarzystwo Emerytalne S.A. (previously ING PTE) ownership is less than 5%.

A reconciliation of the number of shares outstanding at the beginning and at the end of the period:

number of authorized, issued and fully paid shares	For the year ended 31 December 2017	For the year ended 31 December 2016
As at the beginning of the period	**31 300 000**	**31 300 000**
Changes for the period	1 878 000	-
As at the end of the period	**33 178 000**	**31 300 000**

Extraordinary shareholders meeting approved on 4 July 2017 a Management Incentive Plan providing to Management Team Members an option to purchase in aggregate up to 1 878 000 new shares of IMC S.A. As a part of this incentive plan, 1 878 000 new ordinary shares were issued with subscription price USD 0.00115. As at the 31 December 2017 the purchase option was fully exercised with share price USD 2.73.

Share premium

In 2011 IMC S.A. completed initial public offering of own shares on Warsaw Stock Exchange. Issue of share capital of IMC S.A. brought to the increase of share capital equaling to USD 10 thousand and share premium in amount of USD 24 387 thousand.

In 2017 Management Incentive Plan was realized. Issue of new shares of IMC S.A. brought to the increase of share capital equaling to USD 3 thousand and share premium in amount of USD 5 125 thousand.

Revaluation reserve

The fair value of Group's property, plant and equipment has been measured as at 31 December 2017, 2015, 2010, 2009 by an independent appraiser. As at 31 December 2009 the related revaluation surplus of USD 14 766 thousand was initially recognized in equity, as at 31 December 2010 it was additionally recognized in the amount of USD 4 326 thousand. As at 31 December 2015 the amount of USD 40 390 thousand was recognized as increase in revaluation reserve due to revaluation of PPE. As at 31 December 2017 the amount of USD 22 659 thousand was recognized as increase in revaluation reserve due to revaluation of PPE.

The revaluation surplus and related deferred tax included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

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Effect of foreign currency translation

Effect of foreign currency translation comprises all foreign exchange differences arising from the translation of the financial statements into presentation currency.

Dividend policy

On 8 July 2016 the Board of Directors of IMC S.A. published its Dividend Policy: the Company intends to pay annual dividends starting from FY 2016 results with a dividend payout ratio up to 10% of Consolidated Net Profit of the Company and its Subsidiaries provided that the Company succeeds to receive dividend payment waivers from its creditors.

According to the announced Dividend Policy the Company paid on 27 September 2017 the interim dividend to the Company's shareholders for an aggregate amount of EUR 1 658 900 (EUR 0.05 per share).

With regard to dividend payment in 2018 the Company announced on 13 February 2018 that it plans to revise the dividend payout ratio upwards.

Legal reserve

From the annual net profits of the parent company, 5% have to be allocated to the legal reserve. This allocation shall cease to be required as soon and as long as such surplus reserve amounts to 10% of the capital. This reserve may not be distributed to the shareholders.

Management Incentive Plan

The Extraordinary shareholders meeting approved on 4 July 2017 a management incentive plan providing to Management Team Members and Eligible Employees as defined in the Management Incentive Plan an option to purchase in aggregate up to 1,878,000 new shares of IMC S.A., such number being equal to 6% of the issued stock of IMC S.A. as at the adoption date of such plan, at the price decided at the discretion of the board of directors of the Company which shall be equal to at least one euro cent EUR 0.01.

Performance period of the Management Incentive Plan is 3 years, starting from January 1, 2017 and ending on December 31, 2019. During the Performance Period, the board of directors of the Company may discretionarily decide when the Shares shall be issued by the Company to the Participants at the Subscription Price.

As a part of this incentive plan, 1 878 000 new ordinary shares were issued with subscription price USD 0.00115. As at the 31 December 2017 the purchase option was fully exercised with share price USD 2.73.

Options granted under the Plan are the following:

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	Exercise price per share option	**Number of options**	**Exercise price per share option**	**Number of options**
01 January	-	-	-	-
Granted during the period	USD 0.00115	1 878 000	-	-
Exercised during the period	USD 2.73	(1 878 000)	-	-
31 December	**-**	**-**	**-**	**-**

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Share options outstanding have the following expiry date and exercise prices:

Grand date	Expiry date	Exercise price	Share options	
			31December 2017	31December 2016
04 July 2017	31 December 2019	USD 2.73	1 878 000	-

30. Share purchase warrant

According to the Warrant Agreement entered into between the Group and International Finance Corporation (IFC) as at 20 December 2013, IFC had the right to purchase up to 3 098 700 shares of IMC S.A. (representing equivalent of 9,90% of issued share capital) for a total amount up to USD 20 000 thousand. The warrant was exercisable at any time up to 19 December 2018.

But according to the IFC Loan agreement dated 19 December 2013 if all of the warrants have not been exercised by 19 December 2018, and if only some of the warrants have been issued, the portion of the Additional return which shall be payable shall be calculated by multiplying USD 21 000 thousand by a fraction the numerator of which is equal to the number of warrant shares not subscribed for pursuant to IFC loan agreement during the exercise period and the denominator of which is equal to the total number of warrant shares. This obligation to pay the additional return is an unconditional and independent debt obligation according to the IFC loan agreement.

As at 30 June 2016 According to the Amendment to Loan agreement between IMC S.A. and International Financial Corporation the Additional Return had to be paid by IMC S.A. to International Financial Corporation. Amount of Additional Return had to be paid in a lump sum payment not later than 19 December 2018 in an amount USD 21 000 thousand or in two instalments as follows: USD 11 000 thousand on 19 December 2018 and USD 11 800 thousand on 19 December 2019». All the warrants according to the Warrant agreement dated 20 December 2013 were cancelled on 22 December 2016.

In its treatment until 2015 year end, the Group determined fair value of the share purchase warrant by applying Black-Scholes model to determine its value as an option to purchase shares, embedded in the loan with the non-resident bank IFC of USD 30 000 thousand. The Group also treated this value separately from the host instrument, recognizing a separate loss in the amount of initial fair value of the option, and thereafter recognizing changes in that fair value at a fair value through profit and loss. At the same time, the Group considered the obligation to pay the additional return of USD 21 000 thousand, included in the Warrant Agreement, as a contingent liability since it expected the IFC to exercise its warrants to buy shares. This judgment represented an error. In its corrected treatment at year end 2016, the Group considers the additional return of USD 21 000 thousand as an obligation associated with the IFC loan. Accordingly, it has included it as an expected cash flow in calculation of the effective interest rate implicit in the loan, used in determining the amortized value of the loan instrument regarded as a whole. The effective interest rate thus determined is 17,46%.

In September 2017 new terms of payment of additional return were agreed. In accordance with new terms the amount of additional return is USD 19 742 748 and should be paid in 5 portions starting September 2017 till June 2020. The amortized value of the loan instrument was regarded with effective interest rate of 18,46%.

31. Deferred tax assets and liabilities

The major components of deferred tax assets and liabilities were as follows:

Deferred tax assets

	Provisions	Total
31 December 2015	**14**	**14**
Considering profit (loss)	(14)	(14)
31 December 2016	**-**	**-**
31 December 2016	**-**	**-**
31 December 2017	**-**	**-**

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Deferred tax liabilities

	Property, plant and equipment
31 December 2015	**(3 556)**
Considering profit (loss)	442
Considering equity	241
Effect of foreign currency translation	375
31 December 2016	**(2 498)**
31 December 2016	**(2 498)**
Considering profit (loss)	21
Considering equity	(791)
Effect of foreign currency translation	70
31 December 2017	**(3 198)**

32. Long-term loans and borrowings

	Currency	31 December 2017	31 December 2016
Secured			
Long-term bank loans	USD	37 579	61 958
Finance lease liabilities	UAH, USD	775	3 073
Total long-term loans including current portion		**38 354**	**65 031**
Current portion of long-term bank loans	USD	(10 213)	(8 774)
Current portion of finance lease liabilities	UAH, USD	(416)	(1 072)
Total current portion		**(10 629)**	**(9 846)**
Total long-term loans and borrowings		**27 725**	**55 185**

Essential terms of credit contracts

Creditor	Year of maturity	Currency	Nominal interest rate	31 December 2017	
				Long-term liabilities	Including current portion
Non-resident bank*	2020	USD	6M Libor+8,00%	35 515	9 735
Ukrainian bank	2021	USD	7,00%	2 064	478
				37 579	**10 213**

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Long-term loan from Ukrainian bank is secured with property, plant and equipment in the amount USD 8 911 thousand (see note 19).

Creditor	Year of maturity	Currency	Nominal interest rate	31 December 2016	
				Long-term liabilities	Including current portion
Ukrainian bank	2017	USD	10,00%	5	5
Non-resident bank	2018	USD	3M Libor+8,50%	20 000	8 000
Ukrainian bank	2018	USD	12,00%	502	319
Ukrainian bank	2018	USD	9,50%	333	300
Ukrainian bank	2019	USD	8,50%	123	50
Non-resident bank*	2020	USD	6M Libor+8,00%	39 301	-
Ukrainian bank	2021	USD	7,00%	1 694	100
				61 958	**8 774**

* Loan from non-resident bank consists of:

- Basic loan amount of USD 30 000 thousand with 6M Libor+8,00% interest rate;
- Additional return liabilities in the amount of USD 19 743 thousand payable in instalments till June 2020, interest free, discounted by 18,46% (as at 31 December 2016 - the amount of USD 21 000 thousand payable as of 19 December 2018, interest free, discounted by 17,46%).

Long-term loans and bonds issued outstanding were repayable as follows:

	31 December 2017	31 December 2016
Within one year	10 213	8 774
In the second to fifth year inclusive	27 366	53 184
	37 579	**61 958**

The Group has committed to comply with loans covenants. As at 31 December 2017 and 31 December 2016 the Group was in compliance with all loans covenants.

Finance lease liabilities were presented as follows:

	31 December 2017		31 December 2016	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	482	416	1 399	1 072
In the second to fifth year inclusive	372	359	2 098	2 001
	854	775	3 497	3 073
Less future finance charges	(79)	-	(424)	-
Present value of minimum lease payments	**775**	**775**	**3 073**	**3 073**

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(in thousand USD, unless otherwise stated)

33. Short-term loans and borrowings

	Currency	31 December 2017	31 December 2016
Secured			
Short-term bank loans	USD	26 113	13 582
Short-term bank loans	UAH	-	4 965
		26 113	**18 547**

Essential terms of credit contracts

Creditor	Currency	Nominal interest rate	31 December 2017
Ukrainian bank	USD	5,50%	10 000
Ukrainian bank	USD	5,25%	5 100
Ukrainian bank	USD	5,50%	5 000
Ukrainian bank	USD	5,50%	4 000
Ukrainian bank	USD	5,25%	2 013
			26 113

Short-term loans are secured with property, plant and equipment in the amount USD 24 784 thousand (see note 19) and inventory in the amount USD 10 664 (see note 23).

Creditor	Currency	Nominal interest rate	31 December 2016
Ukrainian bank	USD	10,20%	10 000
Ukrainian bank	USD	10,00%	3 582
			13 582
Ukrainian bank	UAH	20,00%	4 965
			18 547

34. Trade accounts payable

	31 December 2017	31 December 2016
Trade accounts payable	1 303	2 104

As at 31 December 2017 an amount of USD 770 thousand or 59% of the total amount of trade accounts payable is due from the 10 most significant counterparties (as at 31 December 2016 – USD 718 thousand or 36%).

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(in thousand USD, unless otherwise stated)

The table below summarizes the maturity profile of Group's liabilities on contractual payments on trade accounts payable:

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
31 December 2017	-	1 138	165	-	-	-	1 303
31 December 2016	-	1 410	694	-	-	-	2 104

35. Other current liabilities and accrued expenses

	31 December 2017	31 December 2016
Other liabilities:		
Advances from clients	2 790	1 616
	2 790	**1 616**
Other accounts payable:		
Accounts payable for the lease of land and property rights	1 351	929
Wages, salaries and related charges payable	819	616
Accounts payable for non-current tangible assets	740	1 267
Accruals for unused vacations	664	507
Taxes payable	377	271
Interest payable on bank loans	211	366
Accruals for audit services	112	100
Other accounts payable	24	36
	4 298	**4 092**
	7 088	**5 708**

As at 31 December 2017 an amount of USD 2 772 thousand or 99% of the total amount of advances from clients is due from the 10 most significant counterparties (as at 31 December 2016 – USD 1 602 thousand or 98%).

Distribution of other current liabilities and accrued expenses on time frames is the following:

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
31 December 2017	664	5 061	349	338	676	-	7 088
31 December 2016	507	4 299	205	232	465	-	5 708

36. Related party disclosures

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

a) Entities - related parties under common control with the Companies of the Group;
b) Key management personnel.

The Group performs transactions with related parties in the ordinary course of business.

(in thousand USD, unless otherwise stated)

Remuneration of key management personnel was as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
Wages and salaries	1 834	328
Related charges	21	117
	1 855	**445**
The average number of employees, persons	6	4

37. Information on segments

A business segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generates revenues other than risks and income of those components that are peculiar to other business segments.

For the purpose of Management, the Group is divided into the following business segments on the basis of produced goods and rendered services, and consists of the following 3 operating segments:

- Farming division - a segment, which deals with cultivation and sale of such basic agricultural crops as corn and wheat;
- Livestock breeding - a segment which deals with breeding and sale of biological assets and agricultural products of live farming. Basic agricultural product of live farming for sale in this segment is milk;
- Storage and processing - a segment which deals with storage and processing of agricultural produce.

Information on business segments for the year ended 31 December 2017 was the follow:

	Crop farming	Dairy farming	Elevators and warehouses	Unallocated	Total
Revenue	208 849	1 852	8 732	-	219 433
Intra-group elimination	(84 702)	-	(7 970)	-	(92 672)
Revenue from external buyers	**124 147**	**1 852**	**762**	**-**	126 761
Gain from changes in fair value of biological assets and agricultural produce, net	60 557	2 220	-	-	62 777
Cost of sales	(137 052)	(1 333)	(701)	-	(139 086)
Gross income	**47 652**	**2 739**	**61**	**-**	**50 452**
Administrative expenses	-	-	-	(9 605)	(9 605)
Selling and distribution expenses	-	-	-	(8 893)	(8 893)
Other operating income	-	-	-	1 610	1 610
Other operating expenses	-	-	-	(3 422)	(3 422)
Write-offs of property, plant and equipment	-	-	-	(1 656)	(1 656)
Reversal of impairment of property, plant and equipment	-	-	-	591	591
Impairment of property, plant and equipment	-	-	-	(271)	(271)
Operating income of a segment	**47 652**	**2 739**	**61**	**(21 646)**	**28 806**
Financial expenses, net	**-**	**-**	**-**	(6 043)	(6 043)
Effect of additional return	**-**	**-**	**-**	(4 214)	(4 214)
Foreign currency exchange gain/(loss), net	**-**	**-**	**-**	(762)	(762)
Profit before tax	**47 652**	**2 739**	**61**	**(32 665)**	**17 787**
Income tax expenses, net	**-**	**-**	**-**	3	3
Net profit	**47 652**	**2 739**	**61**	**(32 662)**	**17 790**
Total assets	**140 308**	**5 757**	**34 029**	**-**	**180 094**
Total liabilities	**8 337**	**30**	**23**	**67 666**	**76 056**

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Revenues from the 10 most significant counterparties for the year ended 31 December 2017 were as follows:

	Business segment	% of revenue
Non-residental buyer	Farming division	19,5%
Non-residental buyer	Farming division	15,9%
Non-residental buyer	Farming division	12,2%
Non-residental buyer	Farming division	10,9%
Ukrainian buyer	Farming division	7,8%
Non-residental buyer	Farming division	6,9%
Non-residental buyer	Farming division	6,4%
Non-residental buyer	Farming division	3,7%
Non-residental buyer	Farming division	2,8%
Ukrainian buyer	Farming division	2,7%
		88,8%

Information on business segments for the nine months ended 31 December 2016 was the follow:

	Crop farming	Dairy farming	Elevators and warehouses	Unallocated	Total
Revenue	214 180	4 771	7 117	-	226 068
Intra-group elimination	(94 825)	-	(6 499)	-	(101 324)
Revenue from external buyers	**119 355**	**4 771**	**618**	**-**	124 744
Gain from changes in fair value of biological assets and agricultural produce, net	65 800	387	-	-	66 187
Cost of sales	(123 653)	(5 746)	(605)	-	(130 004)
Gross income	**61 502**	**(588)**	**13**	**-**	**60 927**
Administrative expenses	-	-	-	(6 343)	(6 343)
Selling and distribution expenses	-	-	-	(6 521)	(6 521)
Other operating income	-	-	-	2 943	2 943
Other operating expenses	-	-	-	(3 252)	(3 252)
Write-offs of property, plant and equipment	-	-	-	(1 764)	(1 764)
Operating income of a segment	**61 502**	**(588)**	**13**	**(14 937)**	**45 990**
Financial expenses, net	**-**	**-**	**-**	(12 294)	(12 294)
Effect of additional return	**-**	**-**	**-**	(3 715)	(3 715)
Foreign currency exchange (loss)/gain, net	**-**	**-**	**-**	(8 492)	(8 492)
Profit before tax	**61 502**	**(588)**	**13**	**(39 438)**	**21 489**
Income tax expenses	**-**	**-**	**-**	349	349
Net profit	**61 502**	**(588)**	**13**	**(39 089)**	**21 838**
Total assets	**128 343**	**4 070**	**26 532**	**-**	**158 945**
Total liabilities	**7 743**	**19**	**49**	**86 077**	**93 888**

(in thousand USD, unless otherwise stated)

Revenues from the 10 most significant counterparties for the year ended 31 December 2016 were as follows:

	Business segment	% of revenue
Non-resident buyer	Farming division	17,8%
Non-resident buyer	Farming division	17,2%
Non-resident buyer	Farming division	12,6%
Non-resident buyer	Farming division	8,5%
Ukrainian buyer	Farming division	7,8%
Non-resident buyer	Farming division	6,2%
Ukrainian buyer	Farming division	5,3%
Non-resident buyer	Farming division	4,9%
Non-resident buyer	Farming division	4,9%
Non-resident buyer	Farming division	3,6%
		88,8%

38. Lease of land

The Group leases land for agricultural purposes from private individuals. Lease payments are calculated on the basis of monetary valuation of the land considering the inflation factor. The average interest rate for lease of land of the Group is 5-11%% in 2017 (5-9%% in 2016) and depends on validity of the contract.

Areas of operating leased land were as follows:

	31 December 2017	31 December 2016
Location of land	Hectare	Hectare
Poltava region		
Land under processing	24 976	30 079
Land for grazing, construction, other	2 009	2 009
Chernihiv region		
Land under processing	80 036	81 938
Land for grazing, construction, other	1 681	1 681
Sumy region		
Land under processing	24 584	24 584
Land for grazing, construction, other	113	113
	133 399	**140 404**

According to the Group's strategy, during Y2017 areas of fallow lands were decreased by unrenewing of land lease agreements.

Future minimum lease payments for operating leases of land of agricultural designation considering existing at that date the inflation factor are as follows:

	31 December 2017	31 December 2016
Within one year	9 099	7 926
In the second to fifth year inclusive	34 384	29 762
Later than fifth year	38 676	25 942
	82 159	**63 630**

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39. Lease of property, plant and equipment

The Group leases machinery from lease company. According to existing agreements the term of lease is 36 months, the interest rate is 1MLibor minus 0,15%.

Future minimum lease payments for operating leases of property, plant and equipment were as follows:

	31 December 2017	31 December 2016
Within one year	189	1 105
In the second to fifth year inclusive	17	210
	206	**1 315**

The lease payments for operating leases of property, plant and equipment for the agreements mentioned above in the amount of USD 1 613 thousand for the year ended 31 December 2017 were included to the item Rent of Cost of sales (USD 2 499 thousand for the year ended 31 December 2016).

40. Financial instruments

Financial instruments as at 31 December 2017 and 2016 were represented by the following categories:

Financial instrument	Category	Measurement
Financial assets		
Accounts receivable	Loans and receivables	Amortized cost
Other financial assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Loans and borrowings	Financial liabilities	Amortized cost
Share purchase warrant	Financial liabilities	Fair value through profit or loss
Accounts payable	Financial liabilities	Amortized cost
Other financial liabilities	Financial liabilities	Amortized cost

The fair values of the Group's financial assets and financial liabilities listed hereinbefore reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date. The fair values are based on inputs other than quoted prices that are observable for the asset or liability. These inputs include foreign currency exchange rates and interest rates. The financial assets and financial liabilities are primarily valued using standard calculations / models that use as their basis readily observable market parameters. Industry standard data providers are the primary source for forward and spot rate information for both interest rates and currency rates, with resulting valuations periodically validated through third party or counterparty quotes.

The Group's non-derivative financial instruments included cash and cash equivalents, accounts receivable, other financial assets, accounts payable, other financial liabilities, loans and borrowings. At 31 December 2017 and 2016, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments. The major part of the long-term loans and borrowings has floating interest rates and other has fixed interest rates but they are corresponded to the market rate level, so the Management of the Group believes that book value of long-term loans and borrowings approximates their fair value.

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41. Management of financial risks

One of the principal responsibilities of the Financial Department of the Group is to manage the financial risks arising from the Group's underlying operations. On an annual basis, the Financial Department approves a strategic plan that takes into account the opportunities and major risks of our business and mitigation factors to reduce these risks. The Financial Department also reviews risk management policies and procedures on an annual basis and sets upper limits on the transactional exposure to be managed and the time periods over which exposures may be managed. The objective of the policy is to reduce volatility in cash flow and earnings. Risks managed include:

Type of risk	Affected by	Risk management policies
Credit risk	Ability of counterparties to financial instrument to fulfill their contractual obligations	Credit approval and monitoring practices; counterparties policies
Liquidity risk	Balance of cash flow	Preparation of detailed forecasts of cash flow
Market risk	- Market prices on products sold, materials and services for production - Changes in interest rates - Fluctuation of foreign currency exchange rates	- Foreign currency forward contracts; Long-term cooperation with reliable suppliers - Maintaining a combination of fixed and floating interest rates; USD and UAH interest rates - Foreign currency forward contracts; USD and UAH interest rates

Depending on the type of risks faced by the Group, it is possible to use a single or several methods of minimizing or levelling their negative impact on Group.

The use of the following risk management methods is possible at the Group's companies:

1) risk pooling is a method aimed at reducing the risk by transferring accidental losses into the relatively small fixed expenses (this method is a basis for insurance);

2) limitation is a method involving the development of detailed strategic documentation, which sets the boundary level of risk in each area of the company's activities, as well as clear allocation of functions and responsibilities of personnel;

3) diversification is a method of risk control through the selection of assets, profit on which slightly correlates, if possible;

4) hedging is a balancing transaction, minimizing the negative impact of risk (e.g., selection of assets and liabilities by timing, by currency).

- Credit risk

Credit risk is a risk of financial loss to the Group, which results from failure of a buyer or a contractor under the financial instrument to fulfill its contractual obligations. The risk is primarily related to the Group's accounts receivable, cash and cash equivalent.

Book value of financial assets reflects maximal extent that is subject to credit risk of the Group. Maximal level of credit risk is the following:

	31 December 2017	31 December 2016
Trade accounts receivable, net	321	276
Other financial assets:		
Non-bank accomodations interest free	295	233
Other accounts receivable, net	750	236
Cash and cash equivalents	6 092	4 180
	7 458	**4 925**

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The Group manages credit risk through rigorous credit approval and monitoring practices. Financial and Economic Department has developed the credit policy. In accordance with it, all contractors are subjected to careful analysis on ability to pay before the Group offers its standard terms of payment and delivery. If the Group sells goods to a contractor it has never dealt before, transactions are performed on terms of prepayment. Deferred payment is offered only to contractors with work experience with the Group more than 1 year without delays in payment terms established in sale contracts.

Group's management believes that companies comprising the Group are free in their choice of the customers, have close contacts with the leading global and Ukrainian traders, and may switch without risk to other customer offering better conditions of collaboration.

The Financial Directorate of the Group constantly carries out monitoring over payment terms deadlines according to goods selling contracts. In case of delay in payment, the personnel of the commercial department deals up with the customer and the decision whether to apply penalties or slightly extend the terms (within 90 days) is taken.

The Group forms estimated provision for trade and other accounts receivable and investments. It corresponds with estimation of amount of already suffered credit losses. The main element of the provision is an element of certain loss, determined for assets considering already suffered but not fixed losses. Estimated amount of losses is determined on the basis of statistical data for previous periods for similar financial assets.

Distribution of trade accounts receivable as at 31 December 2017 on time-frames is the following:

			Past due, not impaired		
	Total	**Neither past due nor impaired**	**Within 90 days**	**From 90 to 360 days**	**More than 1 year**
31 December 2017	321	290	30	-	1
31 December 2016	276	211	38	11	16

On the basis of analysis of payments for the current period Financial Directorate of the Group considers that there is no need to form provision for overdue, but not impaired trade accounts receivable.

- Liquidity risk

Risk of liquidity - is the risk of inability to meet financial obligations of the Group in due time.

The way the Group manages the liquidity lies in providing the Group with constant availability of liquid facilities, enough to meet the obligation in due time, avoiding unforeseen losses and not to expose the reputation of the Group to risk.

There is system of management accounting and budgeting, which allows to plan and control covering all the expenses from operating activity and related with its financial expenses by means of profit.

The table below summarizes the maturity profile of Group's financial liabilities based on contractual payments at 31 December 2017:

	On demand	**Within 30 days**	**From 30 to 90 days**	**From 90 to 180 days**	**From 180 to 360 days**	**From 1 to 5 years**	**Total**
Bank loans and interest payable on bank loans	-	292	187	2 500	29 825	31 099	**63 903**
Finance lease liabilities	-	45	140	135	96	359	**775**
Trade accounts payable	-	1 138	165	-	-	-	**1 303**
Other current liabilities and accrued expenses	664	5 117	293	338	676	-	**7 088**
	664	**6 592**	**785**	**2 973**	**30 597**	**31 458**	**73 069**

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The table below summarizes the maturity profile of Group's financial liabilities based on contractual payments at 31 December 2016:

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
Bank loans and interest payable on bank loans	-	669	5 821	20 053	6 674	63 782	**96 999**
Finance lease liabilities	-	46	88	11	927	2 001	**3 073**
Trade accounts payable	-	1 410	694	-	-	-	**2 104**
Other current liabilities and accrued expenses	507	4 299	205	232	465	-	**5 708**
	507	**6 425**	**6 808**	**20 296**	**8 066**	**65 783**	**107 884**

- Market risk

Market risk arises from fluctuations in market factors, including exchange rates, interest rates and commodity prices. Movements in these factors may affect the Group's income and expenses, or the value of its financial instruments. The objective of the Group's management of market risk is to maintain this risk within acceptable parameters, whilst optimizing returns.

Market risk is comprised of:

- Commodity price risk
  i) Risk of changes in market prices of products for sale

  The Group Sales Department makes continuous monitoring of market prices of products sold in order to manage exposure to changes in market prices for the products. According to the results of this analysis and subsequent prediction of prices for products, management pricing policy depending on the dynamics of market prices is formed.

  ii) Risk of changes in prices of materials and services

  The Group is exposed to changes in prices of materials and services that are used in the process of production. The Group manages these risks by working with reliable suppliers, business relationships with whom had developed over a long time, and the search for new, more affordable supply of resources.

- 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 (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

  The Group's companies manage their foreign currency risk by comparing the volumes of export revenues by currencies and loan portfolio by currencies. The Group avoids borrowing and production sales for export in any currency except for USD. The comparison is carried out as a part of the annual planning and budgeting.

  When the amount of the expected export revenue is below the level of USD borrowing for the financial year, the decrease in foreign currency borrowings by repayment of such loans or conversion of foreign currency loans into national currency is performed.

  Group avoided realization of risk transactions that are subject to foreign currency risk.

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The table below summarizes the Group's exposure to foreign currency risk as at 31 December 2017:

	Note	UAH	USD	EUR	PLN	Total
Trade accounts receivable, net	25	317	4	-	-	321
Cash and cash equivalents	28	1 161	4 636	281	14	6 092
Loans and borrowings	32, 33	36	64 431	-	-	64 467
Other current liabilities and accrued expenses	35	4 384	2 704	-	-	7 088
		5 898	**71 775**	**281**	**14**	**77 968**

The Group's exposure to foreign currency risk, based on book value, as at 31 December 2017 was as follows:

	31 December 2017	Increase/decrease in USD exchange rate, %	Effect on profit before tax
Cash and cash equivalents	7	10	1
		(10)	(1)
Loans and borrowings	28 916	10	(2 892)
		(10)	2 892
Other current liabilities and accrued expenses	19	10	(2)
		(10)	2
General effect	**-**	10	**(2 893)**
		(10)	**2 893**

The table below summarizes the Group's exposure to foreign currency risk as at 31 December 2016:

	Note	UAH	USD	EUR	PLN	Total
Trade accounts receivable, net	25	276	-	-	-	276
Cash and cash equivalents	27	1 185	2 940	54	1	4 181
Loans and borrowings	31, 32	5 038	78 540	-	-	83 578
Other current liabilities and accrued expenses	34	3 692	2 017	-	-	5 708
		10 191	**83 497**	**54**	**1**	**93 743**

The Group's exposure to foreign currency risk, based on book value, as at 31 December 2016 was as follows:

	31 December 2016	Increase/decrease in USD exchange rate, %	Effect on profit before tax
Loans and borrowings	39 239	10	(3 924)
		(10)	3 924
Other current liabilities and accrued expenses	2 017	10	(202)
		(10)	202
General effect	**-**	10	**(4 126)**
		(10)	**4 126**

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- 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.

Change in interest rates influences the involved loans and borrowings and finance lease transactions. Management of the Group doesn't have formalized policy respecting proportion of interest risk's allocation between the loans with fixed interest rate and floating interest rate. However, when attracting new loans and borrowings, management solves the problem respecting which interest rate, fixed or floating, will be more profitable for the Group during the expected period till the maturity date, based on own professional judgments.

The Group's interest-bearing financial instruments were formed as follows:

	31 December 2017	31 December 2016
Loans and borrowings		
Fixed rate instruments	28 177	21 950
Variable rate instruments	36 290	61 628
	64 467	**83 578**

The Group's exposure to interest rate risk, based on book value, as at 31 December 2017 was as follows:

	Note	31 December 2017	Increase/decrease in Libor rate, %	Effect on profit before tax
Loans and borrowings	32, 33	36 290	1	(363)
			(1)	363

The Group's exposure to interest rate risk, based on book value, as at 31 December 2016 was as follows:

	Note	31 December 2016	Increase/decrease in Libor rate, %	Effect on profit before tax
Loans and borrowings	31 ,32	61 628	1	(616)
			(1)	616

Agro-industrial risks

Agro-industrial business is subject to risks of outbreaks of various diseases of cattle or crops. These diseases could result in losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any diseases and related losses.

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42. Capital management

The Group's objectives in the process of capital management are maintaining the Group's ability to follow the going concern principle to provide benefits to interested parties, and also maintaining the optimal structure of involved and own funds.

The management of the Group regularly analyzes the structure of its capital. On basis of results of this analysis the Group takes measures, which are aimed at maintenance of total structure of the capital balance.

The main financial liabilities of the Group are loans and borrowings, trade and other accounts payable. The main aim of these financial instruments is to involve facilities for the Group's activity.

The Group's gearing ratio was as follows:

	Note	31 December 2017	31 December 2016
Long-term loans and borrowings	32	27 725	55 185
Current portion of long-term borrowings	32	10 629	9 846
Short-term loans and borrowings	33	26 113	18 547
Trade accounts payable	34	1 303	2 104
Other current liabilities and accrued expenses	35	7 088	5 708
Cash and cash equivalents	28	(6 092)	(4 180)
Net debt		**66 766**	**87 210**
Total equity		104 038	65 057
Total net debt and equity		**170 804**	**152 267**
Gearing ratio		**39%**	**57%**

The capital structure of the Group is based on management's judgments of the appropriate balancing of all key elements of its financial strategy in order to meet its strategic and day-to-day needs. The Management of the Group considers the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group will take appropriate steps in order to maintain, or if necessary adjust, the capital structure.

43. Events after the balance sheet date

Conducting its normal operating activity, the Group considers important to highlight the following:

Loans and borrowings and interests are repaid in the amount of USD 1 227 thousand.

Loans and borrowings are received in the amount of USD 2 908 thousand.

VAT for reimbursement is received in the amount of USD 3 111 thousand.

There were no other material events after the end of the reporting date, which have a bearing on the understanding of the financial statements.