IMC S.A. and its subsidiaries

Condensed consolidated interim financial statements
For the six months ended 30 June 2018

and
Review report of condensed consolidated interim financial statements

CONTENTS

Statement of Management responsibilities for preparation and approval of condensed consolidated interim financial statements for the six months ended 30 June 2018

Management of the Group of companies "IMC" (the Group) is responsible for preparing the Condensed consolidated interim financial statements which reflect in all material aspects the financial position of the Group as at 30 June 2018, as well as the results of its activities, cash flows and changes in equity for the six months then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing condensed consolidated interim financial statements the Group's Management 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 condensed consolidated interim financial statements;
- preparing condensed consolidated interim 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 condensed consolidated interim financial statements all the relations and transactions between related parties;
- accounting and disclosing in the condensed consolidated interim 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 condensed consolidated interim financial statements all the loans or guarantees to the Management.

The Group's Management 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 condensed consolidated interim financial statements as at 30 June 2018 prepared in compliance with IFRS as approved by the European Union are approved on behalf of the Group's Management on 30 August 2018.

On behalf of the Management:

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

Management statement

This statement is provided to confirm that, to the best of our knowledge, the Condensed consolidated interim financial statements for the six months ended 30 June 2018, 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 Management:

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

Management report

1. Business and general conditions

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.

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.

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.

In 2018 IMC implemented Employee Training Policy. It provides personnel with training and learning opportunities in line with strategic goals of the Company. Employees obtain knowledge and improve their skills through specialized training programs conducted by internal and external providers. Training programs for operating and executive personnel provided mainly by IMC own staff.

In 1H2018 more than 540 employees attended such trainings. In particular, more than 270 employees of production department, including precision farming technology specialists, were trained by representatives of world's leading agribusiness companies. Also we picked up programs for development of leadership, effective communication, emotional intelligence and people management skills for more than 150 linear managers and for professional development for more than 115 employees.

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 2015-1H2018, 78 students were trained in production department of IMC regional enterprises, 36 of them were employed.

In 1H2018 total number of employees was 2 378 persons, 30% of which is female.

Personnel structure and wages and related charges were the following:

	1H2018	1H2017	Change in %
Total number of employees	2 378	2 379	0%
operating personnel	1 701	1 749	-3%
administrative personnel	654	608	8%
sales personnel	20	19	5%
non-operating personnel	3	3	0%
Wages and salaries and related charges per employee, USD	3 713	2 551	45%

- **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.

- **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.

Monitoring is carried out in the areas of natural resource management, environmental legislation and occupational safety (compliance of IMC HSE principles with the requirements of Ukrainian regulations).

In 2018 Corporate standard of personal protection equipment was developed and implemented on all IMC enterprises.

Waste utilization procedures and orders were approved on all IMC enterprises on the basis of the waste management regulations in 2018. Responsible persons for collection, temporary storage and records-keeping at all IMC enterprises were appointed. Waste is accumulated and transferred for disposal in accordance with internal regulations. Risk registers for all enterprises have been approved, priority actions are implemented.

The Regulations on General Director's Prize in the field of labor protection and industrial safety, health and environmental protection were introduced and adopted at all IMC enterprises in Q2 2018. Working groups have been created with participation of representatives of enterprises and managers of the Central Office.

- **Research and development**

In 2017 the Research and development department was formed. The elements of precision farming are tested and introduced by R&D department: systems for GPS-monitoring of the machinery, auto-piloting, satellite monitoring, variable norms for seeding, and differentiated fertilization. This year extensive field experiments were carried out - testing the optimal seeding rate (different from the recommendations of the seed producer), selecting the optimal protection products.

2. Operational and Financial Results

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

(in thousand USD)	Notes	For the six months ended 30 June 2018	30 June 2017	Change in %
CONTINUING OPERATIONS				
Revenue	5	63 110	62 642	1%
Gain from changes in fair value of biological assets and agricultural produce, net	6	44 081	45 248	-3%
Cost of sales	7	(65 693)	(61 868)	6%
GROSS PROFIT		**41 498**	**46 022**	**-10%**
Administrative expenses	8	(5 899)	(4 045)	45%
Selling and distribution expenses	9	(6 040)	(5 110)	18%
Other operating income	10	1 309	790	66%
Other operating expenses	11	(2 869)	(2 108)	36%
Write-offs of property, plant and equipment		(1 022)	(1 092)	-6%
OPERATING PROFIT		**26 977**	**34 457**	**-22%**
Financial expenses, net	14	(2 634)	(3 458)	-24%
Effect of additional return	27	(1 851)	(2 097)	-12%
Foreign currency exchange gain/(loss), net	15	2 367	1 375	72%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**24 859**	**30 277**	**-18%**
Income tax expenses, net	16	(530)	17	-3216%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**24 329**	**30 294**	**-20%**

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 Condensed consolidated interim 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 Condensed consolidated interim financial statements.

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

(in thousand USD)	For the six months ended 30 June 2018	30 June 2017	Change in %
CONTINUING OPERATIONS			
Net profit for the period	24 329	30 294	
Write-offs of property, plant and equipment	1 022	1 092	
Foreign currency exchange (loss)/gain, net	(2 367)	(1 375)	
Non recurring items:			
Effect of additional return	1 851	2 097	
Normalised Net profit	**24 835**	**32 108**	**-23%**

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 Condensed consolidated interim financial statements. The reconciliation to Normalised EBIT for the period (from continuing operations) is presented as follows:

(in thousand USD)	For the six months ended		
	30 June 2018	**30 June 2017**	**Change in %**
CONTINUING OPERATIONS			
Net profit for the period	24 329	30 294	
Write-offs of property, plant and equipment	1 022	1 092	
Foreign currency exchange (loss)/gain, net	(2 367)	(1 375)	
Financial expenses, net	2 634	3 458	
Income tax expenses, net	530	(17)	
Non recurring items:			
Effect of additional return	1 851	2 097	
Normalised EBIT	**27 999**	**35 549**	**-21%**

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 Condensed consolidated interim financial statements. The reconciliation to Normalised EBITDA for the period (from continuing operations) is presented as follows:

(in thousand USD)	For the six months ended		
	30 June 2018	**30 June 2017**	**Change in %**
CONTINUING OPERATIONS			
Net profit for the period	24 329	30 294	
Write-offs of property, plant and equipment	1 022	1 092	
Foreign currency exchange (loss)/gain, net	(2 367)	(1 375)	
Financial expenses, net	2 634	3 458	
Income tax expenses, net	530	(17)	
Depreciation and amortization	6 556	4 513	
Non recurring items:			
Effect of additional return	1 851	2 097	
Normalised EBITDA	**34 555**	**40 062**	**-14%**

Company's Normalised Net profit, as well as Normalised EBIT and EBITDA decreased in 1H2018 in comparison with 1H2017 mainly due to increase in production, administrative and delivery expenses. The increase in prices for materials entailed growth of production costs and delivery cost. Increase in labor remuneration within the framework of the Group's policy also had a significant impact on total expenses of the Group.

Revenue

The Company's revenue from sales of finished products was without changes in 1H2018 in comparison with previous period.

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

	For the six months ended		
	30 June 2018	30 June 2017	Change in %
Corn	57 573	59 343	-3%
Soy beans	1 700	896	90%
Potatoes	900	411	119%
Milk	657	806	-19%
Sunflower	501	-	100%
Cattle	84	284	-70%
Wheat	2	4	-50%
Other	1 264	726	74%
	62 681	**62 470**	**0%**

The most significant portion of the Company's revenue comes from selling corn, which represented 91,9% in 1H2018 and 94,9% in 1H2017 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:

	For the six months ended	
	30 June 2018	30 June 2017
Corn		
Sales of produced corn (in tonnes)	351 851	380 783
Realization price (U.S. $ per ton)	164	156
Revenue from produced corn (U.S. $ in thousands)	57 573	59 343
Wheat		
Sales of produced wheat (in tonnes)	21	30
Realization price (U.S. $ per ton)	104	136
Revenue from produced wheat (U.S. $ in thousands)	2	4
Soy beans		
Sales of produced soy beans (in tonnes)	4 219	2 401
Realization price (U.S. $ per ton)	403	373
Revenue from produced soy beans (U.S. $ in thousands)	1 700	896
Sunflower		
Sales of produced sunflower (in tonnes)	1 344	-
Realization price (U.S. $ per ton)	373	-
Revenue from produced sunflower (U.S. $ in thousands)	501	-
Potatoes		
Sales of produced potatoes (in tonnes)	8 290	6 760
Realization price (U.S. $ per ton)	109	61
Revenue from produced potatoes (U.S. $ in thousands)	900	411
Other (produced only)		
Total sales volume (in tonnes)	13 149	7 685
Total revenues (U.S. $ in thousands)	1 264	726
Total sales volume (in tonnes)	**378 874**	**397 659**
Total revenue from sale of crops (U.S. $ in thousands)	**61 940**	**61 380**

Revenue relating to sales of corn decreased by 3% to USD 57,6 million in current period from USD 59,3 million in previous period, due to decrease in sales volume (tons) in 2018 as a result of Group's sale strategy.

Cost of sales

The Company's cost of sales increased by 6% to USD 65,7 million in current period from USD 61,9 million in previous period. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

	For the six months ended		
	30 June 2018	**30 June 2017**	**Change in %**
Raw materials	(59 265)	(56 814)	4%
Change in inventories and work-in-progress	14 196	12 602	13%
Rent	(5 851)	(5 893)	-1%
Depreciation and amortization	(5 372)	(3 768)	43%
Wages and salaries of operating personnel and related charges	(4 034)	(3 155)	28%
Fuel and energy supply	(3 569)	(3 694)	-3%
Third parties' services	(1 045)	(564)	85%
Repairs and maintenance	(604)	(361)	67%
Taxes and other statutory charges	(112)	(200)	-44%
Other expenses	(37)	(21)	76%
	(65 693)	**(61 868)**	**6%**

Increase in cost of sales mainly consists of:

- the increase in prices for materials entailed growth of production costs;
- the revaluation of property, plant and equipments made as at 31.12.2017 resulted in increase in depreciation and amortization;
- the increase in labor remuneration within the framework of the Group's policy also had a significant impact on expenses.

Gross profit

The Company's gross profit decreased to USD 41,5 million in current period from USD 46,0 million in previous period, an 10% year-on-year decrease. In relative terms, cost of sales went up 6% year-on-year.

Administrative expenses

Administrative expenses increased year-on-year to USD 5,9 million in current period from USD 4,0 million in previous period, reflecting an increase in wages and salaries of administrative personnel and related charges (within the framework of the Group's policy) to USD 4,6 million from USD 2,8 million.

Other operating income

The Company's other operating income increased by 66% to USD 1,3 million in current period from USD 0,8 million in previous period due to increase in gain on recovery of assets previously written off.

Other operating expenses

Other operating expenses increased by 36% to USD 2,9 million in current period from USD 2,1 million in previous period reflecting an increase in depreciation expenses and loss on disposal of property, plant and equipment.

Financial expenses, net

The Company's financial expenses, net decreased by 24% to USD 2,6 million in current period from USD 3,5 million in previous period. This decrease was related to the repayment of loans and borrowings in 2017-2018.

Foreign currency exchange gain, net

Foreign currency exchange gain, net increase to USD 2,4 million in current period from USD 1,4 million in previous period. This increase reflected the strengthening of UAH in 1H2018 in comparison with 1H2017 – 7,2% of revaluation as at 30 June 2018 in comparison with 4,2% as at 30 June 2017.

Cash flows

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

	For the six months ended	
	30 June 2018	**30 June 2017**
Net cash flows from operating activities	20 916	20 164
Net cash flows from investing activities	(3 937)	(3 248)
Net cash flows from financing activities	(3 746)	(8 752)
Net increase in cash and cash equivalents	**13 233**	**8 164**

Changes in cash flow mainly consist of decrease in net cash outflow from financing activities - net cash outflow decreased to USD 3,7 million in current period from USD 8,8 million in previous period. The decrease in 1H2018 was due to intencive repayment of loans and borrowings in Y2017.

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 49% of float rate debt and 51% of fixed rate debt.

  IMC's creditors are well-known banks with a foreign capital or international financial institutions. As result, 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

	For the six months ended	30 June 2018	30 June 2017
I.	Revenue	63 110	62 642
II.	Operating profit/(loss)	26 977	34 457
III.	Profit/(loss) before income tax	24 859	30 277
IV.	Net profit/(loss)	24 329	30 294
V.	Net cash flow from operating activity	20 916	20 164
VI.	Net cash flow from investing activity	(3 937)	(3 248)
VII.	Net cash flow from financing activity	(3 746)	(8 752)
VIII.	Total net cash flow	13 233	8 164
IX.	Total assets	240 928	210 077
X.	Share capital	59	56
XI.	Total equity	138 418	100 356
XII.	Non-current liabilities	24 840	52 173
XIII.	Current liabilities	77 670	57 548
XIV.	Weighted average number of shares	33 178 000	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	0,73	0,97
XVI.	Book value per share (in USD)	4,16	3,22

signed

Alex Lissitsa

Chief Executive Officer

signed

Dmytro Martyniuk

Chief Financial Officer

IMC S.A. *Société anonyme* Registered office: 16 rue Erasme L-1468 Luxembourg, 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 ("WSE") where the trading in the Company's shares takes place. The Company follows the 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), available at https://www.gpw.pl/pub/GPW/o-nas/DPSN2016_EN.pdf.

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

Board of Directors

According to the Articles of Association, the Company shall be managed by a board of directors (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 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 the directors, the Company is governed by its Articles of Association and Luxembourg law of 10 August 1915 on commercial companies, as amended from time to time (the "Law on Commercial Companies"). 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 on Commercial Companies.

The present Board of Directors 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 of Directors is responsible for managing the business affairs of the Company within the clauses of the Articles 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 applicable laws 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 the Chairman'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 of Directors 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. The Administrator has a duty of care to maintain proper books and records and prepare for review and approval by the Board of Directors the financial statements intended to give a true and fair view. The Board of Directors has appointed Totalserve Management (Luxembourg) S.A. as Administrator.

Committees

Audit Committee

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

The audit 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 30 June 2018 the audit committee consisted of two members, Alfons Balmann (chairman), a non-executive director and Kamil Jan Gaworecki (member), non-executive director.

Remuneration Committee

The role of the remuneration 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 of Directors.

Notably, the remuneration committee is responsible for:

- submitting proposals to the Board of Directors 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 30 June 2018 the Company hadn't adopted a remuneration policy. Principles of remuneration of the directors shall be determined by the general meeting of shareholders and the Board of Directors shall determine the remuneration of the members of the committees established within the Company and of any persons to whom specific powers have been delegated by the Board of Directors (e.g. persons in charge of the daily management of the Company). Remuneration of the Board of Directors 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 relevant provisons of Luxembourg law, an external auditor appointed by the annual general meeting of shareholders certifies the Company's annual and consolidated accounts.

The external review for condensed consolidated interim financial statements for 1H2018 is performed by BDO Audit S.A, for 1H2017 – H.R.T. REVISION S.A. (in 2017 BDO Luxembourg and HRT Group united their businesses).

Luxembourg law on takeover bids

The following disclosures are made in accordance with Article 11 of the Luxembourg law on takeover bids of 19 May 2006:

(a) Share capital structure

The structure of the capital of the Company is represented in Note 26. The Company has issued one class of shares which is admitted on the regulated market of the Warsaw Stock Exchange. No other securities have been issued. The issued share capital as at 30 June 2018 amounts to EUR 41,472.50 divided into 33,178,000 shares, without indication of a nominal value.

(b) Transfer restrictions

As of the date hereof, the shares of the Company are freely transferable, subject to the relevant laws and regulations relating to insider dealing and market manipulations which prevent any person who has material inside information about a company from dealing in its shares and from committing market manipulations.

(c) Major shareholding

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 26. As of 30 June 2018, Agrovalley Limited held 22,690,815 shares in the Company, what is equal to 70,61% of the share capital of the Company. The Company has no other significant direct or/and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings).

(d) Special control rights

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.

(e) Control system in employee share scheme

The Company has no adopted system of control of any employee share scheme where the control rights are not exercised directly by the employees.

(f) Voting rights

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 Articles of Association do not provide for any voting restrictions. In accordance with the Articles of Association and the applicable legal provisions, a record date for the admission to a general meeting is set and certificates for the shareholdings and the relevant proxies shall be received by the Company within the relevant timeframes indicated in the Articles of Association and the relevant documents published by the Company in relation to the holding of a meeting of shareholders.

(g) Shareholders' agreement with transfer restrictions

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.

(h) Appointment of directors, amendments to the Articles of Association

The appointment and replacement of the directors and the amendments of the Articles of Association are governed by Luxembourg law and the Articles of Association.

(i) Powers of the Board of Directors

The Board of Directors is vested with the broadest powers to act on behalf of the Company and to perform or authorise all acts of administrative or disposal nature, necessary or useful for accomplishing the Company's object. All powers not expressly reserved by the Law on Commercial Companies 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.
As of the date hereof, the Board of Directors has no power to issue shares or buy back shares of the Company.

(j) Significant agreements or essential business contracts

The Board of Directors is not aware of any significant agreement 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.

(k) Agreements with directors and employees

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 the rules foreseen by Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, 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 transactions 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 Management:

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

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REVIEW REPORT OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

R.C.S. Luxembourg B157843

Introduction

We have reviewed the accompanying condensed consolidated interim statements of financial position of IMC S.A. as at 30 June 2018 and the related condensed consolidated interim statement of comprehensive income, statement of changes in equity and statement of cash flow for the 6 month period then ended, and a summary of condensed accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not give a true and fair view of the consolidated financial position of IMC S.A. as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the 6-month period then ended in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Emphasis of Matter

We draw attention to note 4 "Operating environment" to the condensed consolidated interim 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 conclusion is not qualified in respect of this matter.

Luxembourg, 13 September 2018

BDO Audit
Cabinet de révision agréé
represented by

Jean-Philippe Barret

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018
(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
CONTINUING OPERATIONS			
Revenue	5	63 110	62 642
Gain from changes in fair value of biological assets and agricultural produce, net	6	44 081	45 248
Cost of sales	7	(65 693)	(61 868)
GROSS PROFIT		**41 498**	**46 022**
Administrative expenses	8	(5 899)	(4 045)
Selling and distribution expenses	9	(6 040)	(5 110)
Other operating income	10	1 309	790
Other operating expenses	11	(2 869)	(2 108)
Write-offs of property, plant and equipment		(1 022)	(1 092)
OPERATING PROFIT		**26 977**	**34 457**
Financial expenses, net	14	(2 634)	(3 458)
Effect of additional return	27	(1 851)	(2 097)
Foreign currency exchange gain/(loss), net	15	2 367	1 375
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**24 859**	**30 277**
Income tax expenses, net	16	(530)	17
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**24 329**	**30 294**
Net profit/(loss) for the period attributable to:			
Owners of the parent company		24 462	30 295
Non-controlling interests		(133)	(1)
Weighted average number of shares		33 178 000	31 300 000
Basic profit per ordinary share (in USD)		0,73	0,97
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Effect of foreign currency translation		9 914	4 931
Items that will no be reclassified to profit or loss			
Deferred tax charged directly to amortization of revaluation reserve		137	74
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**10 051**	**5 005**
TOTAL COMPREHENSIVE PROFIT		**34 380**	**35 299**
Comprehensive income/(loss) attributable to:			
Owners of the parent company		34 481	35 323
Non-controlling interests		(101)	(24)

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2018
(in thousand USD, unless otherwise stated)

	Note	30 June 2018	31 December 2017	30 June 2017	31 December 2016
		Unaudited	Audited	Unaudited	Audited
ASSETS					
Non-current assets					
Property, plant and equipment	17	84 296	81 948	66 111	64 650
Intangible assets	18	2 539	2 918	3 702	4 061
Non-current biological assets	19	1 809	2 343	2 184	1 432
Prepayments for property, plant and equipment		674	800	797	1 817
Total non-current assets		**89 318**	**88 009**	**72 794**	**71 960**
Current assets					
Inventories	20	10 221	62 161	7 593	55 110
Current biological assets	21	113 223	15 348	106 172	18 202
Trade accounts receivable, net	22	739	321	166	276
Prepayments and other current assets, net	23	11 994	8 153	10 901	9 208
Prepayments for income tax		5	10	13	9
Cash and cash equivalents	25	15 428	6 092	12 438	4 180
Total current assets		**151 610**	**92 085**	**137 283**	**86 985**
TOTAL ASSETS		**240 928**	**180 094**	**210 077**	**158 945**
LIABILITIES AND EQUITY					
Equity attributable to the owners of parent company					
Share capital	26	59	59	56	56
Share premium		29 512	29 512	24 387	24 387
Revaluation reserve		53 513	58 825	40 218	43 217
Retained earnings		177 764	147 853	160 193	126 825
Effect of foreign currency translation		(122 818)	(132 700)	(123 922)	(128 876)
Total equity attributable to the owners of parent company		**138 030**	**103 549**	**100 932**	**65 609**
Non-controlling interests		388	489	(576)	(552)
Total equity		**138 418**	**104 038**	**100 356**	**65 057**
Non-current liabilities					
Deferred tax liabilities	28	3 314	3 198	2 519	2 498
Long-term loans and borrowings	29	21 526	27 725	49 654	55 185
Total non-current liabilities		**24 840**	**30 923**	**52 173**	**57 683**
Current liabilities					
Current portion of long-term borrowings	29	13 925	10 629	8 868	9 846
Short-term loans and borrowings	30	27 000	26 113	18 563	18 547
Trade accounts payable	31	28 476	1 303	25 496	2 104
Other current liabilities and accrued expenses	32	8 269	7 088	4 621	5 708
Total current liabilities		**77 670**	**45 133**	**57 548**	**36 205**
Total liabilities		**102 510**	**76 056**	**109 721**	**93 888**
TOTAL LIABILITIES AND EQUITY		**240 928**	**180 094**	**210 077**	**158 945**

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2018
(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 2016 (Audited)	**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	-	-	-	30 295	-	30 295	(1)	30 294
Amortization of revaluation reserve	-	-	(3 073)	3 073	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	74	-	-	74	-	74
Other comprehensive income/(loss)	-	-	-	-	4 954	4 954	(23)	4 931
Total comprehensive profit/(loss)	**-**	**-**	**(2 999)**	**33 368**	**4 954**	**35 323**	**(24)**	**35 299**
30 June 2017 (Unaudited)	**56**	**24 387**	**40 218**	**160 193**	**(123 922)**	**100 932**	**(576)**	**100 356**
31 December 2017 (Audited)	**59**	**29 512**	**58 825**	**147 853**	**(132 700)**	**103 549**	**489**	**104 038**
Comprehensive income/(loss) for the year								
Profit (loss) for the period	-	-	-	24 462	-	24 462	(133)	24 329
Amortization of revaluation reserve	-	-	(5 449)	5 449	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	137	-	-	137	-	137
Other comprehensive income/(loss)	-	-	-	-	9 882	9 882	32	9 914
Total comprehensive profit/(loss)	**-**	**-**	**(5 312)**	**29 911**	**9 882**	**34 481**	**(101)**	**34 380**
30 June 2018 (Unaudited)	**59**	**29 512**	**53 513**	**177 764**	**(122 818)**	**138 030**	**388**	**138 418**

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax from continuing operations		24 859	30 277
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	6	(44 081)	(45 248)
Disposal of revaluation of biological assets and agricultural produce in the cost of sales, net	7	22 713	23 669
Depreciation and amortization	12	6 556	4 513
Interest expenses and other financial expenses	14	2 735	3 635
Effect of additional return		1 851	2 097
Write-offs of property, plant and equipment		1 022	1 092
Gain on recovery of assets previously written off	10	(1 221)	(495)
Deferred expenses on options		851	-
Foreign currency exchange loss/(gain), net		(3 017)	(1 414)
Lost crops	11	418	390
Loss on disposal of property, plant and equipment	11	960	340
Shortages and losses due to impairment of inventories	11	123	323
Interest income	14	(101)	(176)
Gain on disposal of inventories	10	(9)	(24)
Income from write-offs of accounts payable	10	(15)	(166)
Accruals for unused vacations		(4)	14
Write-offs of VAT	11	1	56
Income from the exchange of property certificates	10	(18)	-
Allowance for doubtful accounts receivable	11	115	11
Cash flows from operating activities before changes in working capital		**13 738**	**18 894**
Changes in trade accounts receivable		145	169
Changes in prepayments and other current assets		204	(1 211)
Changes in inventories		33 930	24 979
Changes in current biological assets		(50 863)	(40 806)
Changes in trade accounts payable		26 531	22 803
Changes in other current liabilities and accrued expenses		65	(880)
Cash flows from operations		**23 750**	**23 948**
Interest paid		(2 335)	(3 789)
Income tax paid		(499)	5
Net cash flows from operating activities		**20 916**	**20 164**

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2018
(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4 109)	(3 388)
Purchase of intangible assets		(16)	(23)
Proceeds from disposal of property, plant and equipment		188	163
Net cash flows from investing activities		**(3 937)**	**(3 248)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term and short-term borrowings		6 408	5 587
Repayment of long-term and short-term borrowings		(10 154)	(14 339)
Net cash flows from financing activities		**(3 746)**	**(8 752)**
NET CASH FLOWS		**13 233**	**8 164**
Cash and cash equivalents as at the beginning of the period	25	**6 092**	**4 180**
Effect of translation into presentation currency		(3 897)	94
Cash and cash equivalents as at the end of the period	25	**15 428**	**12 438**

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 agricultural companies. The grain and oilseeds crops produced by the Group are sold in both the Ukrainian and export markets.

Until December 2010 there was no the holding company of 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.

In October 2016 Zemelniy Kadastroviy Centr PE and Agroprogress Holding Ltd left the Group.

In December 2016 Bluerice Limited left the Group.

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, %	
				30 June 2018	30 June 2017
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
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
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100	100
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 30 June 2018 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 Condensed consolidated interim 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 Condensed consolidated interim financial statements

Statement of compliance

These condensed consolidated interim 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. The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 Condensed consolidated interim 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 Condensed consolidated interim financial statements do not include any adjustments should the Group be unable to continue as going concern.

Basis of measurement

The Condensed consolidated interim 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 Condensed consolidated interim financial statements in United States Dollars ("USD") for the purposes of convenience of users of these financial statements.

Use of estimates

The preparation of these Condensed consolidated interim 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 Condensed consolidated interim 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 Condensed consolidated interim financial statements are as follows:

Currency	30 June 2018	Average for the six months ended 30 June 2018	31 December 2017	30 June 2017	Average for the six months ended 30 June 2017	31 December 2016
UAH/ USD	26,18917	26,74622	28,067223	26,098994	26,76022	27,190858

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 Condensed consolidated interim 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.

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

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.

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

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. Respectively the Note of non-current biological assets does not include any capitalized costs.

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.

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

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. Allowance for impairment is acurred using forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets's original effective interest rate.

The Group applies the standard's simplified approach and calculates ECLs based on lifetime expected credit losses. The Group establishes a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

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

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.

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. As at 30 June 2018, 5 of the companies comprising the Group were elected to pay single tax 4th group (2017: 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 Condensed consolidated interim 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.

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 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.

- Sales of goods
  Revenue from sales of goods is recognised at the point of transfer of all 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 at the moment of transfer to the customer control over the product or service.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 Condensed consolidated interim 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 Condensed consolidated interim financial statements.

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 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 30 March 2018 and 2017 impairment of property, plant and equipment and intangible assets was not identified (Note 17, 18).

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.

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 six months ended 30 June 2018 amounted to USD 44 006 thousand (USD 45 573 thousand for the six months ended 30 June 2017) (Note 6).

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 six months ended 30 June 2018 amounted to USD 75 thousand (USD 325 thousand of losses for the six months ended 30 June 2017) (Note 6).

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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 six months ended 30 June 2018 shortages and losses due to impairment of inventories amounted to USD 123 thousand (USD 323 thousand for the six months ended 30 June 2017) (Note 11).

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 30 June 2018 allowances for accounts receivable were recognized in the amount of USD 42 thousand (USD 44 thousand as at 30 June 2017) (Note 24).

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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 30 June 2018 allowances for other financial and non-financial assets were recognized in the amount of USD 63 thousand (USD 8 thousand as at 30 June 2017) (Note 24).

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.

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

Applying of new standards

The Group has initially adopted IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments from 1 January 2018.

The adoption of IFRS 9 has not material effect on the classification and measurement of the Group's financial assets and liabilities. All financial assets and financial liabilities continue to be measured at the same bases is previously adopted under IFRS 39.

The adoption of IFRS 15 has not material effect on Group's revenue measurement and recognition.

Standards and Interpretations in issue but not effective

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 30 June 2018 the Group has operating land lease commitments in the amount USD 131 561 thousand and operating machinery lease commitments in the amount USD 101 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.

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At the date of authorization of these Condensed consolidated interim 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
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
IFRIC Interpretation 23: Uncertainty over Income Tax Treatment	1 January 2019
Annual improvements to IFRS 2015-2017 Cycle	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
IFRS 17 Insurance Contracts	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.

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5. Revenue

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
Revenue from sales of finished products	a	62 681	62 470
Revenue from services rendered	b	429	172
		63 110	**62 642**

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

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	Unaudited	Unaudited
Corn	57 573	59 343
Soy beans	1 700	896
Potatoes	900	411
Milk	657	806
Sunflower	501	-
Cattle	84	284
Wheat	2	4
Other	1 264	726
	62 681	**62 470**

b) Revenue from services rendered was as follows:

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	Unaudited	Unaudited
Drying	105	-
Storage	105	19
Transport	94	18
Processing	53	39
Other	72	96
	429	**172**

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

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
Current biological assets	21	44 743	44 784
Agricultural produce	21	75	(325)
Non-current biological assets	19	(737)	789
		44 081	**45 248**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. Cost of sales

	Note	For the six months ended 30 June 2018 Unaudited	For the six months ended 30 June 2017 Unaudited
Raw materials	a	(59 265)	(56 814)
Change in inventories and work-in-progress	b	14 196	12 602
Rent		(5 851)	(5 893)
Depreciation and amortization	12	(5 372)	(3 768)
Wages and salaries of operating personnel and related charges	13	(4 034)	(3 155)
Fuel and energy supply		(3 569)	(3 694)
Third parties' services		(1 045)	(564)
Repairs and maintenance		(604)	(361)
Taxes and other statutory charges		(112)	(200)
Other expenses		(37)	(21)
		(65 693)	**(61 868)**

a) Raw materials for the six months ended 30 June 2018 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 22 713 thousand (USD 23 669 thousand for the six months ended 30 June 2017).

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.

8. Administrative expenses

	Note	For the six months ended 30 June 2018 Unaudited	For the six months ended 30 June 2017 Unaudited
Wages and salaries of administrative personnel and related charges	13	(4 638)	(2 784)
Third parties' services		(175)	(148)
Professional services		(221)	(323)
Depreciation and amortisation	12	(156)	(100)
Bank services		(150)	(122)
Transport expenses		(128)	(116)
Repairs and maintenance		(109)	(166)
Other expenses		(322)	(286)
		(5 899)	**(4 045)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. Selling and distribution expenses

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
Delivery costs		(5 674)	(4 728)
Depreciation	12	(131)	(170)
Wages and salaries of sales personnel and related charges	13	(107)	(80)
Other expenses		(128)	(132)
		(6 040)	**(5 110)**

10. Other operating income

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
Gain on recovery of assets previously written off	a	1 221	550
Income from the exchange of property certificates	b	18	-
Income from write-offs of accounts payable		15	166
Gain on disposal of inventories		9	24
Other income		46	50
		1 309	**790**

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) 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.

11. Other operating expenses

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
Loss on disposal of property, plant and equipment		(960)	(340)
Depreciation	12	(878)	(458)
Lost crops		(418)	(390)
Charity		(176)	(327)
Shortages and losses due to impairment of inventories		(123)	(323)
Allowance for doubtful accounts receivable	24	(115)	(11)
Wages and salaries of non-operating personnel and related charges	13	(50)	(37)
Write-offs of VAT		(1)	(56)
Other expenses		(148)	(166)
		(2 869)	**(2 108)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Depreciation and amortisation

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
		Unaudited	Unaudited
Depreciation			
Cost of sales	7	(4 949)	(3 228)
Other operating expenses	11	(878)	(458)
Administrative expenses	8	(155)	(100)
Selling and distribution expenses	9	(131)	(170)
Depreciation as a part of article "Lost crops"		(19)	(17)
		(6 132)	**(3 973)**
Amortisation			
Cost of sales	7	(423)	(540)
Administrative expenses	8	(1)	-
		(424)	**(540)**
		(6 556)	**(4 513)**

13. Wages and salaries expenses

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	Unaudited	Unaudited
Wages and salaries	(7 633)	(5 139)
Related charges	(1 196)	(931)
	(8 829)	**(6 070)**
The average number of employees, persons	2 378	2 379
Remuneration of management	1 680	532

The distribution of wages and salaries and related charges was as follows:

	Note	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
		Unaudited		Unaudited	
		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	7	(4 034)	1 701	(3 155)	1 749
Administrative personnel	8	(4 638)	654	(2 784)	608
Sales personnel	9	(107)	20	(80)	19
Non-operating personnel	11	(50)	3	(37)	3
As a part of article "Construction in progress"		-	-	(14)	-
		(8 829)	**2 378**	**(6 070)**	**2 379**

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

14. Financial expenses, net

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	Unaudited	Unaudited
Interest income on bank deposits	101	176
Interest expenses on loans and borrowings	(2 665)	(3 597)
Other expenses	(70)	(37)
	(2 634)	**(3 458)**

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

During the six-month period ended 30 June 2018 the strengthening of Ukrainian Hryvnia took place - 7,2% of revaluation as at 30 June 2018 in comparison with 4,2% of revaluation as at 30 June 2017. As a result, during the six-month period ended 30 June 2018 the Group recognised net foreign exchange gain in the amount of USD 2 367 thousand (USD 1 375 thousand of gain for the six-month period ended 30 June 2017) in the condensed consolidated interim statement of comprehensive income.

16. Income tax expenses

The corporate income tax rate for the six months ended 30 June 2018 was: 18% in Ukraine, 12,5% in Cyprus, 26,01% in Luxemburg (for the six months ended 30 June 2017 - 18% in Ukraine, 12,5% in Cyprus, 21% in Luxemburg).

The components of income tax expenses were as follows:

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	Unaudited	Unaudited
Current income tax	(505)	9
Deferred tax	(25)	8
Income tax benefit (expenses) reported in the statement of comprehensive income	**(530)**	**17**
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	137	74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
INITIAL COST						
31 December 2016 (Audited)	**41 424**	**28 623**	**13 568**	**610**	**668**	**84 893**
Additions	36	2 805	680	53	788	4 362
Disposals	(555)	(1 949)	(204)	(106)	-	(2 814)
Transfer	1	118	19	7	(145)	-
Effect from translation into presentation currency	1 710	1 223	580	24	43	3 580
30 June 2017 (Unaudited)	**42 616**	**30 820**	**14 643**	**588**	**1 354**	**90 021**
31 December 2017 (Audited)	**56 736**	**40 919**	**22 941**	**586**	**1 543**	**122 725**
Additions	156	2 861	1 025	60	757	4 859
Disposals	(2 195)	(1 696)	(629)	(10)	-	(4 530)
Transfer	-	2	-	5	(7)	-
Effect from translation into presentation currency	4 019	2 952	1 654	43	127	8 795
30 June 2018 (Unaudited)	**58 716**	**45 038**	**24 991**	**684**	**2 420**	**131 849**
ACCUMULATED DEPRECIATION						
31 December 2016 (Audited)	**(5 761)**	**(9 621)**	**(4 330)**	**(531)**	**-**	**(20 243)**
Depreciation for the period	(904)	(1 838)	(1 180)	(51)	-	(3 973)
Disposals	155	883	123	62	-	1 223
Effect from translation into presentation currency	(260)	(427)	(208)	(22)	-	(917)
30 June 2017 (Unaudited)	**(6 770)**	**(11 003)**	**(5 595)**	**(542)**	**-**	**(23 910)**
31 December 2017 (Audited)	**(11 196)**	**(17 107)**	**(11 925)**	**(549)**	**-**	**(40 777)**
Depreciation for the period	(1 406)	(2 910)	(1 775)	(41)	-	(6 132)
Disposals	766	1 129	455	10	-	2 360
Effect from translation into presentation currency	(816)	(1 265)	(883)	(40)	-	(3 004)
30 June 2018 (Unaudited)	**(12 652)**	**(20 153)**	**(14 128)**	**(620)**	**-**	**(47 553)**
Net book value						
31 December 2016 (Audited)	**35 663**	**19 002**	**9 238**	**79**	**668**	**64 650**
30 June 2017 (Unaudited)	**35 846**	**19 817**	**9 048**	**46**	**1 354**	**66 111**
31 December 2017 (Audited)	**45 540**	**23 812**	**11 016**	**37**	**1 543**	**81 948**
30 June 2018 (Unaudited)	**46 064**	**24 885**	**10 863**	**64**	**2 420**	**84 296**

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).

As at 30 June 2018 and 30 June 2017 an impairment review was conducted by the management of the Group. Impairment test has been performed for the following Cash Generating Units: Crop farming, Dairy farming, Storage and processing. According to the results of the test impairment of PPE was not identified.

Capital commitments

As at 30 June 2018 the Group had capital commitments in the amount of USD 557 thousand.

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

18. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
INITIAL COST				
31 December 2016 (Audited)	**17**	**383**	**9 482**	**9 882**
Additions	-	24	-	**24**
Disposals	-	-	-	**-**
Effect from translation into presentation currency	-	17	398	**415**
30 June 2017 (Unaudited)	**17**	**424**	**9 880**	**10 321**
31 December 2017 (Audited)	**16**	**355**	**9 187**	**9 558**
Additions	-	16	-	**16**
Disposals	-	(169)	-	**(169)**
Effect from translation into presentation currency	1	22	658	**681**
30 June 2018 (Unaudited)	**17**	**224**	**9 845**	**10 086**
ACCUMULATED DEPRECIATION				
31 December 2016 (Audited)	**(13)**	**(1)**	**(5 807)**	**(5 821)**
Amortisation for the period	(1)	-	(539)	**(540)**
Effect from translation into presentation currency	(1)	-	(257)	**(258)**
30 June 2017 (Unaudited)	**(15)**	**(1)**	**(6 603)**	**(6 619)**
31 December 2017 (Audited)	**(15)**	**(1)**	**(6 624)**	**(6 640)**
Amortisation for the period	(1)	-	(423)	(424)
Effect from translation into presentation currency	-	-	(483)	(483)
30 June 2018 (Unaudited)	**(16)**	**(1)**	**(7 530)**	**(7 547)**
NET BOOK VALUE				
31 December 2016 (Audited)	**4**	**382**	**3 675**	**4 061**
30 June 2017 (Unaudited)	**2**	**423**	**3 277**	**3 702**
31 December 2017 (Audited)	**1**	**354**	**2 563**	**2 918**
30 June 2018 (Unaudited)	**1**	**223**	**2 315**	**2 539**

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.

19. Non-current biological assets

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Non-current biological assets - animal-breeding			
Cattle	1 795	2 334	2 167
Non-current biological assets - plant-breeding			
Perennial grasses	14	9	17
Total non-current biological assets	**1 809**	**2 343**	**2 184**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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As at the reporting dates non-current biological assets of animal-breeding were presented as follows:

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Cattle			
Cattle, units	843	842	863
Live weight, kg	322 718	318 138	323 776
Book value	**1 795**	**2 334**	**2 167**

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

	Cattle
31 December 2016 (Audited)	**1 407**
Transfer (from (to) current biological assets)	(359)
Sale	(135)
Change in fair value	789
Effect from translation into presentation currency	465
30 June 2017 (Unaudited)	**2 167**
31 December 2017 (Audited)	**2 334**
Transfer (from (to) current biological assets)	190
Change in fair value	(737)
Effect from translation into presentation currency	8
30 June 2018 (Unaudited)	**1 795**

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

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Perennial grasses			
Area, ha	235	147	289
Book value	**14**	**9**	**17**

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

	Perennial grasses
31 December 2016 (Audited)	**25**
Harvesting failure	(9)
Effect from translation into presentation currency	1
30 June 2017 (Unaudited)	**17**
31 December 2017 (Audited)	**9**
Capitalized expenses	6
Harvesting failure	(1)
Effect from translation into presentation currency	-
30 June 2018 (Unaudited)	**14**

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

20. Inventories

	Note	30 June 2018	31 December 2017	30 June 2017
		Unaudited	Audited	Unaudited
Agricultural materials		3 962	1 347	4 078
Agricultural produce	a	3 603	50 789	1 673
Spare parts		1 027	396	703
Fuel		915	712	770
Raw materials		374	293	158
Work-in-progress	b	250	8 480	98
Finished goods		7	9	11
Other inventories		83	135	102
		10 221	**62 161**	**7 593**

As at 30 June 2018 the cost value of inventories amounted to USD 8 888 thousand (USD 43 676 thousand as at 31 December 2017, USD 7 302 thousand as at 30 June 2017).

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

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Corn	3 017	46 847	622
Silage	192	259	464
Soya	106	2 202	129
Potato	36	884	37
Hay	22	33	43
Sunflower	21	14	1
Wheat	15	15	12
Other	194	535	365
	3 603	**50 789**	**1 673**

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.

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21. Current biological assets

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Current biological assets of animal-breeding			
Cattle	1 107	1 635	1 773
Other	4	3	6
	1 111	**1 638**	**1 779**
Current biological assets of plant-breeding			
Corn	70 086	7 577	62 672
Sunflower	21 586	-	20 218
Wheat	10 621	6 067	10 979
Soya	9 476	-	8 572
Potato	-	-	1 556
Grasses	232	32	69
Other	111	34	327
Total current biological assets of plant-breeding	**112 112**	**13 710**	**104 393**
Total current biological assets	**113 223**	**15 348**	**106 172**

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

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Cattle			
Cattle, units	526	534	631
Live weight, kg	147 466	164 747	163 817
Book value	**1 107**	**1 635**	**1 773**
Other			
Number of animals, units	46	47	52
Live weight, kg	3 794	3 874	5 859
Book value	**4**	**3**	**6**
Total book value	**1 111**	**1 638**	**1 779**

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

	Cattle	Other	Total
31 December 2016 (Audited)	**1 246**	**12**	**1 258**
Capitalized expenses	186	-	**186**
Transfer (from (to) non-current biological assets)	359	-	**359**
Sale	(745)	(6)	**(751)**
Slaughter	(59)	-	**(59)**
Change in fair value	989	-	**989**
Effect from translation into presentation currency	(203)	-	**(203)**
30 June 2017 (Unaudited)	**1 773**	**6**	**1 779**
31 December 2017 (Audited)	**1 635**	**3**	**1 638**
Capitalized expenses	167	-	**167**
Transfer (from (to) non-current biological assets)	(190)	-	**(190)**
Sale	(444)	-	**(444)**
Slaughter	(66)	-	**(66)**
Change in fair value	(244)	1	**(243)**
Effect from translation into presentation currency	249	-	**249**
30 June 2018 (Unaudited)	**1 107**	**4**	**1 111**

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

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Corn			
Area, ha	68 421	7 089	67 374
Book value	**70 086**	**7 577**	**62 672**
Sunflower			
Area, ha	23 672	-	24 706
Book value	**21 586**	**-**	**20 218**
Wheat			
Area, ha	12 237	12 618	13 723
Book value	**10 621**	**6 067**	**10 979**
Soya			
Area, ha	10 701	-	10 932
Book value	**9 476**	**-**	**8 572**
Potato			
Area, ha	-	-	662
Book value	**-**	**-**	**1 556**
Grasses			
Area, ha	658	213	428
Book value	**232**	**32**	**69**
Other			
Area, ha	209	129	466
Book value	**111**	**34**	**327**
Total book value	**112 112**	**13 710**	**104 393**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

	Corn	Wheat	Sunflower	Soya	Potato	Grasses	Other	Total
31 December 2016 (Audited)	**11 025**	**5 901**	**-**	**-**	**-**	**18**	**-**	**16 944**
Capitalized expenses (harvest 2016)	6 282	-	-	-	-	-	-	6 282
Revaluation at fair value at the date of harvest (harvest 2016)	(325)	-	-	-	-	-	-	(325)
Harvesting (harvest 2016)	(11 504)	-	-	-	-	-	-	(11 504)
Capitalized expenses (harvest 2017)	27 366	3 529	9 874	4 391	955	94	188	46 397
Harvesting (harvest 2017)	-	-	-	-	-	(44)	(5)	(49)
Harvest failure (harvest 2017)	(1)	(1)	-	-	-	-	-	(2)
Change in fair value (harvest 2017)	28 103	1 184	9 845	3 969	563	-	131	43 795
Effect from translation into presentation currency	1 726	366	499	212	38	1	13	2 855
30 June 2017 (Unaudited)	**62 672**	**10 979**	**20 218**	**8 572**	**1 556**	**69**	**327**	**104 393**

	Corn	Wheat	Sunflower	Soya	Potato	Grasses	Other	Total
31 December 2017 (Audited)	**7 577**	**6 067**	**-**	**-**	**-**	**32**	**34**	**13 710**
Capitalized expenses (harvest 2017)	553	-	-	-	-	-	-	553
Revaluation at fair value at the date of harvest (harvest 2017)	75	-	-	-	-	-	-	75
Harvesting (harvest 2017)	(8 577)	-	-	-	-	-	-	(8 577)
Harvest failure (harvest 2017)	(1)	-	-	-	-	-	(32)	(33)
Capitalized expenses (harvest 2018)	38 286	3 531	11 521	4 801	-	246	110	58 495
Harvesting (harvest 2018)	-	-	-	-	-	(24)	-	(24)
Harvest failure (harvest 2018)	(7)	(18)	(24)	(2)	-	-	(4)	(55)
Change in fair value (harvest 2018)	30 347	520	9 639	4 480	-	-	-	44 986
Effect from translation into presentation currency	1 833	521	450	197	-	(22)	3	2 982
30 June 2018 (Unaudited)	**70 086**	**10 621**	**21 586**	**9 476**	**-**	**232**	**111**	**112 112**

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 six months ended 30 June 2018.

Description	Fair value as at 30 June 2018	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in fields - corn	70 086	Cash flows	Crops yield - tonnes per hectare Crops price	8 per ton 157
Crops in fields - wheat	10 621	Cash flows	Crops yield - tonnes per hectare Crops price	6 per ton 153
Crops in fields - sunflower	21 586	Cash flows	Crops yield - tonnes per hectare Crops price	3 per ton 344
Crops in fields - soya	9 476	Cash flows	Crops yield - tonnes per hectare Crops price	2,9 per ton 367
Cattle	2 902	Discounted cash flows	Milk yield - kg per cow Milk price Discount rate	6760-8200 per year 0,28 USD per liter 19,02%

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22. Trade accounts receivable, net

	Note	30 June 2018	31 December 2017	30 June 2017
		Unaudited	Audited	Unaudited
Trade accounts receivable		781	357	210
Allowances for accounts receivable	24	(42)	(36)	(44)
		739	**321**	**166**

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

	Total	Neither past due nor impaired	Past due, not impaired		
			Within 90 days	From 90 to 360 days	More than 1 year
30 June 2018	739	667	72	-	-
31 December 2017	321	290	30	-	1
30 June 2017	166	145	1	4	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.

23. Prepayments and other current assets, net

	Note	30 June 2018	31 December 2017	30 June 2017
		Unaudited	Audited	Unaudited
Prepayments and other non-financial assets:				
Deferred expenses		3 404	4 255	-
VAT for reimbursement		6 312	1 822	9 795
Advances to suppliers		602	1 032	566
Allowances for advances to suppliers	24	-	(1)	(1)
		10 318	**7 108**	**10 360**
Other financial assets:				
Non-bank accommodations interest free		300	295	300
Other accounts receivable		1 439	756	248
Allowances for other accounts receivable	24	(63)	(6)	(7)
		1 676	**1 045**	**541**
		11 994	**8 153**	**10 901**

Deferred expenses relate to the purchase option according to the Management Incentive Plan (see Note 26).

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24. Changes in allowances made

	Note	30 June 2018	31 December 2017	30 June 2017
		Unaudited	Audited	Unaudited
Allowances for trade accounts receivable	22	(42)	(36)	(44)
Allowances for advances to suppliers	23	-	(1)	(1)
Allowances for other accounts receivable	23	(63)	(6)	(7)
		(105)	**(43)**	**(52)**

The movements of the allowances were as follows:

	Note	For the six months ended 30 June 2018	For the six months ended 30 June 2017
As at the beginning of the period (Audited)		**(43)**	**(45)**
Accrual	11	(115)	(11)
Use of allowances		55	2
Reverse of allowances		3	-
Effect from translation into presentation currency		(5)	2
As at the end of the period (Unaudited)		**(105)**	**(52)**

25. Cash and cash equivalents

	Currency	30 June 2018	31 December 2017	30 June 2017
		Unaudited	Audited	Unaudited
Cash in bank and hand	USD	438	4 636	8 886
Cash in bank and hand	UAH	1 313	1 161	3 492
Cash in bank and hand	EUR	13 670	281	50
Cash in bank and hand	PLN	7	14	10
		15 428	**6 092**	**12 438**

There were no restrictions on the use of cash and cash equivalents during the six months ended 30 June 2018 and 2017.

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26. Equity

Share capital

IMC S.A. has one class of ordinary shares. The number of authorized, issued and fully paid shares as at 30 June 2018 is 33 178 000 (31 December 2017 – 33 178 000, 30 Juneh 2017 – 31 300 000). All shares have equal voting rights. Par value of one share is USD 0,0018.

	30 June 2018		31 December 2017		30 June 2017	
	Unaudited		Audited		Unaudited	
	%	Amount	%	Amount	%	Amount
AGROVALLEY LIMITED	71	42	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)	29	17	32	21	27	15
	100	**59**	**100**	**59**	**100**	**56**

* 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 six months ended 30 June 2018	For the six months ended 30 June 2017
As at the beginning of the period	**33 178 000**	**31 300 000**
Changes for the period	-	-
As at the end of the period	**33 178 000**	**31 300 000**

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 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 on 27 September 2017 the Company paid the interim dividend 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.

On 22 June 2018 the Company announced that its Board of Directors had summed up preliminary results of the Company's work for the first half of 2018 and considers the possibility of paying the interim dividend to the Company's shareholders to the amount of about USD 13 million. The decision to pay the interim dividend for the first half of 2018 will be made by the Company's Board following the results of the independent auditor's review report and published in early September 2018.

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.

27. 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.

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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%.

28. Deferred tax assets and liabilities

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

Deferred tax liabilities

	Property, plant and equipment
31 December 2016 (Audited)	**(2 498)**
Considering profit (loss)	8
Considering equity	74
Effect of foreign currency translation	(103)
30 June 2017 (Unaudited)	**(2 519)**
31 December 2017 (Audited)	**(3 198)**
Considering profit (loss)	(25)
Considering equity	137
Effect of foreign currency translation	(228)
30 June 2018 (Unaudited)	**(3 314)**

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29. Long-term loans and borrowings

	Currency	30 June 2018	31 December 2017	30 June 2017
		Unaudited	Audited	Unaudited
Secured				
Long-term bank loans	USD	34 994	37 579	55 589
Finance lease liabilities	UAH, USD	457	775	2 933
Total long-term loans including current portion		**35 451**	**38 354**	**58 522**
Current portion of long-term bank loans	USD	(13 485)	(10 213)	(6 395)
Current portion of finance lease liabilities	UAH, USD	(440)	(416)	(2 473)
Total current portion		**(13 925)**	**(10 629)**	**(8 868)**
Total long-term loans and borrowings		**21 526**	**27 725**	**49 654**

Essential terms of credit contracts

Creditor	Year of maturity	Currency	Nominal interest rate	30 June 2018 (Unaudited)	
				Long-term liabilities	Including current portion
Non-resident bank*	2020	USD	6M Libor+8,00%	30 367	12 337
Ukrainian bank	2021	USD	6,00%	1 729	460
Ukrainian bank	2023	USD	5,00%	2 898	688
				34 994	**13 485**

Creditor	Year of maturity	Currency	Nominal interest rate	31 December 2017 (Audited)	
				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**

Creditor	Year of maturity	Currency	Nominal interest rate	30 June 2017 (Unaudited)	
				Long-term liabilities	Including current portion
Non-resident bank	2018	USD	3M Libor+8,00%	12 000	6 000
Non-resident bank*	2020	USD	6M Libor+8,00%	41 398	-
Ukrainian bank	2021	USD	7,00%	2 191	395
				55 589	**6 395**

* 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 March 2017 - the amount of USD 21 000 thousand payable as of 19 December 2018, interest free, discounted by 17,46%).

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

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Within one year	13 485	10 213	6 395
In the second to fifth year inclusive	21 509	27 366	49 194
	34 994	**37 579**	**55 589**

The Group has committed to comply with loans covenants. As at 30 June 2018, 31 December 2017 and 30 June 2017 the Group was in compliance with all loans covenants.

Finance lease liabilities were presented as follows:

	30 June 2018 (Unaudited)		31 December 2017 (Audited)		30 June 2017 (Unaudited)	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	477	440	482	416	2 695	2 473
In the second to fifth year inclusive	18	17	372	359	497	460
	495	457	854	775	3 192	2 933
Less future finance charges	(38)	-	(79)	-	(259)	-
Present value of minimum lease payments	**457**	**457**	**775**	**775**	**2 933**	**2 933**

30. Short-term loans and borrowings

	Currency	30 June 2018	31 December 2017	30 June 2017
		Unaudited	Audited	Unaudited
Secured				
Short-term bank loans	USD	27 000	26 113	13 390
Short-term bank loans	UAH	-	-	5 173
		27 000	**26 113**	**18 563**

Essential terms of credit contracts

Creditor	Currency	Nominal interest rate	30 June 2018 (Unaudited)
Ukrainian bank	USD	5,00%	10 000
Ukrainian bank	USD	5,25%	5 100
Ukrainian bank	USD	5,25%	5 000
Ukrainian bank	USD	5,25%	5 000
Ukrainian bank	USD	5,25%	1 900
			27 000

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Creditor	Currency	Nominal interest rate	31 December 2017 (Audited)
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

Creditor	Currency	Nominal interest rate	30 June 2017 (Unaudited)
Ukrainian bank	USD	5,50%	10 000
Ukrainian bank	USD	8,00%	3 390
			13 390
Ukrainian bank	UAH	16,50%	5 173
			18 563

31. Trade accounts payable

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Trade accounts payable	28 476	1 303	25 496

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
30 June 2018	-	518	477	27 481	-	-	28 476
31 December 2017	-	1 138	165	-	-	-	1 303
30 June 2017	-	784	784	23 928	-	-	25 496

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32. Other current liabilities and accrued expenses

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Other liabilities:			
Advances from clients	1 726	2 790	229
	1 726	**2 790**	**229**
Other accounts payable:			
Accounts payable for the lease of land and property rights	3 672	1 351	1 274
Wages, salaries and related charges payable	1 108	819	871
Accounts payable for non-current tangible assets	557	740	1 159
Accruals for unused vacations	707	664	543
Taxes payable	59	377	172
Interest payable on bank loans	360	211	293
Accruals for audit services	57	112	-
Other accounts payable	23	24	80
	6 543	**4 298**	**4 392**
	8 269	**7 088**	**4 621**

33. 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. During the reporting period the Group did not perform any related parties' transactions.

Remuneration of key management personnel was as follows:

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	Unaudited	Unaudited
Wages and salaries	1 695	522
Related charges	14	10
	1 709	**532**
The average number of employees, persons	6	6

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34. 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 six months ended 30 June 2018 (unaudited) was the follow:

	Crop farming	Dairy farming	Elevators and warehouses	Unallocated	Total
Revenue	112 364	741	2 423	-	115 528
Intra-group elimination	(50 424)	-	(1 994)	-	(52 418)
Revenue from external buyers	**61 940**	**741**	**429**	**-**	63 110
Gain from changes in fair value of biological assets and agricultural produce, net	45 061	(980)	-	-	44 081
Cost of sales	(63 660)	(759)	(1 274)	-	(65 693)
Gross income	**43 341**	**(998)**	**(845)**	**-**	**41 498**
Administrative expenses	-	-	-	(5 899)	(5 899)
Selling and distribution expenses	-	-	-	(6 040)	(6 040)
Other operating income	-	-	-	1 309	1 309
Other operating expenses	-	-	-	(2 869)	(2 869)
Write-offs of property, plant and equipment	-	-	-	(1 022)	(1 022)
Operating income of a segment	**43 341**	**(998)**	**(845)**	**(14 521)**	**26 977**
Financial expenses, net	**-**	**-**	**-**	(2 634)	(2 634)
Effect of additional return	**-**	**-**	**-**	(1 851)	(1 851)
Foreign currency exchange gain/(loss), net	**-**	**-**	**-**	2 367	2 367
Profit before tax	**43 341**	**(998)**	**(845)**	**(16 639)**	**24 859**
Income tax expenses, net	**-**	**-**	**-**	(530)	(530)
Net profit	**43 341**	**(998)**	**(845)**	**(17 169)**	**24 329**
Other segment information:					
Depreciation and amortisation	5 216	92	1 248	-	6 556
Additions to non-current assets:					
Property, plant and equipment	4 757	-	102	-	4 859
Intangible assets	16	-	-	-	16

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Information on business segments for the six months ended 30 June 2017 (unaudited) was the follow:

	Crop farming	Dairy farming	Elevators and warehouses	Unallocated	Total
Revenue	113 707	1 091	2 244	-	117 042
Intra-group elimination	(52 328)	-	(2 072)	-	(54 400)
Revenue from external buyers	**61 379**	**1 091**	**172**	**-**	**62 642**
Gain from changes in fair value of biological assets and agricultural produce, net	43 470	1 778	-	-	45 248
Cost of sales	(60 581)	(1 047)	(240)	-	(61 868)
Gross income	**44 268**	**1 822**	**(68)**	**-**	**46 022**
Administrative expenses	-	-	-	(4 045)	**(4 045)**
Selling and distribution expenses	-	-	-	(5 110)	**(5 110)**
Other operating income	-	-	-	790	**790**
Other operating expenses	-	-	-	(2 108)	**(2 108)**
Write-offs of property, plant and equipment	-	-	-	(1 092)	**(1 092)**
Operating income of a segment	**44 268**	**1 822**	**(68)**	**(11 565)**	**34 457**
Financial expenses, net	-	-	-	(3 458)	**(3 458)**
Effect of additional return	-	-	-	(2 097)	**(2 097)**
Foreign currency exchange gain/(loss), net	-	-	-	1 375	**1 375**
Profit before tax	**44 268**	**1 822**	**(68)**	**(15 745)**	**30 277**
Income tax expenses	-	-	-	17	**17**
Net profit	**44 268**	**1 822**	**(68)**	**(15 728)**	**30 294**
Other segment information:					
Depreciation and amortisation	3 705	66	742	-	4 513
Additions to non-current assets:					
Property, plant and equipment	3 480	-	882	-	4 362
Intangible assets	24	-	-	-	24

35. 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:

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Within one year	101	189	476
In the second to fifth year inclusive	-	17	101
	101	**206**	**577**

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36. 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%% and depends on validity of the contract.

Areas of operating leased land were as follows:

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Location of land	Hectare	Hectare	Hectare
Poltava region			
Land under processing	24 976	24 976	30 079
Land for grazing, construction, other	2 009	2 009	2 009
Chernihiv region			
Land under processing	80 036	80 036	81 938
Land for grazing, construction, other	1 681	1 681	1 681
Sumy region			
Land under processing	24 584	24 584	24 584
Land for grazing, construction, other	113	113	113
	133 399	**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:

	30 June 2018	31 December 2017	30 June 2017
	Unaudited	Audited	Unaudited
Within one year	11 960	9 099	8 322
In the second to fifth year inclusive	46 070	34 384	31 254
Later than fifth year	73 531	38 676	25 438
	131 561	**82 159**	**65 014**

37. Financial instruments

Financial instruments as at 30 June 2018 and 2017 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 30 June 2018 and 2017, 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.

38. 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 2 749 thousand.

Loans and borrowings are received in the amount of USD 3 500 thousand.

VAT for reimbursement is received in the amount of USD 1 187 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.