KSG Agro S.A.

Management report on 2018 achievements and developments

Chairman's statement

Dear Investors and Partners,

We are hereby pleased to inform you about KSG Agro's achievements and developments in the 2018 financial year.

I am proud to report that our Group has, once again, been able to stand the test of hard times in the country. We have continued the progress on improving our results and have every reason to believe they will keep streamlining further.

The Company is very grateful to all our partners, who have gave us a helping hand in such a turbulent time. The European and American banks and creditors have given us a possibility to restructure our debts. The Ukrainian banks and private companies have also supported us alike.

Despite the continuing political instability in Ukraine and the ongoing devaluation of hryvnia, the national currency, we are striving to bring down our operational costs and improve our result. The Group stays loyal to its strategy of focusing on plant production and pig breeding, and we continue developing these areas of business.

We plan to further maintain great efficiency of the pig industry by maintaining a high level of livestock quality, as well thanks to further reconstruction and introduction of innovative technologies at the pig breeding complex.

We are prepared to work hard further and truly believe in achieving positive results in the nearest future. We know our effort will pay off to bring to our Group's investors and us prosperity and profitability. We are on the right track and are sure that the positive trend of the previous year will continue in 2019 to support our continued development.

Chairman of the Board,
Sergiy Kasianov

following the decision by the Board of Directors of KSG Agro S.A. on 29 April 2019

Management Report

1. Strategy implementation

KSG Agro is one of the largest vertically integrated agricultural groups in the Dnipropetrovsk region, which works almost in all segments of the agricultural market, including production, storage, processing, and sale of the agricultural products.

As of 31 December 2018, KSG Agro is an agricultural holding with total controlled land bank of 27 thousand hectares.

The Company and its subsidiaries (hereinafter «the Group» or «KSG Agro» or «the Company») implement their development strategy:

Strategy	**Implementation**
Focus on farming & pigs breeding and increase its efficiency	The Group continues to perform its business strategy by increasing meat production and harvested crop in proportion applicable for future growth Revenue in 2018 increased by 7% in comparison with 2017 Demand for pork products in 2018 increased to a point the Group could not keep up with it. Which also resulted in an increase in sales prices
Searching new contractors and signing agreements for sale of crops using USD prices	During 2018 the Group concentrated on pig breeding Total revenues from livestock breeding segment have increased from USD 5,442 thousand in 2017 to USD 5,936 thousand in 2018 Revenues from crop production segment have increased by USD 5,315 thousand in comparison with the same period in 2017 and included sales of both winter and summer crops harvested in 2018
Reduction of current debt and the extension period of credit	In January 2018, a third party purchased the total liability under Group's loans to Credit Agricole in the amount of 3.9 mln and restructured them for 30 years In October 2018, the Group has signed an agreement to resrtructure its loan to a foreign bank in the total amount, including interest, of USD 3.4 mln whereby the Group would pay USD 1.1 mln
The Group continues to increase the volume of production of fuel pellets and the production of thermal energy	In 2018, the Group continued its program of introducing biomass heat generation in Dnipropetrovsk region, increasing the amount of heat production by 37% to 8.35 MW by installing boilers in schools

2. Corporate governance

The Board of Directors (the "Board") observes the majority of Warsaw Stock Exchange corporate governance rules included in the ”Code of Best Practice for WSE Listed Companies” in the form and to the extent determined by the Resolution No. 19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012. Code of Best Practice for WSE Listed Companies is available at the official website of the Warsaw Stock Exchange: http://www.corp-gov.gpw.pl/lad_corp.asp

The Board of Directors consists of five members, three of each hold an executive role (Directors A), and two directors are non executive ones (Directors B)

Mr. Sergiy Kasianov, chairman of the Board of Directors, has a significant indirect holding of securities in the Company. No other person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

There are no restrictions on voting rights.

Appointment and replacement of Directors and amendments to the Articles of Association

With regard to the appointment and replacement of Directors, its Articles of Association (hereafter referred as the “Articles of Association”) and Luxembourg Statute comprising the Companies Law 1915 govern the Company. A general meeting of the shareholders under the quorum may amend the Articles of Associations from time to time and majority requirement provided for by the law of 10 August 1915 on commercial companies in Luxembourg, as amended.

Powers of Directors

The Board 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 9 of Articles of Association.

Rights of the shareholders

Articles of Association and national laws and regulation govern the operation of the shareholders meetings and their key powers, description of their rights.

Transfer of shares

Transfer of shares is governed by Articles of Association of the Company.

Meetings of the board

In this regard the Company is governed by Article 9 of the Articles of Association.

Mr. Sergiy Kasianov has been appointed as chairman of the Board of Directors.

The Board of Directors shall meet upon call by the Chairman, or any two Directors at the place and time indicated in the notice of meeting, the person(s) convening the meeting setting the agenda.

Written notice of any meeting of the Board of Directors shall be given to all Directors at least five (5) calendar days in advance of the hour set for such meeting, except in circumstances of emergency where 24 hours prior notice shall suffice which shall duly set out the reason for the urgency.

The board of Directors may act validly and validly adopt resolutions if approved by the majority of Directors including at least one class A and one class B Director at least a majority of the Directors are present or represented at a meeting.

Audit Committee

The audit committee is composed by three members and is in charge of overseeing financial reporting and disclosure.

3. Internal controls system

The Company's management is responsible for establishing and maintaining adequate controls over financial reporting process for KSG Agro S.A., which include the appropriate level of Board of Directors' involvement.

KSG Agro S.A. maintains an effective internal control structure. It consists, in particular, of organizational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures. An important element of the control environment is an ongoing internal audit program. KSG Agro S.A. system also contains monitoring mechanisms, and actions taken to correct deficiencies if they identified.

To assure the effective administration of internal controls, KSG Agro S.A. carefully selects employees, develops and disseminates oral and written policies and procedures, provides appropriate communication channels and fosters an environment conducive to the effective functioning of controls.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Ukrainian generaly adopted accounting principles and transformation to International Financial Reporting Standards as adopted by European Union;

- that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

We believe that it is essential for the Company to conduct its business affairs in accordance with the highest ethical standards, as set forth in KSG Agro S.A.

4. Financial and operational results

The following table sets forth the Company's results of operations for the years ended 31 December 2018 and 2017 derived from the consolidated financial statements:

In thousands of US dollars	**31 December 2018 (unaudited)**	**31 December 2017**	**Change, %**
Revenue	24,761	23,187	7%
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	5,537	9,666	(43)%
Cost of sales	(27,874)	(21,212)	31%
Gross profit	**2,424**	**11,641**	**(79)%**
Government grant received	13	350	(96)%
Selling, general and administrative expenses	(1,345)	(1,487)	(10)%
Other operating income	336	735	(54)%
Operating profit	**1,428**	**11,239**	**(87)%**
Finance income	2,479	671	269%
Finance expenses	(1,605)	(2,141)	(25)%
Foreign currency exchange gain/(loss), net	361	(4,399)	(108)%
Gain/(loss) on disposal of subsidiaries	(37)	(56)	(100)%
Other expenses	(2,366)	(4,477)	(46)%
Profit before tax	**260**	**837**	**(69)%**
Income tax benefit	50	58	(14)%
Profit for the period	**310**	**895**	**(65)%**
Operating profit	**1,428**	**11,239**	**(87)%**
Depreciation	1,263	1,462	(14)%
Amortisation	-	32	(100)%
EBITDA	**2,691**	**12,733**	**(79)%**
Other expenses	(2,366)	(4,477)	(46)%
EBITDA adjusted for other expenses	**325**	**8,256**	**(96)%**

Revenue

The Company's revenue from sales increased year-on-year by 7%, primarily in the crop production segment.

The following chart sets forth the Company's revenue by segment in per cent for 2018 and 2017:

Main segment – crop production – comprises production and sales of wheat, barley, rapeseed, sunflower, corn and other minor crops. Information about main crops harvested in 2018 and 2017 is as follows:

Crops harvested, thousands of tonnes	**2018 (unaudited)**	**2017**
Wheat	18.8	19.7
Barley	3.1	5.2
Rapeseed	5.8	0.8
Sunflower	23.5	18.4
Corn	1.0	1.6
Total	**52.2**	**45.7**

The most significant portion of the Company's revenue in the crop production segment comes from sales of sunflower and wheat. The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

	2018 (unaudited)	**2017**	**Change,%**
Sunflower			
Sales, USD mln	5.7	4.8	20%
Sales, thousands tonnes	19	16	18%
Average price, USD/tonne	304	301	1%
Wheat			
Sales, USD mln	2.6	2.4	10%
Sales, thousands tonnes	16	17	(5)%
Average price, USD/tonne	163	139	17%

The pig breeding segment mainly represents sales of pigs and piglets. The following table describes revenues of this segment in more detail:

	2018 (unaudited)	**2017**	**Change,%**
Pigs and piglets			
Total Sales, USD mln	14.0	11.8	19%
Total Sales, thousand heads	98	98	0%
Total Sales, tonnes	9,802	9,810	0%
Total Average price, USD/kg	1.43	1.20	19%
External Sales, USD mln	8.0	10.6	(25)%
External Sales, thousand heads	56	90	(38)%
External Sales, tonnes	5,639	9,001	(37)%
External Average price, USD/kg	1.42	1.18	20%
Intersegment Sales, USD mln	6.0	1.2	400%
Intersegment Sales, thousand heads	42	8	425%
Intersegment Sales, tonnes	4,163	809	415%
Intersegment Average price, USD/kg	1.44	1.48	(3)%

Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs

Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs, decreased by 43% from USD 9.7 million in 2018 to 5.5 million in 2018. Details by components are as follows:

	2018 (unaudited)	**2017**
Crops in the field	(3,279)	3,668
Agricultural produced at the date of harvesting	6,758	2,972
Sows	(433)	1,198
Livestock husbandry	2,491	1,797
Dairy cows	-	31
Total gain on initial recognition at fair value and net change in fair value of biological assets	**5,537**	**9,666**

Cost of sales

The Company's cost of sales increased by 31% to USD 27.9 million for the year ended 31 December 2018 from USD 21.2 million for the year ended 31 December 2017 while revenue only increased by 7%.

Gross profit

The Company's gross profit decreased by 79% from USD 11.6 million for the year ended 31 December 2017 to USD 2.4 million for the year ended 31 December 2018.

Cash flows

The following table sets out a summary of the Company's cash flows for the years ended 31 December 2018 and 2017:

in USD thousands	**2018 (unaudited)**	**2017**
Net cash flow from operating activities	61	1,053
Net cash flow from investing activities	449	(1,176)
Net cash flow from financing activities	(963)	(196)
Net cash flow for the year	**(453)**	**(319)**

5. Corporate responsibility and diversity

The following statement is prepared in observance of the requirements for publication of non-financial and diversity information for the year ended 31 December 2018. In preparation of this statement, where relevant, we have relied upon the Global Reporting Initiative framework and upon the Guidelines on non-financial reporting as issued by the European Commission.

CORPORATE RESPONSIBILITY

General

Care about land and people underlies the corporate policy of the Group. This approach is a guarantee of high quality and environmental safety of the Group's products. The Group recognises that in order to improve life and common future, a business must be socially responsible, generating not only profits, but also social capital. The main quality that distinguishes a socially responsible business is the understanding of people's lives on the ground, their problems and opportunities, coupled with real action aimed at their support and assistance.

For several years, the Group undertakes various projects with "The Future", a charitable fund headed by the Group's Chairman of the Board Sergiy Kasianov. In partnership with the fund, within the framework of cooperation of socially responsible business and territorial communities, dozens of development projects have been implemented covering an array of issues:

- local infrastructure and utilities
- energy conservation projects
- social programs in the field of medicine and education
- programs of self-employment within the programs of support for veterans and their families
- food subsidy programs that are provided to socially vulnerable groups of the population
- assistance in attracting investments, grant programs, etc.

Areas of focus

Main areas of focus for the Group's corporate responsibility strategy comprise:

- employees
- support for local communities
- environmental protection and animal welfare
- respect for human rights, anti-corruption and bribery

Employees

The Group pledges to: value each employee; provide equality of opportunity; provide a workplace that is free of discrimination; prohibit forced and child labour; and permit freedom of association and collective bargaining.

The Group pledges to: providing a healthy and safe working environment; building trusting and mutually profitable partnerships with the Group's local communities. This includes the development of projects and initiatives leading to the improvement of local living standards whilst respecting the human rights and requirements of local stakeholders.

The Group strictly observes all statutory rules and guidelines related to occupational safety.

The categories of employees potentially affected by health hazards undergo mandatory health checks. They are provided with special food, have the reduced working day and an additional holiday at the Group's expense.

Job security program is an integral part of in-house training. When mastering new equipment and technologies the Group specifically orders training support from the supplier or from alternative research and development institutions.

The Group has implemented the standards of the learning organization. A system of in-house seminars has been introduced. The Group implements training programs enabling to optimize the accounting and management processes. There are training programs on team building and leadership as well.

Staff policy of the Group is directed towards maintaining and developing the skilled core staff. Qualified employees save their positions during off-season time and are entitled to 100% of the salary during this period. Off-season time is also utilised for further training.

The corporate newspaper "Our Land" is published monthly. It contains materials about the work of the holding, people working in the company and other local news. On the company's website news about the activities of the enterprise are posted. And in the Internet space there is a distribution of materials about the work of the holding.

Support for local communities

A vital part of the Group's corporate responsibility initiatives is the program for reconstruction of heating systems in local communities of the Dnipropetrovsk region of Ukraine. Investing in biofuel boiler houses is one of the strategic priorities of KSG Agro.

The pilot project started back in October 2016 at Novopokrovka secondary school, where a new modern boiler-house was put into operation. Thanks to the help from the Group, reconstruction of the heating system was carried out, 2 new boilers were installed, which operate with alternative fuel, fuel pellets.

As a result of the modernization of five boiler houses in the Tomakivsky, Soloniansky and Apostolivsky districts of rural schools, the total heat generation at the heat supply facilities transferred by the holding for use of pellets almost doubled – from 4.25 MW to 8.35 MW. At the same time, the raw material was produced by the pellet shop in the village of Novopokrovka of Solonyansky district of Dnipropetrovsk region, financed by the Group. The conversion of boiler-houses to biofuels can significantly save rural budgets. We are talking not only about the energy independence of the Dnepropetrovsk region, but also about the substantial saving of resources for territorial communities. Savings are up to 40% compared to natural gas and coal.

In 2018, the Group continued its program of introducing biomass heat generation in Dnepropetrovsk region, increasing the amount of heat production by 37% to 8.35 MW by installing boilers in schools.

As part of this program, the Group helped finance a boiler for Maryivka kindergarten. Boiler houses working on renewable biofuels were installed and commissioned in schools of two villages of Dnipropetrovsk region - the Trituznoe village (with a capacity of 500 kW), Nadievka village (600 kW), as well as in the shopping center "Miriada" in Dnipro city (800 kW). Also, in rural schools, doors were installed in the entrance area in order to save heat.

The Group helps finance and organise various local holidays with the local communities, such as the Day of the Elderly, Women's day, Veteran's Day and others.

For several years, a program of food subsidies in the form of food packages has been operating. So, in 2018 over 500 socially vulnerable families took part in the program. These are single mothers, people with disabilities and other categories. A social store works in the Niva Trudovaya village where meat is sold at almost its cost.

Among the most significant projects aimed at the development of local infrastructure is the work of the public organization "Svitla Oselya", uniting the work of 86 condominiums and providing them with consulting and legal assistance. With the active participation of the pig-breeding division of KSG Agro (LLC Rantie), the development strategy of the village of Niva Trudovaya was developed.

Annually, at the end of the year, the holding's enterprises provide assistance in organizing and holding the "Days of the Village", as well as the annual and traditional celebration of the professional holiday of the Day of agricultural workers. KSG Agro holds a festive event where the results of the year are summed up and the foremost workers are awarded. The Group is the main partner in holding the annual festival Kupala Fest. It hosts a competition of folklore groups of the Dnipropetrovsk region.

There is support for sports teams of communities. In Novopokrovka we supported the football team. We bought them uniform and took part in the organization of the district tournament. Also competitions in volleyball, strength sports and other sports events are supported.

Environmental protection and animal welfare

The Group adheres in full to the laws related to protection of the environment, including those which regulate the hazardous substances' emissions. Production companies of the Group employ Labour Protection and Environmental Safety Engineers. It also observes all necessary preventive measures on localization of possible pollution and threats to flora and fauna.

Responsibilities of Environmental Safety Engineers include:

- complying with the requirements of environmental legislation;
- minimising the use of energy and resources;
- minimising the effect of the Group's activities on the local environment and maintaining local biodiversity;
- preventing accidents;
- minimising spills, pollution and fugitive emissions;
- minimising water use and discharges to water;
- encouraging the use of recycling and reuse methods; and
- reducing greenhouse gas emissions associated with the Group's activities.

The Group periodically undergoes obligatory scheduled inspections by government agencies. No significant violations were reported by the agencies as a result of such inspections in 2018.

The Group uses only certified fertilizers and plant protecting agents which are purchased from leading world producers. The Group commits to ensure humane treatment of animals in line with applicable laws, regulations and best practice; and to supply appropriate training to employees to ensure that such commitment is maintained.

Respect for human rights, anti-corruption and bribery

The Group's commitment to respect human rights recognises the rights of children, women, persons with disabilities, local communities, smallholder farmers; as well as the rights of workers, including those working under temporary contracts, migrant workers, and their families.

One of the projects aiming to help disenfranchised people is a food subsidy program.

The project's goal is to provide social assistance to villages and small towns, socially unprotected parts of the population – lonely pensioners, families with many children, other socially disenfranchised groups.

Within the framework of the program are:

- special pork sales at lower prices in rural and district stores of Dnipropetrovsk region of Ukraine
- provision of food products to the most vulnerable groups of the population
- charity help on the Day of the Elderly
- assistance to disabled children.

Another project aims to support local business development via a program of population self-employment.

The program is to create conditions for people living in rural areas to earn extra income by organising family businesses for fattening pigs on individual farms. Simultaneously, consulting support and promotion of economic education for the residents of the region are provided. Preparatory work on putting together home mini pig farms has been carried out.

The Group's anti-corruption strategy sets out a zero-tolerance approach to corruption and a commitment that all employees will adhere to responsible standards of behaviour.

The Group plans to further develop its anti-bribery and corruption systems to focus on ensuring high standards of behaviour throughout the business and educating employees about anti-corruption practices.
This could involve development of risk management systems at Group-wide scale and also require the Group's suppliers and corporate customers to comply with the Group's anti-corruption policies and to adopt methods to combat corruption.

EQUALITY AND DIVERSITY

Diversity policy

As a socially responsible business, the Group has zero tolerance to discrimination on any grounds, be it age, race, gender, religion, political affiliation or whatever it might be. The Group embraces diversity and ensures fair and equitable treatment of every individual that works for it and their families.

The Group is prepared to hire people with disabilities, people nearing retirement age as well as veterans and refugees from the conflict zone in Eastern Ukraine.

The Group is dedicated to encouraging a supportive and inclusive culture amongst the whole workforce. It is within our best interest to promote diversity and eliminate discrimination in the workplace. Our aim is to ensure that all employees and job applicants are given equal opportunity and that our organisation is representative of all sections of society.
Each employee will be respected and valued and able to give their best as a result. This policy reinforces our commitment to providing equality and fairness to all in our employment and not provide less favourable facilities or treatment on the grounds of age, disability, gender, pregnancy and maternity, nationality, religion or belief.

We are opposed to all forms of unlawful and unfair discrimination. All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. When selecting candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability.

All employees will be given help and encouragement to develop their full potential and utilise their unique talents. Therefore, the skills and resources of our organisation will be fully utilised and we will maximise the efficiency of our whole workforce.

The Group is committed:

- To create an environment in which individual differences and the contributions of all team members are recognised and valued.
- To create a working environment that promotes dignity and respect for every employee.
- To not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy.
- To make training, development, and progression opportunities available to all staff.
- To promote equality in the workplace, which the Group believes is good management practice and makes sound business sense.
- To encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures.
- To encourage employees to treat everyone with dignity and respect.
- To regularly review all our employment practices and procedures so that fairness is maintained at all times.

The policy is monitored and reviewed at least annually to ensure that equality and diversity is continually promoted in the workplace.

Management and Board diversity

The Group's management team is evenly balanced by age and gender.

Still, it is the Group's commitment to further increase representation of women in top management as well as the Board of Directors.

All executive directors are Ukrainian nationals as they require the local expertise needed for a good understanding of current affairs and longer-term risks and opportunities related to the Group's business in Ukraine.
Representation of top and middle management by age and gender in 2018 was as follows:

	Total top and middle management staff		**Attended professional development programs or other training events in 2018**	
Age group	**Men**	**Women**	**Men**	**Women**
Less than 30	1	-	1	-
31 to 40	12	2	5	1
41 to 50	11	11	2	9
51 to 60	11	3	5	1
Over 60	2	-	1	-
Total	**37**	**16**	**14**	**11**

All of the management staff have higher education.

Most of them participate in various professional training programs, both external and internal, as it is the Group's continuing commitment to invest in professional development of its employees.

Several employees are also studying to obtain recognised professional qualifications in their related fields.

6. Information with respect to Article 11 of the Law of 19 May 2006 on takeover bids

Article 11 a) the structure of their capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents.

According to article 5.1 of the articles of association of the Company (the Articles), the Company's subscribed share capital amounts to one hundred fifty thousand two hundred United States Dollars (USD 150,200.00) represented by fifteen million twenty thousand (15,020,000) shares having a nominal value of one Cent (USD 0.01) each.

All the issued share capital of the Company is admitted to listing and trading on the main market of the Warsaw Stock Exchange.

On May 23, 2013 The Company bought back thirty-two thousand one hundred and seventy-two (32,172) own shares, representing 0.21% of share capital, that are accounted for as treasury shares.

Article 11 b) any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC.

The shares of the Company are transferred in accordance with customary procedures for the transfer of securities in Book-entry form.

Furthermore, there is no restriction in relation with the transfer of securities pursuant to article 7.5 of the Articles. The sole requirement is that any transfer shall be recorded in the register of shares of the Company.

In accordance with article 7.10 of the Articles, any shareholder, company or individual, who acquires or sells shares, including certificates representing shares of the Company, shall notify to the Company the percentage of the voting rights he/she/it will own pursuant to such acquisition or sale, in case such percentage reaches the thresholds of 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% or supersedes or falls under such thresholds. The shareholders shall also notify the Company should the percentage of their respective voting rights reach the above mentioned thresholds or supersede them or fall under such thresholds pursuant to certain events amending the voting rights repartition of the Company.

Those notification requirements apply also to certain situations as listed by article 9 of the law of 11 January 2008 on transparency obligations with respect to the information of companies which securities are listed on a regulated market.

Article 11 c) significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2004/109/EC.

The main shareholder of the Company as at 31 December 2018 is:

- OLBIS Investments LTD S.A. holds nine million seven hundred and five thousand five hundred (9,705,500) shares, representing 64.62% of the issued share capital of the Company.

- KSG Agro S.A holds thirty-two thousand one hundred seventy-two (32,172) shares, representing 0.21% of the issued share capital of the Company.

- In free float there are five million two hundred and eighty-two thousand three hundred twenty-eight (5,282,328) shares, representing 35.17% of the issued share capital of the Company.

Article 11 d) the holders of any securities with special control rights and a description of those rights.

There are no special control rights.

Article 11 e) the system of control of any employee share scheme where the control rights are not exercised directly by the employees.

There is no employee share scheme.

Article 11 f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

Pursuant to article 7.10 of the Articles, if a shareholder breaches the thresholds mentioned in point b) and fails to notify the Company within the period of four (4) listing days, as stated therein, the exercise of voting rights attached to the new participation exceeding the relevant threshold will be suspended.

Article 11 g) any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC.

To the best of our knowledge there are no such agreements.

Article 11 h) the rules governing the appointment and replacement of board members and the amendment of the articles of association.

Pursuant to article 8 of the Articles, the directors of the Company (the Directors or the Board, as applicable) are to be appointed by the general meeting of the shareholders of the Company (the General Meeting) for a period not exceeding six (6) years and until their successors are elected. Moreover, the decision to suspend or dismiss a Director must be adopted by the General Meeting with a majority of more than one-half (1/2) of all voting rights present or represented. When a legal person is appointed as Director, the legal entity must designate a permanent representative (représentant permanent) in accordance with article 51bis of the law of 10 August 1915 on commercial companies, as amended (the Company Law).

In accordance with article 20 of the Articles, the Articles may be amended from time to time by a General Meeting under the quorum and majority requirements provided for by the Company Law.

Article 11 i) the powers of board members, and in particular the power to issue or buy back shares.

Under the provisions laid down in article 5.4 of the Articles, the Board is authorized during a period expiring 5 (five) years after the publication of the present authorization in the Mémorial C, Recueil des Sociétés et Associations (i.e. 08 July 2011), to increase in one or several times the share capital of the Company within the limits of the authorized capital. The authorized capital of the Company is set at one hundred fifty thousand seven hundred forty-five United States Dollars (USD 150,745.00) represented by fifteen million seventy-four thousand five hundred (15,074,500) shares with a nominal value of one Cent (USD 0.01).

With respect to the acquisition of own shares, article 6 of the Articles establishes that the Company may acquire its own Shares to the extent permitted by law. To the extent permitted by Luxembourg law, the Board is irrevocably authorized and empowered to take any and all steps to execute any and all documents to do and perform any and all acts for and in the name and on behalf of the Company which may be necessary or advisable in order to effectuate the acquisition of the shares and the accomplishment and completion of all related actions.

According to article 11.2 of the Articles, the Board is vested with the broadest powers to perform all acts of administration and disposition in the company`s interests and within the objectives and purposes of the Company. All powers not expressly reserved by law or by the Articles to the General Meeting fall within the competence of the Board.

Article 11 j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements.

To the extent of our knowledge there are no such agreements.

Article 11 k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

To the extent of our knowledge there are no such agreements.

7. Subsequent events

Material subsequent events are described in Note 30 to the consolidated financial statements.

8. Business and financial risks

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Credit risk concentration

The Group is exposed to the concentration of credit risk. Management monitors and discloses concentrations of credit risk by obtaining monthly reports with exposures to counterparties with individually material balances.

As of 31 December 2018, the Group had 8 counterparties with aggregated receivable balances above USD 150 thousand each (31 December 2017: 8 counterparties). The total aggregate amount of these balances was USD 6,014 thousand (31 December 2017: USD 4,016 thousand) or 66% of the net amount of trade and other receivables (31 December 2017: 88%).

Market risk

The Group takes an exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

The Group does not have significant interest-bearing financial assets. Loans and borrowings issued at variable interest rates expose the Group to the interest rate risk. Loans and borrowings issued at fixed rates expose the Group to the fair value risk.

The sensitivities to market risks disclosed below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Interest rate risk

Risk of changes in interest rate is generally related to interest-bearing loans. Loans issued at variable rates expose the Group to cash flow interest rate risk. Loans issued at fixed rates expose the Group to fair value interest rate risk. The Group is currently developing its policy on structure of fixed and variable rates loan portfolio. The Group's management analyses market interest rates to minimize interest rate risk.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the Group management who monitors monthly rolling forecasts of the Group's cash flows. The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to Group's access to capital markets.

The Group is currently developing its capital management policy. Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes of its operating environment, market sentiment or its development strategy.

Management believes it is responding appropriately to all the risks identified in order to support the sustainability of the Company's business in the current circumstances.

29.04.2019

A.V. Skorokhod
(Chief Executive Officer)

29.04.2019

L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.

R.C.S. Luxembourg B 156.864

Unaudited Consolidated Financial Statements for the year ended 31 December 2018

Contents

Statement of the Board of Directors and management's responsibility for the preparation and approval of the unaudited consolidated financial statements

The following statement is made with a view to clarify responsibilities of management and Board of Directors in relation to the consolidated financial statements of KSG AGRO S.A. and its subsidiaries (further – the Group).

The Board of Directors and the Group's management are responsible for the preparation of the consolidated financial statements of the Group as of 31 December 2018 and for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing the consolidated financial statements, the Board of Directors and management are responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making reasonable assumptions and estimates;
- Compliance with relevant IFRSs and disclosure of all material departures in notes to financial statements;
- Compliance with ESMA Guidelines
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

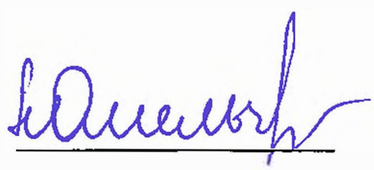
The Board of Directors and management are also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS as adopted by the European Union;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

In accordance with Article 3 of the law of Luxembourg of 11 January 2008 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit for the period of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

These consolidated financial statements as of 31 December 2018 and for the year then ended were approved for issue on 29 April 2019.

A.V. Skorokhod
(Chief Executive Officer)



L.L. Omelchenko
(Chief Financial Officer)

Unaudited Consolidated Statement of Financial Position

as at 31 December 2018

In thousands of US dollars	Note	31 December 2018 (unaudited)	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	8	17,976	18,097
Long-term biological assets	10	22,168	22,558
Deferred expense		372	618
Deferred tax assets	25	233	233
Total non-current assets		**40,749**	**41,506**
Current assets			
Current biological assets	10	6,219	7,701
Inventories and agricultural produced	9	6,632	2,332
Trade and other accounts receivable	12	9,111	6,197
Taxes recoverable and prepaid	13	289	-
Term deposits		-	534
Cash and cash equivalents	11	269	760
Total current assets		**22,520**	**17,524**
TOTAL ASSETS		**63,269**	**59,030**
EQUITY			
Share capital	14	150	150
Share premium	14	37,366	37,366
Treasury shares		(112)	(112)
Retained earnings		(39,352)	(39,082)
Currency translation reserve		(10,659)	(10,987)
Equity attributable to the owners of the Company		**(12,607)**	**(12,665)**
Non-controlling interests	6	**7,167**	**7,078**
TOTAL EQUITY		**(5,440)**	**(5,587)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	15	20,467	22,531
Total non-current liabilities		**20,467**	**22,531**
Current liabilities			
Loans and borrowings	15	23,877	24,659
Trade and other accounts payable	16	22,692	15,712
Promissory notes issued	17	1,339	1,384
Taxes payable		334	331
Total current liabilities		**48,242**	**42,086**
TOTAL LIABILITIES		**68,709**	**64,617**
TOTAL LIABILITIES AND EQUITY		**63,269**	**59,030**

Approved for issue and signed on behalf of the Board of Directors on 29 April 2019.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.
Unaudited Consolidated Income Statement
for the year ended 31 December 2018

In thousands of US dollars	**Note**	**2018 (unaudited)**	**2017**
Revenue	18	24,761	23,187
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	10	5,537	9,666
Cost of sales	19	(27,874)	(21,212)
Gross profit		**2,424**	**11,641**
Government grant received	13	13	350
Selling, general and administrative expenses	20	(1,345)	(1,487)
Other operating income	21	336	735
Operating profit		**1,428**	**11,239**
Finance income	23	2,479	671
Finance expenses	23	(1,605)	(2,141)
Foreign currency exchange gain/(loss), net	24	361	(4,399)
Loss on disposal of subsidiaries	5	(37)	(56)
Impairment gain/(loss) on financial receivables	22	106	(1,844)
Other expenses	22	(2,472)	(2,633)
Profit before tax		**260**	**837**
Income tax benefit	25	50	58
Profit for the period		**310**	**895**
Profit attributable to:			
Owners of the Company		143	358
Non-controlling interest		167	537
Profit for the period		**310**	**895**
Earnings per share			
Weighted-average number of common shares outstanding	14	15,020,000	15,020,000
Basic eamings per share, USD	14	0.01	0.02
Diluted eamings per share, USD	14	0.01	0.02

Approved for issue and signed on behalf of the Board of Directors on 29 April 2019.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

The accompanying notes are an integral part of these consolidated financial statements

In thousands of US dollars	Note	2018 (unaudited)	2017
Profit for the period		**310**	**895**
Other comprehensive income, net of income tax			
Currency translation differences		735	(2,131)
Total comprehensive income for the period		**1,045**	**(1,236)**
Total comprehensive income attributable to:			
Owners of the Company		471	(1,526)
Non-controlling interests		574	290
Total comprehensive income for the period		**1,045**	**(1,236)**

Approved for issue and signed on behalf of the Board of Directors on 29 April 2019.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

The accompanying notes are an integral part of these consolidated financial statements

In thousands of US dollars	**Note**	**2018 (unaudited)**	**2017**
Cash flows from operating activities			
Profit before tax		**260**	**837**
Adjustments for:			
Depreciation and amortization	8	1,263	1,495
Impairment and write-off of trade and other accounts receivable and VAT	22	450	2,852
Write off of accounts payable	21	(163)	(586)
Impairment of inventory	22	530	1,215
Gain on initial recognition of biological assets and agricultural produced	10	(5,537)	(9,666)
Exchange differences	24	(361)	4,399
Finance expenses	23	1,605	2,141
Finance income	23	(2,479)	(671)
Gain/(loss) on disposal of subsidiaries		37	56
Operating cash flows before working capital changes		**(5,615)**	**2,072**
Change in trade and other accounts receivable		(3,653)	(1,543)
Change in current biological assets		7,409	1,587
Change in inventories and agricultural produce		(4,830)	563
Change in trade and other accounts payable		7,441	(420)
Cash generated from operations		**752**	**2,259**
Interest paid		(657)	(1,199)
Income tax paid		(34)	(7)
Cash generated from / (used in) operating activities		**61**	**1,053**
Cash flow from investment activities			
Acquisition of property, plant and equipment		(220)	(1,206)
Interest received		140	138
Deposits received		534	-
Disposal of subsidiaries, net of cash disposed		(5)	(20)
Settlement of accounts payable related to investment activities		-	(88)
Net cash generated from / (used in) investment activities		**449**	**(1,176)**

KSG Agro S.A.

Unaudited Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2018

In thousands of US dollars	**Note**	**2018 (unaudited)**	**2017**
Cash flow from financing activities			
Proceeds from bank loans and other borrowings	15	150	6,497
Repayment of bank loans	15	(1,064)	(6,655)
Repayment of financial lease liabilities	15	(49)	(38)
Net cash (used in) / received from financing activities		**(963)**	**(196)**
Net (decrease)/increase in cash and cash equivalents		**(453)**	**(319)**
Cash and cash equivalents at the beginning of the period		760	1,107
Effect of exchange rate differences on cash and cash equivalents		38	(28)
Cash and cash equivalents at the end of the period		**269**	**760**

Approved for issue and signed on behalf of the Board of Directors on 29 April 2019.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

The accompanying notes are an integral part of these consolidated financial statements

KSG Agro S.A.

Unaudited Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

In thousands of US dollars	Note	Attributable to owners of the Company: Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
Balance as at 31 December 2016		**150**	**37,366**	**(112)**	**(9,103)**	**(39,440)**	**(11,139)**	**6,788**	**(4,351)**
Profit for the period		-	-	-	-	358	358	537	895
Other comprehensive income/(loss)		-	-	-	(1,884)	-	(1,884)	(247)	(2,131)
Total comprehensive income/(loss) for the period		-	-	-	(1,884)	358	(1,526)	290	(1,236)
Balance as at 31 December 2017		**150**	**37,366**	**(112)**	**(10,987)**	**(39,082)**	**(12,665)**	**7,078**	**(5,587)**
Adjustment on initial application of IFRS 9	12	-	-	-	-	(413)	(413)	(485)	(898)
Adjusted balance as at 1 January 2018		**150**	**37,366**	**(112)**	**(10,987)**	**(39,495)**	**(13,078)**	**6,593**	**(6,485)**
Profit for the period		-	-	-	-	143	143	167	310
Other comprehensive income/(loss)		-	-	-	328	-	328	407	735
Total comprehensive income/(loss) for the period		-	-	-	328	143	**471**	574	1,045
Balance as at 31 December 2018 (unaudited)		**150**	**37,366**	**(112)**	**(10,659)**	**(39,352)**	**(12,607)**	**7,167**	**(5,440)**

Approved for issue and signed on behalf of the Board of Directors on 29 April 2019.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

The accompanying notes are an integral part of these consolidated financial statements

(All amounts in USD thousand, unless otherwise stated)

1. Background

KSG Agro S.A. (the "Company") was incorporated under the name Borquest S.A. on 16 November 2010 as a "Société Anonyme" under Luxembourg company law for an unlimited period. On 08 March 2011 the Company's name was changed to KSG Agro S.A.

The registered office of the Company is at 24, rue Astrid, L-1143 Luxembourg and the Company number with the Registre de Commerce is B 156 864.

The Company, its subsidiaries and joint operation (together referred to as the "Group") produces, processes and sells agricultural products and its business activities are conducted mainly in Ukraine.

Number of employees of the Group as at 31 December 2018 was 566 employees (31 December 2017: 565 employees).

2. Scope of consolidation

The Company's parent is OLBIS Investments LTD S.A. (65%), registered in Panama, and the ultimate controlling party is Mr. Sergiy Kasianov. Remaining shares (35%) are listed on the Warsaw Stock Exchange.

The subsidiaries and principal activities of the companies forming the Group and the Parent's effective ownership interest as at 31 December 2018 and 2017 were as follows:

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2018**	**31 December 2017**
KSG Agro S.A.	Holding company	Luxembourg	Parent	Parent
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Agro Polska	Trade of agricultural products, dormant	Poland	100%	100%
KSG Energy Group LTD	Trade of pellets, dormant	Cyprus	50%	50%
Parisifia LTD	Intermediate holding company	Cyprus	50%	50%
Abbondanza SA	Trade of agricultural products	Switzerland	50%	50%
Enterprise #2 of Ukrainian Agricultural and Industrial Holding LLC	Agricultural production	Ukraine	100%	100%
Scorpio Agro LLC	Agricultural production	Ukraine	100%	100%
Goncharovo Agricultural LLC	Agricultural production	Ukraine	100%	100%
Agro-Trade House Dniprovsky LLC	Agricultural production	Ukraine	100%	100%
Trade House Rantye (Dnipro LLC)	Agricultural production	Ukraine	100%	100%
KSG Trade House LTD	Trade of agricultural products	Ukraine	100%	100%
Trade House of the Ukrainian Agroindustrial Holding LLC	Agricultural production	Ukraine	100%	100%
Askoninteks LLC	Agricultural production	Ukraine	100%	100%
Agro Golden LLC	Agricultural production	Ukraine	100%	100%
Agro LLC	Lessor of equipment	Ukraine	100%	100%
SPE Promvok LLC	Lessor of equipment	Ukraine	100%	100%
Meat plant Dnipro LLC (Note 5)	Manufacture	Ukraine	-	100%
Hlebna Liga LLC	Trader	Ukraine	100%	100%
Agrofirm Vesna LLC	Agricultural production, dormant	Ukraine	100%	100%
Agrotrade LLC	Agricultural production	Ukraine	50%	50%
Factor D LLC	Agricultural production, dormant	Ukraine	50%	50%
Rantye LLC	Agricultural production	Ukraine	50%	50%
Strong-Invest LLC (Note 5)	Agricultural production	Ukraine	50%	-

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2018**	**31 December 2017**
PrJSC Pererobnyk	Flour and animals' feed producing, dormant	Ukraine	25%	25%
Agroplaza LLC	Intermediate holding company	Ukraine	50%	50%
Stepove LLC	Agricultural production	Ukraine	50%	50%
Dzherelo LLC	Agricultural production	Ukraine	50%	50%
Kolosyste LLC	Agricultural production, dormant	Ukraine	50%	50%
Ukrzernoprom - Prudy LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Uyutne LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Kirovske LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Yelizavetove LLC *	Agricultural production	Ukraine	50%	50%
KSG Dnipro LLC (SFG Bulah LLC)	Agricultural production	Ukraine	100%	100%
Pererobnyk LLC PE	Flour and animals' feed producing, dormant	Ukraine	25%	25%

Companies marked with * are located in Crimea. The Group has no operating control over them starting from 01 October 2014, so deconsolidation of these companies was provided and net assets were written off to zero.

On an annual basis companies with voting rights less than 51% tests for the compliance with IFRS 10 regarding existence of control. In these consolidated financial statements presented subsidiaries with absolute control over operating activity and cash flows and total responsibilities for the incurred profits or losses.

These consolidated financial statements are presented in thousands of US dollars ("USD"), unless otherwise stated.

3. Summary of Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of IFRS issued by International Financial Reporting Interpretations Committee (“IFRIC”) and as adopted by the European Union. These consolidated financial statements have been prepared under the historical cost convention, as modified by the recognition of biological assets and agricultural produce based on fair value less costs to sell.

Operating Environment of the Group

Ukrainian economy suffered a deep slump in 2014-2016 due to the political instability, the escalation of the conflict in the Donetsk and Luhansk regions and unfavorable global markets for key export-oriented sectors.

Since 2017 and going into 2018 the Ukrainian economy has demonstrated a slight recovery amid overall macroeconomics stabilization supported by a rise in domestic investment, revival in household consumption, increase in agricultural and industrial production, construction activity and improved environment on external markets.

Ukraine returned to international debt capital markets, having issued a record USD 3 billion 15-year Eurobond at 7.375% in September 2017, which smoothed external debt maturity profile of Ukraine.

The inflation rate in Ukraine was relatively stable at around 13% in 2017 and 2018. GDP also continued to grow at 2-3%.

As at 17 April 2019, one week prior to the date of this report, the official NBU exchange rate of Hryvnia against US dollar was UAH 26.72 per USD 1, compared to UAH 27.68 per USD 1 as at 31 December 2018 and UAH 28.07 per USD 1 as at 31 December 2017.

NBU continues to further ease its currency control restrictions, which were introduced back in 2014. In particular, 2017 and 2018 have seen a decrease in the percentage of mandatory sale of foreign currency, increase in the settlement period for export-import transactions in foreign currency, and increase in limits on dividend payments to non-residents.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

The relationships between Ukraine and the Russian Federation have remained strained.

Going concern assumption

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The financial performance of the Group is naturally dependent upon the weather conditions in areas of operations and wider economic environment of Ukraine.

Due to loss of control over Crimea subsidiaries, the Group's financial position and performance in 2014 significantly deteriorated. That caused significant difficulties with timely debt repayment and breach of loan covenants. To deal with new challenges, in September 2014 the Group's management changed their development strategy to focus on farming & pigs breeding, and decrease of loan burden.

Since then, the Group management has been successful in implementation of changed strategy and stabilisation of the Group's financial performance:

- ***Focus on farming & pigs breeding and increase its efficiency***

  - The Group continues to perform its business strategy by increasing meat production and harvested crop in proportion applicable for future growth.
  - Revenue in 2018 increased by 7% in comparison with 2017.

- ***Reduction of current debt and extension of credit period***

  - Back in 2017, negotiations with international creditors and suppliers related to the restructuring of total debt in the amount of USD 18 mln resulted in signing of the letter of intent where preliminary debt restructuring terms were agreed. According to signed letters of intent, the Group obliged to repay capital amount of debts in ten years' time starting in 2018.
  - Also during 2017, loan with a Ukrainian bank, in the amount of USD 3.1 mln and denominated in UAH, was transferred to USD and EUR with interest rates of 9% and 8%, respectively (instead of 23.68% for UAH)
  - Loans from the Group's parent with principal of USD 10.3 mln and interest of USD 3.5 mln will be payable in 2026.
  - In January 2018, a third party purchased the total liability under Group's loans to Credit Agricole in the amount of 3.9 mln and restructured them for 30 years.
  - In October 2018, the Group has signed an agreement to resrtructure its loan to a foreign bank in the total amount, including interest, of USD 3.4 mln whereby the Group would pay USD 1.1 mln.

The Group Management concludes that, as the risks and uncertainties described above included in the cash flow forecast with conservative assumptions are covered by restructuring of overdue borrowings, there is reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the consolidated financial statements as at 31 December 2018 and for the year then ended on a going concern basis. If the Company is not successful in debt restructuring plan, the going concern assumption might not be relevant any longer for the Group or its components. The consolidated financial statements would then need to be totally or partially amended to an extent which today cannot be estimated in respect of: the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets and liabilities into current assets and liabilities.

Consolidated financial statements

Group recognises controls on subsidiary if next criteria are met:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the Group's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

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

Intercompany transactions, balances and unrealised gains on transactions between Group subsidiaries are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest is recorded as a separate component of the Group's equity.

Goodwill. Goodwill on acquisitions of subsidiaries is presented within intangible assets in the consolidated statement of financial position. It is carried at cost less accumulated impairment, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business from which the goodwill arose. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Joint operations. The Group accounts for the interest in the joint operations to the extent of:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

Financial instruments

Key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is 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.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. The Group classifies all of its financial assets as loans and receivables. Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are accounted for at amortized cost using the effective interest method, net of provision for impairment after their initial evaluation. Loans and receivables that mature more than 12 months after the consolidated statement of financial position date are included into non-current assets. The Group's financial assets are long term receivables, promissory note receivables, term deposits, trade and other accounts receivable, cash and cash equivalents.

Classification of financial liabilities. The Group's financial liabilities include loans, borrowings, trade and other payables, financial lease, promissory notes issued and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Loans and borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Financial assistance payable. Financial assistance payable is initially recognised at the fair value and carried at amortised cost using the effective interest method. Financial assistance is disclosed within trade and other payables.

Initial recognition of financial instruments. Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Property, plant and equipment. Property, plant and equipment items are stated at cost less accumulated depreciation and, where applicable, accumulated impairment. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met. All repair and maintenance costs are expensed as incurred. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

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

Construction-in-progress represents the cost of properties, plant and equipment which have not yet been completed less any accumulated impairment. This includes cost of construction works, cost of plant and equipment and other direct costs.

The Group leases the land on which its operations are located under operating lease agreements and therefore land is not included in the consolidated financial statements.

At each end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment is recognised in profit or loss. An impairment recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and structures	5-30
Agricultural equipment	3-15
Vehicles and office equipment	3-17

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Income taxes. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Special tax for agricultural producers. The Company's subsidiaries in Ukraine engaged in the production, processing and sale of agricultural products may opt for paying a *special tax for agricultural producers* ("Group #4 of Tax payers defined in Tax Code of Ukraine") in lieu of corporate income tax, land tax, duties for special use of water objects, municipal tax, vehicle tax, duties for geological survey works and duties for trade patents if the revenues from sale of their self-grown agricultural products constitute not less than 75% of their total gross revenues. The amount of *special tax for agricultural producers* is assessed at 0.81% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 31 December 2018 five Ukrainian subsidiaries of the Group elected to pay *special tax* (31 December 2017: four). The rest of the Group's entities are subject to regular income tax.

Value added tax. In Ukraine VAT is levied at two rates: 20% on sales and imports of goods within the country, works and services and 0% on the export of goods and provision of works or services to be used outside Ukraine. Output VAT on the sale of goods and services is accounted for on the date the goods/services are delivered to a customer or the date the payment is received from the customer, whichever is earlier. Input VAT is accounted for as follows: entitlement to an input tax credit for purchases arises when VAT invoice is received which is issued on the earlier of the date of payment to the supplier or the date, on which the goods/services are received or entitlement to an input tax credit for imported goods or services arises on the date the tax is paid.

VAT related to sales and purchases is recognised in the statement of financial position on a net basis and disclosed as an asset or liability to the extent it has been recorded in VAT declarations. Prepayments issued and prepayments received are disclosed in these consolidated financial statements net of VAT balances as it is expected that such balances will be settled by delivery of the underlying product or service.

The Group's subsidiaries involved in the production and sale of agricultural produce and that meet certain other criteria are subject to a privileged VAT regime. For such qualifying entities, the net VAT payable is not transferred to the State authorities, but is retained in the business for use in agricultural production. Such net VAT liabilities are credited to profit and loss as government grants.

Government grants. According to the Ukrainian VAT legislation VAT which agricultural producers charge on sales of agricultural produce, net of VAT paid on purchases, is not transferred to the State budget but can be retained for use in agricultural production. These government grants are recognised in profit or loss for the year once the Group makes the qualifying expenditures on agricultural supplies or equipment.

Biological assets. Biological assets represent crops in the field and livestock and are measured at fair value less costs to sell.

Crops in the field. The fair value of crops in the field is determined by using valuation techniques, as there is no market for winter crops and other long-term crops of the same physical condition. The fair value of the Group's biological assets is calculated as the present value of anticipated future cash flows from the asset before tax. The fair value calculation of crops in the field is based on the existing field under crops and the assessments regarding expected crop yield on harvest, time of harvest, future cultivation, treatment, harvest costs and selling prices. The discount rate is determined by reference to weighted-average cost capital based on risk profile of the Group.

Livestock. The fair value of non-current livestock is determined by using valuation techniques, as there is no market for sows of the same physical conditions, such as weight, age and breed. The fair value of livestock is based on expected litter of piglets, expected volume of meat at the date of slaughter, respective anticipated prices, average expected productive lives of the livestock and future production costs. The discount rate is determined by reference to current market determined pre-tax rate.

A gain or loss arising on initial recognition of a biological asset at the fair value less costs to sell and from a change in the fair value less costs to sell of a biological asset at each subsequent reporting date is included in income statement in the period in which it arises.

The biological assets are classified as current or non-current depending on the expected pattern of consumption of the economic benefits embodied in the biological assets. Dairy cattle, sows, fruit gardens and long-term grass are classified as non-current and livestock husbandry and winter crops are classified as current biological assets.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding the cost of field preparation is reclassified to biological assets held at fair value.

Agricultural produce. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs to sell at the date of harvest.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out basis. The cost of work in progress comprises fuel and other raw material, direct labour, depreciation and amortization, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs to sell at the date of harvest.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Advances issued. Advances issued to suppliers are carried at cost less provision for impairment. An advance issued is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the advance relates to an asset which will itself be classified as non-current upon initial recognition. Advances issued to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the services relating to the advances are received. If there is an indication that the assets or services relating to an advance will not be received, the carrying value of the advance is written down accordingly and a corresponding impairment is recognised in profit or loss.

Impairment of financial assets carried at amortised cost. Impairment are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment has occurred:

- any portion or installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Uncollectible assets are written off against the related impairment provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment account within the profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts, if any.

Share capital. Ordinary shares are classified as equity. Share premium is the difference between the fair value of the consideration received for the issue of shares and the nominal value of the shares. The share premium account can only be used for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the legislation in Luxembourg on reduction of share capital.

(All amounts in USD thousand, unless otherwise stated)

Borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee benefits - defined contribution plan. The Group makes statutory unified social contribution to the Pension Fund of Ukraine in respect of its Ukrainian based employees. The contributions are calculated as a percentage of current gross salary and are expensed when incurred.

Wages, salaries, unified social contribution to Pension Fund of Ukraine, paid annual leave and sick leave, bonuses are accrued in the year in which the associated services are rendered by the employees of the Group.

Functional and presentation currency. The currency of each consolidated entity is the currency of the primary economic environment in which the entity operates. The functional currency for the majority of the consolidated entities is the Ukrainian hryvnia. As the Group's management uses USD when monitoring operating results and financial conditions of the Group, the presentation currency of the financial statements is USD. All information in USD has been rounded to the nearest thousand, except when otherwise indicated. 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 closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognized in profit or loss. Translation at year end does not apply to nonmonetary items.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used for translating foreign currency balances were:

	As at 31 December 2018	Average for the year ended 31 December 2018	As at 31 December 2017	Average for the year ended 31 December 2017
USD/UAH	27.6883	27.2016	28.0672	26.6006
EUR/UAH	31.7141	32.1341	33.4954	30.0753

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods. 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.

Revenues from rendering of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenues are shown net of Value Added Tax and discounts. Revenues are measured at the fair value of the consideration received or receivable.

Finance income and costs. Finance income and costs mainly comprise interest income and cash on equivalents and bank deposits, interest expense on borrowings and finance leases and exchange differences on borrowings.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4. Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the Group’s accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next year are:

Biological assets. In the absence of observable market prices for biological assets in their condition at the reporting dates, the fair value of biological assets was estimated as the present value of future net cash flows expected to be generated from the assets discounted at a current market-determined pre-tax rate.
Fair values of biological assets are based on the following key assumptions:

- expected crop yield on harvest is based on the prior years results;
- the average productive life of livestock is determined based on internal statistical information;
- evaluation of non-current livestock based on restorable principle;
- market prices for grains and meat are obtained from external sources (commodity exchanges, purchase prices stipulated by the State Reserve Fund in Ukraine etc.);
- cultivation, treatment, harvesting and production costs, including land lease costs are projected based on historical information and adjusted, where necessary, to conform with new raw materials and production techniques currently in use;
- time of harvest is estimated based on the historical data;
- the discount rate is estimated as weighted average cost of capital.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual numbers.

Agricultural produce. Agricultural produce is the harvested product of the Group's biological assets. It is recorded at its estimated fair value less costs to sell, at the point of harvest. The determination of fair value for a biological asset or agricultural produce is facilitated by grouping the produce according to significant attributes; for example, by type or quality. The fair value of each group of agricultural produce at the end of the reporting period is determined as lower of the available average market price for similar products at the point of harvest and net realizable value. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual numbers.

Allowance for doubtful receivables. The Group periodically assesses recoverability of receivables from main debtors. In the case objective evidence of uncollectability is in place, allowance is provided for the amount of doubtful receivables. No allowance for receivables from related parties is charged. Additionally a general provision for doubtful debts is provided on all receivables due for more than 365 days.

Cost of inventories. At each reporting date the Group carries out assessment of goods for signs impairment of initial value. As at 31 December 2018 the Group's Management uses method of individual assessment of each unit of goods. The same approach was used in 2017.

Goodwill. Goodwill arising from the acquisition of subsidiaries is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount (estimated under five-year cash flows financial plans) of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment is recognised. Impairment relating to goodwill cannot be reversed in the future periods.

Useful lives. Management estimates are necessary to identify the useful lives of property, plant and equipment. Management uses its expertise and judgment in reassessing the remaining useful lives of major items at each reporting date.

Subsidiaries. The Group consolidates the result of Parisifia Trading Ltd (Cyprus), KSG Energy Group Ltd (Cyprus) and Abondanza S.A. (Switzerland) although it only holds 50% of the voting rights, because it has the power to govern its financial and operating policies through arrangements with the other 50% shareholder. The Group also consolidates the results of Pererobnyk PrJSC, a company in which it holds 25% of the voting rights, because it has the power to govern its financial and operating policies through its sole presence in the supervisory and management boards of the company and ability to determine remuneration of its representatives in these governance bodies. Majority of the supervisory and management board members are employees of other entities of the Group. Judgement is required to determine whether the substance of the relationship between the Group and a subsidiary indicates that the entity is controlled by the Group. In making this judgement management considered arrangements with the other shareholders of the subsidiary.

Fair value measurement. Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Income tax and deferred taxes The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. 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 impact the current tax and deferred tax provisions.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. Business Acquisitions and Disposals

In October 2018 the Group has sold its 100% share in Meat Plant Dnipro LLC to a third party for a nominal consideration.

In December 2018 the Group established Strong-Invest LLC, a new wholly-owned subsidiary of Agroplaza LLC.

No other business acquisitions or diposals took place during the year ended 31 December 2018.

6. Material non-controlling interests in subsidiaries

Material non-controlling interests as at 31 December 2018 and 2017 were presented by interests in Parisifia ltd Group and PrJSC Pererobnyk.

"Parisifia ltd Group" contains next companies: Agrotrade LLC; Factor D LLC; Rantye LLC; Agroplaza LLC; Stepove LLC; Dzherelo LLC; Kolosyste LLC.

Non-controlling interests in KSG Energy Group LTD, Parisifia LTD and Abbondanza SA are deemed immaterial.

7. Adoption of New or Revised Standards and Interpretations

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2018:

- **Amendments to IAS 7***: Disclosure Initiative* The amended IAS 7 requires disclosure of a reconciliation of movements in liabilities arising from financing activities.

- ***Amendments to IAS 12:*** Recognition of Deferred Tax Assets for Unrealised Losses The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The above amendment did not have any significant impact on the Group's financial statements.

- ***Annual Improvements to IFRS Standards 2014-2016 Cycle*** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 and 1 January 2018);

- ***IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);

- ***IFRIC 23 Uncertainty over Income Tax Treatments*** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);

- ***Annual Improvements to IFRS Standards 2015-2017 Cycle*** *(issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).*

(All amounts in USD thousand, unless otherwise stated)

8. Property, Plant and Equipment

Movement of property, plant and equipment for the year ended 31 December 2018 and 2017 was as follows:

	Buildings	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
At 1 January 2017					
Cost	13,246	5,674	1,865	8,239	29,024
Accumulated depreciation	(4,171)	(4,261)	(1,519)	-	(9,951)
Carrying amount as at 1 January 2017	**9,075**	**1,413**	**346**	**8,239**	**19,073**
Additions	391	510	165	73	1,139
Disposals	-	(57)	(1)	(20)	(78)
Transfers	2,043	1,099	3,466	(6,088)	-
Depreciation charge	(923)	(427)	(112)	-	(1,462)
Exchange difference, cost	(542)	(258)	(248)	86	(962)
Exchange difference, depreciation	178	156	53	-	387
Carrying amount as at 31 December 2017	**10,222**	**2,436**	**3,669**	**1,770**	**18,097**
At 31 December 2017					
Cost	15,138	6,968	5,247	1,770	29,123
Accumulated depreciation	(4,916)	(4,532)	(1,578)	-	(11,026)
Carrying amount as at 31 December 2017	**10,222**	**2,436**	**3,669**	**1,770**	**18,097**
Additions	343	370	177	407	1,297
Disposals	(1)	(318)	(47)	(42)	(409)
Transfers	-	-	-	-	-
Depreciation charge	(871)	(333)	(59)	-	(1,263)
Exchange difference, cost	201	94	69	18	383
Exchange difference, depreciation	(52)	(56)	(21)	-	(129)
Carrying amount as at 31 December 2018 (unaudited)	**9,842**	**2,193**	**3,788**	**2,153**	**17,976**
At 31 December 2018					
Cost	15,681	7,114	5,446	2,153	30,394
Accumulated depreciation	(5,839)	(4,921)	(1,658)	-	(12,418)
Carrying amount as at 31 December 2018 (unaudited)	**9,842**	**2,193**	**3,788**	**2,153**	**17,976**

No borrowing costs were capitalised on the construction of the pig-breeding complex during 2017 and 2018.

For details on property, plant and equipment pledged to secure bank loans refer to Note 16.

(All amounts in USD thousand, unless otherwise stated)

9. Inventories and Agricultural Produce

	31 December 2018 (unaudited)	31 December 2017
Agricultural produce	3,225	513
Work in progress	1,640	549
Semi-finished goods	798	455
Agricultural stock	223	288
Raw materials	317	207
Goods for resale	59	97
Finished goods	142	164
Fuel	52	30
Other	176	29
Total inventories and agricultural produce	**6,632**	**2,332**

Finished products consist mainly of livestock mixed fodder used for pig breeding. Semi-finished products are processed pork products sold to final consumers. Work in progress is accumulated expenses related to land cultivation for sowing of spring crops (fuel, fertilisers, irrigation, payroll, depreciation and amortisation). Agricultural stocks represent inventories used in crops sowing process (seeds, fertilisers, weed killers, chemical products and crop protection products). Agricultural produce consists of own produced wheat, sunflower, barley, rapeseed, corn and sorghum used in future sales or in the Group's operational activity.

10. Biological Assets

	31 December 2018 (unaudited)		31 December 2017	
	Units	**Amount**	**Units**	**Amount**
Non-current biological assets (livestock)				
Cattle	-	-	334	189
Sows	5,044	22,163	4,841	22,261
Boars	38	5	27	7
	Area, ha	**Amount**	**Area, ha**	**Amount**
Non-current biological assets (crops)				
Other perennial grasses	-	-	33	101
Total non-current biological assets		**22,168**		**22,558**

	31 December 2018 (unaudited)		31 December 2017	
Current biological assets (livestock)	**Units**	**Amount**	**Units**	**Amount**
Cattle	-	-	278	91
Pigs	47,426	2,211	53,493	3,194
Current biological assets (crops)	**Area, ha**	**Amount**	**Area, ha**	**Amount**
Wheat	8,296	2,223	6,351	1,899
Barley	2,309	566	951	92
Rapeseed	2,490	1,056	4,055	2,384
Sunflower	59	24	101	41
Other	36	139	-	-
Total current biological assets		**6,219**		**7,701**
Total biological assets		**28,387**		**30,259**

The total area of agricultural land used by the Group as at 31 December 2018 is approximately 27 thousand hectares, including approximately 13 thousand hectares under winter crops (2017: 30 thousand hectares, including approximately 11.4 thousand hectares under winter crops).

Significant quantity of Danish breed pigs (recorded as non-current biological assets) was purchased in April 2013 in order to produce piglets of given breed and to sell them in live weight.

(All amounts in USD thousand, unless otherwise stated)

For details on biological assets pledged to secure bank loans refer to Note 16.

The following table represents the changes during the years in the carrying amounts of non-current and current biological assets:

	Crops	Livestock	Total
Carrying amount as at 01 January 2017	**1,984**	**24,351**	**26,335**
Purchases	-	34	34
Investments into future crops and livestock	7,104	9,787	16,891
Sales	-	(10,963)	(10,963)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	6,640	3,026	9,666
Harvested during the period	(10,801)	-	(10,801)
Disposals of subsidiaries	(172)	-	(172)
Loss from dead crops	(19)	-	(19)
Exchange differences	(219)	(493)	(712)
Carrying amount as at 31 December 2017	**4,517**	**25,742**	**30,259**
Purchases	-	-	-
Investments into future crops and livestock	9,566	11,492	21,058
Sales	-	(13,871)	(13,871)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	(3,197)	633	(2,564)
Harvested during the period	(6,950)	-	(6,950)
Disposals of subsidiaries	-	-	-
Exchange differences	72	383	455
Carrying amount as at 31 December 2018 (unaudited)	**4,008**	**24,379**	**28,387**

Other costs incurred on crops in the field mostly consist of services of land processing and cultivation, harvesting and transportation.

Costs incurred during the period ended 31 December 2018 on crops in the field and livestock were as follows:

	Crops	Livestock	Total
Raw materials	4,853	9,089	13,942
Land lease expenses	957	-	957
Staff costs	276	353	629
Depreciation and amortisation	315	1,651	1,966
Other	3,165	399	3,564
Total costs incurred during the period (unaudited)	**9,566**	**11,492**	**21,058**

Costs incurred during the period ended 31 December 2017 on crops in the field and livestock were as follows:

	Crops	Livestock	Total
Raw materials	3,261	8,381	11,642
Land lease expenses	1,139	-	1,139
Staff costs	371	328	699
Depreciation and amortisation	227	996	1,223
Other	2,106	82	2,188
Total costs incurred during the period	**7,104**	**9,787**	**16,891**

(All amounts in USD thousand, unless otherwise stated)

Gain on initial recognition at fair value and net change in fair value of biological assets for the years ended 31 December 2018 and 2017 were as follows:

	2018 (unaudited)	2017
Crops in the field	(3,279)	3,668
Agricultural produced at the date of harvesting	6,758	2,972
Sows	(433)	1,198
Livestock husbandry	2,491	1,797
Dairy cows	-	31
Total gain on initial recognition at fair value and net change in fair value of biological assets	**5,537**	**9,666**

Description fair value as of 31 December 2018 evaluation method unattended inputs range of unobserved inputs:

Description	Fair value as at 31 December 2018 (unaudited)	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in the field - Winter wheat	2,223	Discounted cash flows	Crop yield - tonnes per hectare	2.71
			Crops price, USD	169 per tonne
			Discount rate	16.33%
Crops in the field - Winter barley	566	Discounted cash flows	Crop yield - tonnes per hectare	2.34
			Crops price, USD	178 per tonne
			Discount rate	16.33%
Crops in the field - Winter rapeseed	1,056	Discounted cash flows	Crop yield - tonnes per hectare	1.69
			Crops price, USD	381 per tonne
			Discount rate	16.33%
Sows	22,163	Discounted cash flows	Piglets production, heads (average)	120,978 per year
			Price, USD	1,324 – 1,844 per tonne
			Discount rate	16.33%
Pigs	2,211	Market Price	Meat price, USD	1,324 per tonne

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

	Effect on fair value of biological assets
10 % increase in price for meat	234
10 % decrease in price for meat	(234)
10 % increase in prices for crops	575
10 % decrease in prices for crops	(575)
10 % increase in yield for crops	575
10 % decrease in yield for crops	(575)
10 % increase in production costs until harvest	(512)
10 % decrease in production costs until harvest	512
5 pp increase in discount rate	(6,078)
5 pp decrease in discount rate	12,945

(All amounts in USD thousand, unless otherwise stated)

Agricultural produced crops harvested during the years ended 31 December 2018 and 2017 were presented in bunker weight as follows:

Crop harvested	2018 (unaudited) in tonnes	2017 in tonnes
Wheat	18,839	19,667
Barley	3,136	5,173
Rapeseed	5,754	790
Sunflower	23,452	18,413
Corn	1,017	1,659
Total	**52,197**	**45,702**

11. Cash, Cash Equivalents and Term Deposits

	31 December 2018 (unaudited)	31 December 2017
Cash in bank / (Overdraft)	269	760
Total cash and cash equivalents	**269**	**760**
Term deposits	-	534
Total deposits	**-**	**534**

Cash and cash equivalents and term deposits were denominated in the following currencies:

	31 December 2018 (unaudited)		31 December 2017	
	Cash in bank / (overdraft)	Term deposits	Cash in bank / (overdraft)	Term deposits
UAH	247	-	681	534
EUR	54	-	7	-
USD	(37)	-	67	-
PLN	3	-	3	-
CHF	2	-	2	-
Total	**269**	**-**	**760**	**534**

For details on deposits pledged to secure bank loans refer to Note 16.

12. Trade and Other Accounts Receivable

	31 December 2018 (unaudited)	31 December 2017
Trade accounts receivable	7,250	4,754
Less: provision for trade accounts receivable	(3,059)	(2,417)
Loans issued	4,308	2,983
Less: provision for loans issued	(456)	(481)
Other financial receivables	3,422	3,181
Less: provision for other financial receivables	(2,538)	(2,449)
Total financial trade and other receivables	**8,927**	**5,571**
Advances issued	482	742
Less: provision for advances issued	(298)	(116)
Total trade and other accounts receivable	**9,111**	**6,197**

(All amounts in USD thousand, unless otherwise stated)

Loans issued represent interest-free loans and are repayable within twelve months.

As at 31 December 2018 and 2017, most financial receivables were denominated in UAH, for details refer to section Currency risk in Note 28.

The fair value of each class of trade and other receivables as at 31 December 2018 and 2017 approximates their carrying amount as at these dates.

For details on receivables pledged to secure bank loans refer to Note 16.

Movement in the impairment for trade and other receivables were as follows:

	Trade receivables	**Other receivables**	**Loans issued**	**Advances issued**
Impairment at 31 December 2016	**1,824**	**1,542**	**350**	**116**
Impairment for the year	686	1,008	150	4
Exchange differences	(93)	(101)	(19)	(4)
Impairment at 31 December 2017	**2,417**	**2,449**	**481**	**116**
Adjustment on initial application of IFRS 9	455	319	124	-
Impairment at 1 January 2018	**2,872**	**2,768**	**605**	**116**
Impairment for the year	222	(189)	(139)	205
Exchange differences	(35)	(41)	(10)	(23)
Impairment at 31 December 2018 (unaudited)	**3,059**	**2,538**	**456**	**298**

Analysis by credit quality of financial receivables is as follows:

	31 December 2018 (unaudited)			**31 December 2017**		
	Trade receivables	**Loans issued**	**Other receivables**	**Trade receivables**	**Loans issued**	**Other receivables**
Neither past due nor impaired						
- Related parties	-	-	-	-	-	-
Total neither past due nor impaired	**-**	**-**	**-**	**-**	**-**	**-**
Total overdue						
- less than 90 days overdue	1,406	266	142	904	2,271	16
- 91 to 180 days overdue	1,363	1,255	18	1,150	69	219
- 181 to 360 days overdue	423	397	411	287	162	497
- over 360 days overdue	4,058	2,390	2,851	2,413	481	2,449
Total overdue	**7,250**	**4,308**	**3,422**	**4,754**	**2,983**	**3,181**
Less: provision for impairment	(3,059)	(456)	(2,538)	(2,417)	(481)	(2,449)
Total trade and other receivables	**4,191**	**3,852**	**884**	**2,337**	**2,502**	**732**

Related parties are private companies controlled by the majority shareholder of the Group.

Not overdue accounts receivable from related parties were mainly presented by the amounts due from entities under common control (refer to Note 27). Thus, management believes that all accounts receivable are recoverable in full amounts. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13. Taxes recoverable and prepaid, government grants received

	31 December 2018 (unaudited)	31 December 2017
VAT recoverable	255	-
Other taxes receivable	34	-
Total taxes recoverable and prepaid	**289**	**-**

The Ukrainian legislation provides for a number of different grants and tax benefits for companies involved in agricultural operations. The below mentioned grants and similar privileges are established by Verkhovna Rada (the Parliament) of Ukraine, as well as by the Ministry of Agrarian Policy of Ukraine, the Ministry of Finance of Ukraine, the State Committee of Water Industry, the customs authorities and local district administrations.

Government grants recognised by the Group as income during the years ended 31 December 2018 and 2017 were presented by VAT refunds amounting to USD 13 thousand and USD 350 thousand, respectively.

14. Share Capital and Share Premium

As of 31 December 2018 and 2017, the registered share capital of KSG AGRO S.A. amounted to USD 150,200 and comprised of 15 020 thousand ordinary shares with a par value of USD 0.01 each. All issued shares were fully paid.

In thousands of USD, except number of shares	Number of shares	Ordinary shares	Share premium	Total
At 1 January 2017	**15,020,000**	**150**	**37,254**	**37,404**
Share issue	-	-	-	-
At 31 December 2017	**15,020,000**	**150**	**37,254**	**37,404**
Changes in Equity	-	-	-	-
At 31 December 2018 (unaudited)	**15,020,000**	**150**	**37,254**	**37,404**

Earnings per share calculation

Basic earnings per share were calculated through dividing net profit for the year attributable to ordinary shareholders of the parent company, by the average-weighted number of common shares outstanding during the year. Diluted earnings per share are calculated through dividing the net profit attributable to ordinary shareholders of the parent company (after adjustments to interest on convertible preference shares), by the average-weighted number common shares outstanding during the year plus the average-weighted number of common shares to be issued in case of the conversion of all potential common shares with dilutive effect.

Information about earnings and number of shares used when calculating basic and diluted earnings per share is as follows:

In thousands of USD, except number of shares	(unaudited) 2017	2016
Profit for the year attributable to owners of the Company – basic	143	358
Profit/(loss) from discontinued operations attributable to ordinary shareholders of the Company	-	-
Interest on convertible preference shares	-	-
Profit for the year attributable to owners of the Company – diluted	143	358
Weighted-average number of shares in issue – basic	**15,020,000**	**15,020,000**
Dilutive effect	-	-
Stock option	-	-
Convertible preference shares	-	-
Weighted-average number of shares in issue – diluted	**15,020,000**	**15,020,000**
Basic earnings per share, USD	**0.01**	**0.02**
Diluted earnings per share, USD	**0.01**	**0.02**

(All amounts in USD thousand, unless otherwise stated)

15. Loans and Borrowings

	31 December 2018 (unaudited)	31 December 2017
Non-current		
Financial lease liabilities	98	52
Bank loans	20,369	22,479
Total non-current loans and borrowings	**20,467**	**22,531**
Current		
Financial lease liabilities	70	28
Bank loans	23,807	24,631
Total current loans and borrowings	**23,877**	**24,659**

As at 31 December 2018 and 2017, the Group's loans and borrowings were denominated in the following currencies:

	31 December 2018 (unaudited)	31 December 2017
Borrowings denominated in:		
- USD	26,949	29,552
- UAH	168	80
- EUR	17,227	17,558
Total loans and borrowings	**44,344**	**47,190**

The Group was not in compliance with repayment terms with respect to a loan of USD 9,998 thousand as at 31 December 2018 (2017: USD 10,308 thousand). Consequently, the non-current loan, which contractually matured in 2021, was classified as current and payable on demand.

The Group also had overdue balances with PJSC Credit Agricole, who sued several of the Group's entities (Note 27). In January 2018, the liability was purchased from the bank by a third party and restructured for 30 years (Note 32). The amount of debt oustanding as at 31 December 2018 was USD 3,920 thousand (2017: USD 3,861 thousand).

In February 2017, the Group signed restructuring agreements on loans with Big Dutchman Pig Equipment that were overdue as at 1 January 2017 (principal USD 4,174 thousand, interest USD 535 thousand, repayable within 10 years).

In October 2018, the Group has signed a settlement and release agreement with US EXIM bank in relation to its loan in the total amount, including interest, of USD 3,393 thousand as of September 2018 whereby the Group would pay USD 1,119 thousand through December 2018 and January 2019 to settle the debt in full. As at the date these financial statements are being issued, the Group is renegotiating terms of this agreement as it failed to pay the remaining amount by the end of January 2019.

The Group's loans and borrowings obtained by Ukrainian and Cypriot subsidiaries are carried at amortised cost. Different interest rates for such loans and borrowings are defined by market conditions based on country and currency risks by independent banks and borrowers. Loan obtained from a related party with fixed interest rate has the equal interest rate as non-related banks with flexible interest rates obtained by Cypriot subsidiary (in range from 1.1% up to 3.4% and based on official LIBOR and EURIBOR rates). Loans obtained by Ukrainian subsidiaries have close range of fixed interest rates from 8% up to 11%. Management made an assessment of the fair value of bank and other borrowings as at 31 December 2018 and 2017. Fair value of the Group's bank and other borrowings with a carrying amount as at 31 December 2017 of USD 47,110 thousand amounted to USD 46,553 thousand. Carrying amount of bank and other borrowings as at 31 December 2018 approximate their fair value.

(All amounts in USD thousand, unless otherwise stated)

As at 31 December 2018 and 2017, maturity of the Group's loans and borrowings was as follows:

	31 December 2018 (unaudited)	**31 December 2017**
Loans and borrowings due:		
- within 1 year	23,807	24,659
- between 1 and over 5 years	20,369	22,531
Total borrowings	**44,176**	**47,190**

The Group's loans and borrowings consisted of the following categories:

	31 December 2018 (unaudited)	**31 December 2017**
Bank loans	24,235	27,461
Loan from related party	10,363	10,363
Interest payable	6,065	5,773
Accrued provision	3,513	3,513
Financial lease liabilities	168	80
Total bank and other loans	**44,344**	**47,190**

Accrued provision relates to a loan from Cambio bank, which was substituted by a liability to individuals. As a result of the crisis in Ukraine, in 2015, several Ukrainian banks have been forced to start the liquidation process. In order to ensure repayment due to bank depositors it was decided to sign three side agreements with borrower (the Group), bank (Cambio Bank PJSC) and individuals. As a result, the liability was presented in the financial statements as bank loans in the total amount of USD 3,513 thousand. During 2017 and 2018 there were no changes in the amount of the loan due to the absence of changes in the conditions of this liability. The Group is in the process of setting up terms of restructuring and payments with these individuals.

Loan from a related party, Olbis Investments SA, (Note 27) with principal as at 31 December 2018 and 2017 of USD 10,363 thousand and interest as at 31 December 2018 of USD 3,553 thousand (2017: interest of USD 3,242 thousand) will be payable in 2026 based on the transfer agreement from ICD Investments SA to Olbis Investments SA signed in November 2016.

Movement in bank loans during the period related to:

	2018 (unaudited)	**2017**
Carrying amount as at 1 January	**47,110**	**45,176**
Loan received	150	6,499
Loan repaid	(1,064)	(7,134)
Interest accrued	1,514	2,202
Interest paid	(657)	(1,627)
Gain on restructuring	(2,338)	-
Exchange differences	(539)	1,994
Carrying amount as at 31 December	**44,176**	**47,110**

The carrying value of the Groups' assets pledged as collateral for the Group's bank loans is as follows:

	31 December 2018 (unaudited)	**31 December 2017**
Property, plant and equipment	554	692
Biological assets	276	280
Total carrying amount of collateral	**830**	**972**

(All amounts in USD thousand, unless otherwise stated)

16. Trade and Other Accounts Payable

	31 December 2018 (unaudited)	31 December 2017
Trade payables	11,483	5,990
Financial assistance received	4,677	6,198
Land lease payables	798	697
Other accounts payable	3,074	509
Total financial trade and other payables	**20,032**	**13,394**
Prepayments received	1,215	2,228
Litigation reserve	1,386	-
Wages and salaries accrued	59	90
Total trade and other payables	**22,692**	**15,712**

Accounts payable and prepayments received are interest-free and settled in the normal course of business. Financial assistance received consists of amounts received from counterparties for activity financing with maturity of less than one year and free of interest. Majority of these balances relates to trading activity with agricultural produce.

17. Promissory notes issued

	31 December 2018 (unaudited)	31 December 2017
Short-term promissory notes issued	1,339	1,384
Total promissory notes issued	**1,339**	**1,384**

Short-term promissory notes issued are carried at amortised cost.

18. Revenue

	2018 (unaudited)	2017
Sale of agricultural produced and processed food	23,285	21,838
Rendering of services	1,476	1,349
Total revenue	**24,761**	**23,187**

19. Cost of Sales

	2018 (unaudited)	2017
Cost of agricultural produced and processed food	25,530	20,128
Cost of rendered services	2,344	1,084
Total cost of sales	**27,874**	**21,212**

Components of cost of sales were as follows:	2018 (unaudited)	2017
Incurred costs	18,028	17,865
Revaluation effects	9,846	3,347
Total cost of sales	**27,874**	**21,212**

(All amounts in USD thousand, unless otherwise stated)

20. Selling, General and Administrative Expenses

	2018 (unaudited)	2017
Wages and salaries	255	321
Informational, expert and consulting services	113	140
Transport services	120	128
Crops storage services	83	106
Depreciation and amortisation	96	97
Taxes, other than income tax	52	74
Bank services	32	50
Fuel and other materials	27	35
Other expenses	567	536
Total selling, general and administrative expenses	**1,345**	**1,487**

21. Other operating income

For the years ended 31 December 2018 and 2017 other operating income of the Group was USD 336 thousand and USD 735 thousand, respectively. During 2018 the most significant element of other operating income was the writte-off of payables in the amount of USD 163 thousand. During 2017 the most significant element of other operating income was write-off of payables in the amount of USD 586 thousand.

22. Other Expenses and Impairment (gain)/loss on financial receivables

	2018 (unaudited)	2017
Impairment (gain)/loss on financial receivables	(106)	1,844
Impairment of advances issued and other receivables	205	839
Loss on litigation reserve	1,220	-
Inventory write-off	530	1,196
VAT written off	351	169
Fines and penalties	166	395
Write-off cost of crop production and loss of harvest	-	19
Loss of current's assets sales	-	15
Total other expenses	**2,366**	**4,477**

For the year ended 31 December 2017, impairment of advances issued and other receivables includes impairment of long-term promissory notes in full amount.

23. Finance Income and Expenses

	2018 (unaudited)	2017
Finance income		
Interest income	17	138
Other finance income	2,462	533
Total finance income	**2,479**	**671**
Finance expenses		
Interest expense on bank loans	(1,514)	(2,114)
Other finance expenses	(91)	(27)
Total finance expenses	**(1,605)**	**(2,141)**

(All amounts in USD thousand, unless otherwise stated)

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

	2018 (unaudited)	**2017**
Foreign currency exchange gain	2,685	2,908
Foreign currency exchange loss	(2,297)	(7,307)
Net amount	**361**	**(4,399)**

25. Income Tax

The majority of the Group's operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates. The majority of the Group companies that are involved in agricultural production pay the Fixed Agricultural Tax ("FAT") in accordance with the Tax Code of Ukraine.

FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty and Trade Patent. FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognised on the income statement within cost of sales.

During 2017 and 2018, Ukrainian subsidiaries that were Corporate Income Tax ("CIT") payers were subject to income tax at a rate of 18%.

26. Operating Segments

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO reviews internal management reports on at least quarterly basis. The operation in each of the Group's reporting segments are:

- *Crop production.* Crop production is the core business of the Group. It is generally focused on production of sunflower, wheat, barley, coleseed (rape), soybeans and other crops, such as corn, triticale, pea, and buckwheat. The main factors affecting the crop production segment are climatic conditions, land quality, plant nutrition and moisture levels in the arable land.

- *Food Processing.* Established relationships with retail chains provide the Group with opportunities to sell groceries and meat products. Currently the Group produces flour, sunflower oil, packaged crops, macaroni and meat products such as sausages and meat delicates and supplies to retail chains.

- *Livestock breeding.* A segment which deals with pigs breeding and sale of respective livestock (cattle). Basic assets for sale in this segment are pigs in live weight

- *Other operations.* This operating segment includes fruit and vegetable production; the production of fuel pellets and the thermal energy; rendering of services to third parties.While this segment does not currently meet the threshold requiring separate segment disclosure, management believes it useful to distinguish this segment in its reporting.

Performance is measured based on segment profit or loss, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group's segments relative to other entities that operate within these industries.

Cost of sales allocated into other operations segment includes the cost of overall production cycle of the whole Group activity and thus the cost of sales allocated to that segment can be split into other segments if to be reviewed under a different point of interest.

Items which are not disclosed separately in segment income and expenses are as follows: Government grant received, Gain/(loss) on acquisition/(disposal) of subsidiaries/assets held for sale, Other operating income, Selling, general and administrative expenses, Other operating expenses, Finance income, Finance expenses, Loss on share purchase warrant and Income tax benefit.

(All amounts in USD thousand, unless otherwise stated)

Information about operating segments for 2018 is as follows:

(unaudited)	**Crop production**	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
Revenue, including:					
- sales of goods	11,007	4,582	7,300	396	23,285
- rendering of services	-	-	-	1,476	1,476
Revenue from external customers	**11,007**	**4,582**	**7,300**	**1,872**	**24,761**
Change in fair value of biological assets less estimated point-of-sale costs	3,479	-	2,058	-	5,537
Cost of sales	(13,618)	(4,308)	(7,753)	(2,195)	(27,874)
Segment profit/(loss)	**868**	**274**	**1,605**	**(323)**	**2,424**
Government grant received					13
Selling, general and administrative expenses					(1,345)
Other operating income / (expense), net					336
Operating profit					**1,428**
Finance income					2,479
Finance expenses					(1,605)
Foreign currency exchange gain/(loss), net					361
Other expenses					(2,403)
Profit before tax					**260**
Income tax benefit					50
Profit for the period					**310**

Information about operating segments for 2017 is as follows:

	Crop production	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
Revenue, including:	8,363	5,007	7,717	2,100	23,187
- sales of goods	8,363	5,007	7,717	751	21,838
- rendering of services	-	-	-	1,349	1,349
Revenue from external customers	**8,363**	**5,007**	**7,717**	**2,100**	**23,187**
Change in fair value of biological assets less estimated point-of-sale costs	6,641	-	3,025	-	9,666
Cost of sales	(7,655)	(4,702)	(5,879)	(2,976)	(21,212)
Segment profit/(loss)	**7,349**	**305**	**4,863**	**876**	**11,641**
Government grant received					350
Selling, general and administrative expenses					(1,487)
Other operating income / (expense), net					735
Operating profit					**11,239**
Finance income					671
Finance expenses					(2,141)
Foreign currency exchange gain/(loss), net					(4,399)
Other expenses					(4,533)
Profit before tax					**837**
Income tax expense					58
Profit for the period					**895**

Breakdown of revenue by geographical segments is based on the domicile of the customers and is as follows:

	2018 (unaudited)	**2017**
Ukraine	24,761	21,013
Europe	-	2,174
Total revenue	**24,761**	**23,187**

(All amounts in USD thousand, unless otherwise stated)

Seasonality of operations

Crop production segment, due to seasonality and implications of IAS 41, in the first half of the year mainly reflects the sales of carried forward agricultural produce and effect of biological assets revaluation, while during the second half of the year it reflects sales of crops and effect of revaluation of agricultural produce harvested during the year. Also, crop production segment has seasonal requirements for working capital increase during November-May, to undertake land preparation work.

Food processing segment, pigs' breeding as well as other operations segment are not significantly exposed to the seasonal fluctuations.

27. Related Parties

Significant related party balances outstanding at the reporting dates are:

	31 December 2018 (unaudited)		**31 December 2017**	
	Parent and owners	**Entities under common control**	**Parent and owners**	**Entities under common control**
Assets				
Trade and other accounts receivable	-	380	-	121
Other financial receivables	-	24	-	389
Loans issued	-	22	-	12
Advances issued	-	5	-	13
Liabilities				
Loans	10,363	-	10,363	-
Interest payable	3,553	-	3,242	-
Financial assistance received	-	956	-	1,061
Trade and other accounts payable	27	95	27	87

Entities under common control are companies controlled by majority shareholder – Sergiy Kasianov.

28. Risk management policies

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated statement of financial position and as summarised below:

	2018 (unaudited)	**2017**
Financial assets		
Term deposits	-	534
Trade and other accounts receivable	8,927	5,571
Cash and cash equivalents	269	760
Total financial assets	**9,196**	**6,865**
Financial liabilities		
Trade and other accounts payable	20,032	13,394
Loans and borrowings	44,344	47,190
Promissory notes issued	1,339	1,384
Total financial liabilities	**65,715**	**61,968**

(All amounts in USD thousand, unless otherwise stated)

Credit risk concentration. The Group is exposed to the concentration of credit risk. Management monitors and discloses concentrations of credit risk by obtaining monthly reports with exposures to counterparties with individually material balances.

As of 31 December 2018, the Group had 8 counterparties (31 December 2017: 8 counterparties) with aggregated receivable balances above USD 150 thousand (2017: USD 150 thousand) each. The total aggregate amount of these balances was USD 6,014 thousand (31 December 2017: USD 4,016 thousand) or 66% of the net amount of trade and other receivables (31 December 2017: 88%).

Market risk. The Group takes an exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

The Group does not have significant interest-bearing financial assets. Loans and borrowings issued at variable interest rates expose the Group to the interest rate risk. Loans and borrowings issued at fixed rates expose the Group to the fair value risk.

The sensitivities to market risks disclosed below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Interest rate risk. Risk of changes in interest rate is generally related to interest-bearing loans. Loans issued at variable rates expose the Group to cash flow interest rate risk. Loans issued at fixed rates expose the Group to fair value interest rate risk. The Group is currently developing its policy on structure of fixed and variable rates loan portfolio. The Group's management analyses market interest rates to minimize interest rate risk.

Currency risk. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the Group management who monitors monthly rolling forecasts of the Group's cash flows.

The Group primary manages business risks and does not have formalised policies and procedures for managing financial risks.

29. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to Group's access to capital markets.

	31 December 2018 (unaudited)	**31 December 2017**
Total amount of borrowings	45,683	48,574
Less: cash and cash equivalents	(269)	(760)
Net debt	45,414	47,814
Total capital	(5,440)	(5,587)
Debt to capital ratio	**(8,348)%**	**(8,558)%**

The Group is currently developing its capital management policy. Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes of its operating environment, market sentiment or its development strategy.

30. Events after the Reporting Period

In March 2019 the Group agreed to sell its 100% share in Goncharovo Agricultural LLC to a third party for cash consideration of USD 404 thousand

In October 2018, the Group has signed a settlement and release agreement with US EXIM bank in relation to its loan in the total amount, including interest, of USD 3,393 thousand as of September 2018 whereby the Group would pay USD 1,119 thousand through December 2018 and January 2019 to settle the debt in full. As at the date these financial statements are being issued, the Group is renegotiating terms of this agreement as it failed to pay the remaining amount by the end of January 2019.

In accordance with the decisions taken by the Group and Big Dutchman Pig Equipment, the Group's debt to Big Dutchman Pig Equipment under the loan agreement was restructured. The parties recognised that total debt prior to restructuring amounted to EUR 4,765 thousand, including EUR 3,960 thousand of principal and EUR 805 thousand of interest accrued. Decisions on restructuring imply a reduction in the amount of debt to Big Dutchman Pig Equipment to EUR 1,030 thousand, which will be repaid starting from 31 July 2019.

There were no other material subsequent events.