

IMC S.A. and its subsidiaries

**Condensed consolidated interim financial statements
For the six months ended 30 June 2019**

CONTENTS

	Pages
Statement of Management responsibilities	3
Management statement	4
Single management report	5
Condensed consolidated interim financial statements For the six months ended 30 June 2019	
Condensed consolidated interim statement of comprehensive income	10
Condensed consolidated interim statement of financial position	11
Condensed consolidated interim statement of changes in equity	12
Condensed consolidated interim statement of cash flows	13
Notes to the Condensed consolidated interim financial statements	15

Management statement

This statement is provided to confirm that, to the best of our knowledge, the Condensed consolidated interim financial statements for the six months ended 30 June 2019, and the comparable information, have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the European Union and give a true, fair and clear view of Group's assets, financial standing and net results, and that the directors' report on the operations truly reflects the development, achievements and position of the Group, including a description of the key risk factors and threats.

On behalf of the Management:

Chief Executive Officer ALEX LISSITSA signed

Chief Financial Officer DMYTRO MARTYNIUK signed

Single management report

1. Operational and Financial Results
2. Selected Financial Data

1. Operational and Financial Results

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

(in thousand USD)

	Notes	For the six months ended		Change in %
		30 June 2019	30 June 2018	
CONTINUING OPERATIONS				
Revenue	6	96 004	63 110	52%
Gain from changes in fair value of biological assets and agricultural produce, net	7	46 106	44 081	5%
Cost of sales	8	(90 461)	(65 693)	38%
GROSS PROFIT		51 649	41 498	24%
Administrative expenses	9	(5 894)	(5 899)	0%
Selling and distribution expenses	10	(12 088)	(6 040)	100%
Other operating income	11	2 024	1 309	55%
Other operating expenses	12	(2 581)	(2 869)	-10%
Write-offs of property, plant and equipment		(626)	(1 022)	-39%
OPERATING PROFIT		32 484	26 977	20%
Financial expenses, net	15	(1 912)	(2 634)	-27%
Effect of lease of right-of-use assets	19	(3 325)	-	100%
Effect of additional return	29	(1 276)	(1 851)	-31%
Foreign currency exchange gain/(loss), net	16	2 324	2 367	-2%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		28 295	24 859	14%
Income tax expenses, net	17	(713)	(530)	34%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		27 582	24 329	13%

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

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

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

(in thousand USD)

	For the six months ended		Change in %
	30 June 2019	30 June 2018	
CONTINUING OPERATIONS			
Net profit for the period	27 582	24 329	
Write-offs of property, plant and equipment	626	1 022	
Foreign currency exchange (loss)/gain, net	(2 324)	(2 367)	
Non recurring items:			
Effect of additional return	1 276	1 851	
Normalised Net profit	27 160	24 835	9%

IMC S.A. AND ITS SUBSIDIARIES
Condensed consolidated interim financial statements



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

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

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

(in thousand USD)

	For the six months ended		Change in %
	30 June 2019	30 June 2018	
CONTINUING OPERATIONS			
Net profit for the period	27 582	24 329	
Write-offs of property, plant and equipment	626	1 022	
Foreign currency exchange (loss)/gain, net	(2 324)	(2 367)	
Financial expenses, net	1 912	2 634	
Effect of lease of right-of-use assets	3 325	-	
Income tax expenses, net	713	530	
Non recurring items:			
Effect of additional return	1 276	1 851	
Normalised EBIT	33 110	27 999	18%

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

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

(in thousand USD)

	For the six months ended		Change in %
	30 June 2019	30 June 2018	
CONTINUING OPERATIONS			
Net profit for the period	27 582	24 329	
Write-offs of property, plant and equipment	626	1 022	
Foreign currency exchange (loss)/gain, net	(2 324)	(2 367)	
Financial expenses, net	1 912	2 634	
Effect of lease of right-of-use assets	3 325	-	
Income tax expenses, net	713	530	
Depreciation and amortization	9 182	6 556	
Non recurring items:			
Effect of additional return	1 276	1 851	
Normalised EBITDA	42 292	34 555	22%

Company's Normalised EBITDA increased in Y2019 in comparison with Y2018 as a result of increased sales due to high yields in Y2018. Changes in accounting rules of IFRS 16 also had an impact.

IMC S.A. AND ITS SUBSIDIARIES
Condensed consolidated interim financial statements



Revenue

The Company's revenue from sales of finished products increased by 53% in Y2019 in comparison with previous period.

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

(in thousand USD)

	For the six months ended		Change in %
	30 June 2019	30 June 2018	
Corn	91 657	57 573	59%
Soy beans	2 145	1 700	26%
Milk	728	657	11%
Sunflower	131	501	-74%
Cattle	69	84	-18%
Wheat	5	2	127%
Potatoes	-	900	-100%
Other	889	1 264	-30%
	95 624	62 681	53%

The most significant portion of the Company's revenue comes from selling corn, which represented 95,9% in Y2019 and 91,9% in Y2018 of total revenue.

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

(in thousand USD)

	For the six months ended	
	30 June 2019	30 June 2018
Corn		
Sales of produced corn (in tonnes)	548 638	351 851
Realization price (U.S. \$ per ton)	167	164
Revenue from produced corn (U.S. \$ in thousands)	91 657	57 573
Wheat		
Sales of produced wheat (in tonnes)	28	21
Realization price (U.S. \$ per ton)	161	104
Revenue from produced wheat (U.S. \$ in thousands)	5	2
Soy beans		
Sales of produced soy beans (in tonnes)	6 429	4 219
Realization price (U.S. \$ per ton)	334	403
Revenue from produced soy beans (U.S. \$ in thousands)	2 145	1 700
Sunflower		
Sales of produced sunflower (in tonnes)	426	1 344
Realization price (U.S. \$ per ton)	306	373
Revenue from produced sunflower (U.S. \$ in thousands)	131	501
Potatoes		
Sales of produced potatoes (in tonnes)	0	8 290
Realization price (U.S. \$ per ton)	0	109
Revenue from produced potatoes (U.S. \$ in thousands)	0	900
Other (produced only)		
Total sales volume (in tonnes)	7 617	13 149
Total revenues (U.S. \$ in thousands)	889	1 264
Total sales volume (in tonnes)	563 138	378 874
Total revenue from sale of crops (U.S. \$ in thousands)	94 827	61 940

IMC S.A. AND ITS SUBSIDIARIES
Condensed consolidated interim financial statements



Revenue relating to sales of corn increased by 59% to USD 91,7 million in current period from USD 57,6 million in previous period as a result of increase in volume of sales due to high yields in Y2018.

Revenue relating to sales of soy beans increased by 26% to USD 2,1 million in current period from USD 1,7 million in previous period, due to an increase in sales volume (tonnes) in 2019.

Revenues relating to sales of potatoes decreased in current period by 100% due to termination of potato cultivation in Y2018.

Cost of sales

The Company's cost of sales changed to USD 90,5 million in current period from USD 65,7 million in previous period. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

	For the six months ended		
	30 June 2019	30 June 2018	Change in %
(in thousand USD)			
Raw materials	(80 717)	(59 265)	36%
Change in inventories and work-in-progress	9 239	14 196	-35%
Depreciation and amortization	(8 253)	(5 372)	54%
Wages and salaries of operating personnel and related charges	(5 365)	(4 034)	33%
Fuel and energy supply	(3 122)	(3 569)	-13%
Third parties' services	(871)	(1 045)	-17%
Repairs and maintenance	(585)	(604)	-3%
Rent	(520)	(5 851)	-91%
Taxes and other statutory charges	(218)	(112)	94%
Other expenses	(49)	(37)	32%
	(90 461)	(65 693)	38%

Increase in cost of sales was due to increase in sales volume in current period.

Gross profit/(loss)

The Company's gross profit increased to USD 51,6 million in current period from USD 41,5 million of gross loss in previous period. In relative terms, the revenue increased by 52% and cost of sales increased by 38%.

Selling and distribution expenses

Selling and distribution expenses increased year-on-year to USD 12,1 million in current period from USD 6,0 million in previous period, reflecting an increase in sales volume and delivery costs in 2019.

Other operating income

The Company's other operating income increased to USD 2,0 million in current period from USD 1,3 million in previous period due to receiving of income from penalties.

Financial expenses, net

Financial expenses, net decrease to USD 1,9 million in current period from USD 2,6 million in previous period. This decrease reflected the repayment of loans and borrowings in recent years.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
CONTINUING OPERATIONS			
Revenue	6	96 004	63 110
Gain from changes in fair value of biological assets and agricultural produce, net	7	46 106	44 081
Cost of sales	8	(90 461)	(65 693)
GROSS PROFIT		51 649	41 498
Administrative expenses	9	(5 894)	(5 899)
Selling and distribution expenses	10	(12 088)	(6 040)
Other operating income	11	2 024	1 309
Other operating expenses	12	(2 581)	(2 869)
Write-offs of property, plant and equipment		(626)	(1 022)
OPERATING PROFIT		32 484	26 977
Financial expenses, net	15	(1 912)	(2 634)
Effect of lease of right-of-use assets	19	(3 325)	-
Effect of additional return	29	(1 276)	(1 851)
Foreign currency exchange gain/(loss), net	16	2 324	2 367
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		28 295	24 859
Income tax expenses, net	17	(713)	(530)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		27 582	24 329
Net profit/(loss) for the period attributable to:			
Owners of the parent company		27 813	24 462
Non-controlling interests		(231)	(133)
Weighted average number of shares		33 178 000	33 178 000
Basic loss per ordinary share (in USD)		0,83	0,73
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Effect of foreign currency translation		8 602	9 914
Items that will not be reclassified to profit or loss			
Deferred tax charged directly to amortization of revaluation reserve		96	137
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		8 698	10 051
TOTAL COMPREHENSIVE PROFIT/(LOSS)		36 280	34 380
Comprehensive income/(loss) attributable to:			
Owners of the parent company		36 487	34 481
Non-controlling interests		(207)	(101)

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(in thousand USD, unless otherwise stated)

	Note	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
ASSETS				
Non-current assets				
Property, plant and equipment	18	75 468	72 648	84 296
Right-of-use assets	19	86 511	-	-
Intangible assets	20	1 978	2 099	2 539
Non-current biological assets	21	2 179	1 857	1 809
Prepayments for property, plant and equipment	22	82	566	674
Total non-current assets		166 218	77 170	89 318
Current assets				
Inventories	23	9 378	101 578	10 221
Current biological assets	24	123 000	7 983	113 223
Trade accounts receivable, net	25	262	459	739
Prepayments and other current assets, net	26	13 741	7 096	11 994
Prepayments for income tax		8	-	5
Cash and cash equivalents	28	22 137	3 920	15 428
Total current assets		168 526	121 036	151 610
TOTAL ASSETS		334 744	198 206	240 928
LIABILITIES AND EQUITY				
Equity attributable to the owners of parent company				
Share capital	29	59	59	59
Share premium		29 512	29 512	29 512
Revaluation reserve		44 231	48 603	53 513
Retained earnings		205 103	172 822	177 764
Effect of foreign currency translation		(122 175)	(130 753)	(122 818)
Total equity attributable to the owners of parent company		156 730	120 243	138 030
Non-controlling interests		220	427	388
Total equity		156 950	120 670	138 418
Non-current liabilities				
Deferred tax liabilities	31	3 013	3 027	3 314
Long-term loans and borrowings	32	11 319	15 789	21 526
Long-term lease liabilities as to right-of-use assets	19	79 484	-	-
Total non-current liabilities		93 816	18 816	24 840
Current liabilities				
Current portion of long-term borrowings	31	14 957	14 467	13 925
Current portion of long-term lease liabilities as to right-of-use assets	19	8 842	-	-
Short-term loans and borrowings	32	27 538	28 500	27 000
Trade accounts payable	33	28 708	3 049	28 476
Other current liabilities and accrued expenses	34	3 933	12 704	8 269
Total current liabilities		83 978	58 720	77 670
Total liabilities		177 794	77 536	102 510
TOTAL LIABILITIES AND EQUITY		334 744	198 206	240 928

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(in thousand USD, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Effect of foreign currency translation	Total	Non-controlling interests	Total equity
31 December 2017 (audited)	59	29 512	58 825	147 853	(132 700)	103 549	489	104 038
Comprehensive income/(loss) for the year								
Profit/(loss) for the period	-	-	-	24 462	-	24 462	(133)	24 329
Amortization of revaluation reserve	-	-	(5 449)	5 449	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	137	-	-	137	-	137
Other comprehensive income	-	-	-	-	9 882	9 882	32	9 914
Total comprehensive profit/(loss)	-	-	(5 312)	29 911	9 882	34 481	(101)	34 380
30 June 2018 (unaudited)	59	29 512	53 513	177 764	(122 818)	138 030	388	138 418
31 December 2018 (audited)	59	29 512	48 603	172 822	(130 753)	120 243	427	120 670
Comprehensive income/(loss) for the year								
Profit/(loss) for the period	-	-	-	27 813	-	27 813	(231)	27 582
Amortization of revaluation reserve	-	-	(4 468)	4 468	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	96	-	-	96	-	96
Other comprehensive income	-	-	-	-	8 578	8 578	24	8 602
Total comprehensive profit/(loss)	-	-	(4 372)	32 281	8 578	36 487	(207)	36 280
30 June 2019 (unaudited)	59	29 512	44 231	205 103	(122 175)	156 730	220	156 950

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax from continuing operations		28 295	24 859
Adjusted to reconcile loss before tax with net cash used in operating activities:			
Gain from changes in fair value of biological assets and agricultural produce, net	7	(46 106)	(44 081)
Disposal of revaluation of biological assets and agricultural produce in the cost of sales, net	8	40 834	22 713
Depreciation and amortization	13	9 179	6 556
Effect of lease of right-of-use assets		3 325	-
Interest expenses and other financial expenses	15	2 147	2 735
Foreign currency exchange loss/(gain), net		(2 090)	(3 017)
Loss on disposal of property, plant and equipment	12	1 277	960
Effect of additional return		1 276	1 851
Deferred expenses on options		851	851
Write-offs of property, plant and equipment		626	1 022
Gain on recovery of assets previously written off	11	(288)	(1 221)
Interest income	15	(236)	(101)
Accruals for unused vacations		84	(4)
Lost crops	12	69	418
Write-offs of VAT	12	43	1
Shortages and losses due to impairment of inventories	12	37	123
Income from write-offs of accounts payable	11	(11)	(15)
Income from the exchange of property certificates	11	(4)	(18)
Gain on disposal of inventories	11	(4)	(9)
Allowance for doubtful accounts receivable	12	2	115
Cash flows from operating activities before changes in working capital		39 306	13 738
Changes in trade accounts receivable		151	145
Changes in prepayments and other current assets		(4 654)	204
Changes in inventories		54 713	33 930
Changes in current biological assets		(65 713)	(50 863)
Changes in trade accounts payable		24 770	26 531
Changes in other current liabilities and accrued expenses		(6 499)	65
Cash flows from operations		42 074	23 750
Interest paid		(5 557)	(2 335)
Income tax paid		(797)	(499)
Net cash flows from operating activities		35 720	20 916

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2019

(in thousand USD, unless otherwise stated)

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(5 862)	(4 109)
Purchase of intangible assets		(14)	(16)
Proceeds from disposal of property, plant and equipment		1 222	188
Net cash flows from investing activities		(4 654)	(3 937)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term and short-term borrowings		11 274	6 408
Repayment of long-term and short-term borrowings		(21 856)	(10 154)
Net cash flows from financing activities		(10 582)	(3 746)
NET CASH FLOWS		20 484	13 233
Cash and cash equivalents as at the beginning of the period	28	3 920	6 092
Effect of translation into presentation currency		(2 267)	(3 897)
Cash and cash equivalents as at the end of the period	28	22 137	15 428

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

1. Description of formation and business

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

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

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

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

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

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

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

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

In August 2011 trading company Aristo Eurotrading was formed.

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

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

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

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

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

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

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

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

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

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

In May 2016 Ukragrosouz KSM Ltd was joined to Burat-Agro Ltd.

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

In December 2016 Bluerice Limited left the Group.

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

In June 2019 trading company Aristo Eurotrading HK Limited was formed.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

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

Operating entity	Principal activity	Country of registration	Year established/ acquired	Cumulative ownership ratio, %	
				30 June 2019	30 June 2018
IMC S.A.	Holding company	Luxembourg	28.12.2010	100	100
Burat-Agro Ltd.	Agricultural and farming production	Ukraine	31.12.2007	100	100
Burat Ltd.	Grain elevator	Ukraine	31.12.2007	100	100
Chernihiv Industrial Milk Company Ltd.	Agricultural and farming production	Ukraine	31.12.2007	100	100
PrJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	31.12.2007	87,56	87,56
PrJSC Mlibor	Grain elevator	Ukraine	31.05.2008	72,85	72,85
Unigrain Holding Limited	Subholding company	Cyprus	02.06.2009	100	100
Aristo Eurotrading Limited	Trading company	British Virgin Islands	30.08.2011	100	100
PrJSC "Vyryvske HPP"	Grain elevator	Ukraine	28.12.2011	80,61	80,61
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100	100
Agroprogress PE	Agricultural and farming production	Ukraine	28.12.2012	100	100
Bobrovitsky Hlebzavod Ltd	Bakery production	Ukraine	28.12.2012	100	100
PrJSC "Bobrovitske HPP"	Grain elevator	Ukraine	28.12.2012	92,83	92,83
Nosovsky Saharny Zavod Ltd	Storage facilities	Ukraine	28.12.2012	100	100
Negoce Agricole S.a r.l.	Trading company	Luxembourg	19.11.2013	100	100
AgroKIM Ltd.	Agricultural and farming production, grain elevator	Ukraine	30.12.2013	100	100
Aristo Eurotrading HK Limited	Trading company	Hong Kong	21.06.2019	100	-

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

The Group controls 127,8 thousand ha (123,9 thousand ha under processing of high quality arable land). As at 30 June 2019 the Group operates in three segments: crop farming, dairy farming, elevators and warehouses.

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

The Group's Condensed consolidated interim financial statements are public and available at:

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

Stock information about the Company (company code name on WSE: IMCOMPANY (LU0607203980)):

<https://www.gpw.pl/company-factsheet?isin=LU0607203980>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

2. Basis of preparation of the Condensed consolidated interim financial statements

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and as adopted by the European Union. The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2018.

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

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

Going concern

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

Basis of measurement

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

The Group’s management has decided to present and measure these condensed consolidated interim financial statements in United States Dollars (“USD”) for the purposes of convenience of users of these financial statements.

Use of estimates

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

Foreign currency translation

Functional and presentation currency

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

These condensed consolidated interim financial statements are presented in the thousands of United States Dollars (“USD”), unless otherwise indicated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

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

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

Currency	30 June 2019	Average for the six months ended 30 June 2019	31 December 2018	30 June 2018	Average for the six months ended 30 June 2018	31 December 2017
UAH/USD	26,166382	26,93158	27,688264	26,18917	26,74622	28,067223
EUR/USD	1,14	1,13	1,15	1,17	1,21	1,19

Translation into presentation currency

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

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

Principles of consolidation

Subsidiaries

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

3. Summary of significant accounting policies

Property, plant and equipment

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

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

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

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

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

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

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

Property, plant and equipment or their essential component are written-off in a case of their disposal or if future economic benefits from use or disposal of such asset are not expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the other incomes (expenses) in the statement of comprehensive income when the asset is derecognized.

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

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

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

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

Land is not depreciated.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Intangible assets

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income in other income (expenses) when the asset is derecognized.

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

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

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

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

Impairment of property, plant and equipment and intangible assets

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

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

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

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Biological assets

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

- Biological assets of plant-breeding
The capitalized expenses include all the direct costs and overhead costs related to the farming division. Such costs may include the following costs: raw materials (seeds, mineral fertilizers, fuel and other materials), wages and salaries expenses of production personnel and related charges, amortization and depreciation, land lease expenses and other taxes, third parties' services and other expenses related to the cultivation and harvesting of biological assets of plant-breeding.
- Biological assets of animal-breeding
The capitalized expenses include all the direct costs and overhead costs related to the livestock breeding. The types of costs that are capitalized in the current biological assets of animal breeding are the following: fodder, means of protection of animals and artificial insemination, fuel and other materials, wages and salaries expenses of production personnel and related charges, amortization and depreciation, third parties' services and other expenses related to the current biological assets of animal breeding.

All expenses related to the non-current biological assets of cattle breeding are included into the cost of milk. Respectively the Note of non-current biological assets does not include any capitalized costs.

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

Agricultural produce

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

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

Inventories

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

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

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

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

The cost of inventories is assigned by using FIFO method.

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Financial assets

All regular way purchases or sales of financial assets are recognized on a trade date basis.

All recognized financial assets are measured subsequently in their entirety at their amortised cost or fair value, depending on the classification of the financial assets.

The Group's financial assets include cash and cash equivalents, trade and other accounts receivable and are classified as Financial assets at amortised cost.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group recognises a loss allowance for expected credit losses on financial assets and updates the allowance at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of comprehensive income.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

The Group's financial liabilities include trade and other payables, loans and borrowings, which are classified as Financial liabilities at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discount estimated future cash payments (including all fees and points or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognises a financial liability only when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the sum of the consideration paid and payable is recognised in consolidated statement of comprehensive income.

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

Prepayments and other non-financial assets

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

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

An option on Management Incentive Plan is classified as deferred expenses in the amount of exceeding of quoted share price under subscription price with impact on share premium in equity. The deferred expenses are recognized as expenses of the period in the line Wages and salaries of administrative personnel and related charges during the term of exercising of the option.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash in hand, call deposits.

Leases

Applicable before 1 January 2019

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

- **Group as a lessee**

Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are classified as finance leases. Assets held under finance lease are included in property, plant and equipment since the commencement of lease at the lower of the fair value of leased property and present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of comprehensive income.

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

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Applicable after 1 January 2019

Refer to Note 5 – IFRS 16 Leases.

Taxation

- **Income tax**

Income tax expense represents the amount of the tax currently payable and deferred tax.

Income tax expenses are recorded as expenses or income in the statement of comprehensive income, except when they relate to items directly attributable to other comprehensive income (in which case the amount of tax is taken to other comprehensive income), or when they arise at initial recognition of company acquisition.

- i. **Current income tax**

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

- ii. **Deferred income tax**

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

- **Single tax 4th group (previously Fixed agricultural tax)**

According to effective legislation, the Ukrainian consolidated companies of the Group involved in production, processing and sale of agricultural products may opt for paying single tax 4th group in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The single tax 4th group is assessed at 0,95% on the deemed value of the land plots owned or leased by the entity (0,95% in 2018). As at 30 June 2019, 5 of the companies comprising the Group were elected to pay single tax 4th group (2018: 5).

- **Value added tax (VAT)**

VAT output equals to the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statement of financial position.

- **Other taxes payable**

Other taxes payable comprise liabilities for taxes other than above, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

Government grants

The Ukrainian legislation provides various benefits and grants for companies engaged in agriculture. Such benefits and grants are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance and local authorities. The Group recognizes this type of benefits upon the receipt of funds as other operating income in the statement of comprehensive income.

Provisions

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

Contingent assets and liabilities

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

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

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

Share capital

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Dividends

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

Share based payment

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

Earnings per share

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

Income from the exchange of property certificates

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

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. According to the new standard a five-step model is established to account for revenue from contracts with customers.

The Group performed an analysis of five-step model as follows - the Group is in the business of crops cultivation, dairy farming and providing storage and processing services. Crops and services are sold on their own in separate identified contracts with customers. So the sale of crops and dairy farming products or providing of services is the only performance obligation in contracts with customers. The contracts do not contain any variable considerations or warranty obligations. The Group receives only short-term advances from its clients and they are presented as a part of Other current liabilities and accrued expenses.

Therefore, the Group recognizes revenue as follows:

- Sales of goods
Revenue from sales of goods is recognised at the point of transfer of all risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The Group uses standardised INCOTERMS which define the point of risks and reward transfers.
- Rendering of services
Revenue from rendering services is recognized at the moment of transfer to the customer control over the product or service.

Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Investment income resulting from temporary investment of received borrowing costs, until their expensing for the purchase of capital construction objects, shall be deducted from the cost of raising borrowing costs that may be capitalized.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

4. Critical accounting estimates and judgments

The preparation of the Group's condensed consolidated interim financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

Fair value of property, plant and equipment

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

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

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

The cost approach involves the definition of present value of costs of reconstruction or replacement of the assessment item with their further adjustment by the depreciation (impairment) amount. Based on the application of this approach, the fair value of certain items of property, plant and equipment is determined in the amount of the replacement of these items. The cost plus method is adjusted by the income method data, which is based on the discounted cash flow model.

This model is most sensitive to the discount rate, as well as to the expected cash flows and growth rates used for the extrapolation purposes. Judgments of the Group in determining the indices used in the appraisers' calculations may have a significant effect on the determination of fair value of property, plant and equipment, and hence on their carrying amount.

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

Useful lives of property, plant and equipment

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

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

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

There were not any changes in accounting estimates of remaining useful lives of items of property, plant and equipment in Y2019.

Impairment of property, plant and equipment and intangible assets

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Fair value of acquisition of subsidiaries

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

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

Fair value of biological assets

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

The fair value of current biological assets of cattle-breeding is measured using market prices as at reporting date. The fair value is determined based on market prices of milk, milk yields and discount rate.

Fair value of agricultural produce

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

Inventories

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

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

At the reporting date the item Work-in-progress includes expenses on works connected with preparation of the lands for the future harvest obtained from the biological assets of plant growing. The cost of work in progress includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity). Costs allocation to Work-in-progress includes a number of judgments of management based on the recommendations of scientific sources and agronomic calculations of the internal services of the Group.

Inventories as at the year-end are an estimate resulting in a surplus/decrease in inventories when stock take is performed in subsequent year.

Inventory balances at the reporting dates are confirmed by inventories. But the amount of grain at the elevators and the method of its storage do not allow weighing of the whole grain at the time of the inventory. Therefore, enterprises use other methods for determining the amount of grain at the elevator.

The method consists in the following:

- there is passport data of the volume of silo storage tanks
- the commission inventories each tank and determines the volume filled with grain
- there is an indicator "nature of grain", i.e. its weight in 1l
- the volume of grain is multiplied by its nature and the amount of grain in kg is obtained

But in fact, deviations are possible due to permissible errors in grain moisture, which resulting in a surplus/decrease in inventories when stock take is performed in subsequent year during the cleaning the elevator.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Fair value of financial instruments

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Provision for expected credit losses

The Group uses a provision matrix to calculate expected credit losses for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of non-financial assets

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

Taxation

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

In December 2010, the revised Tax Code of Ukraine was officially published. The Group considers that it operates in compliance with tax laws of Ukraine.

Starting from 1 September 2013, Ukrainian legislation implemented new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions with related parties. In accordance with the new rules, the tax authorities obtain additional tools with the help of which they may claim that prices or profitability in transactions with related parties different from arm's length transactions. The Group's transfer pricing practice is built in accordance with requirements of transfer pricing legislation.

Legal proceedings

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

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

Operating environment

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

5. New and amended standards and interpretations

Applying of new standards

IFRS 16 Leases

IFRS 16 was issued in January 2016. IFRS 16 is effective for the annual periods beginning on or after 1 January 2019.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance as at 1 January 2019:

	As reported 31 December 2018	Impact of IFRS 16	As adjusted 1 January 2019
ASSETS			
Non-current assets			
Right-of-use assets	-	84 524	84 524
Prepayments for property, plant and equipment	566	(468)	98
	566	84 056	84 622
TOTAL ASSETS	566	84 056	84 622
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term lease liabilities as to right-of-use assets	-	78 238	78 238
	-	78 238	78 238
Current liabilities			
Current portion of long-term lease liabilities as to right-of-use assets	-	8 235	8 235
Other current liabilities and accrued expenses	12 704	(2 417)	10 287
	12 704	5 818	18 522
TOTAL LIABILITIES AND EQUITY	12 704	84 056	96 760

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying assets is of low value.

Lease liabilities as to right-of-use assets were measured at the present value of the remaining lease payments, discounted using the Group's average borrowing rate as at 1 January 2019 – 7,6%:

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	134 111
Discounted using the borrowing rate of 7,6%	84 524
Adjusted on a difference in treatment of liability and advances for land lease	1 949
Recognised lease liabilities as to right-of-use assets	86 473

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 31 December 2018.

The following changes in presentation of the condensed consolidated interim statement of comprehensive income took place:

- In 2018 reporting period land lease expenses were included in Cost of sales as Rent, in 2019 – one part was included in Cost of Sales as Depreciation and amortization and other part was recognised as Effect of lease of right-of-use assets.
- In 2018 reporting period office rent expenses were included in Administrative expenses as 'Third parties' services, in 2019 – one part was included in Administrative expenses as Depreciation and amortization and other part was recognised as Effect of lease of right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

The following changes in presentation of the condensed consolidated interim statement of cash flow:

- In 2018 reporting period rent expenses were not included to adjustments for Cash flows from operating activities before changes in working capital. Rent payments were included in Cash flows from operating activities as Cash flows from operations.
- In 2019 reporting period lease expenses adjusted Cash flows from operating activities before changes in working capital as Depreciation and amortization and as Effect of lease of right-of-use assets. Payments were divided into Interest paid in Cash flows from operating activities and Repayment of long-term and short-term borrowings in Cash flows from financing activities.

Adoption of IFRS 16 has no impact on the Group's finance leases.

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

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

Standards and Interpretations	Effective for annual period beginning on or after
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
IFRIC Interpretation 23: Uncertainty over Income Tax Treatment	1 January 2019
Annual improvements to IFRS 2015-2017 Cycle	1 January 2019

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

6. Revenue

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
Revenue from sales of finished products	a	95 624	62 681
Revenue from services rendered	b	380	429
		96 004	63 110

Disaggregation of revenue from contracts with customers

The Group presented disaggregated revenue based on the type of finished products (a) and services provided to customers (b), the type of customers (c) and the timing of transfer of goods and services (d).

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

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	Unaudited	Unaudited
Corn	91 657	57 573
Soy beans	2 145	1 700
Milk	728	657
Sunflower	131	501
Cattle	69	84
Wheat	5	2
Potatoes	-	900
Other	889	1 264
	95 624	62 681

b) Revenue from services rendered was as follows:

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	Unaudited	Unaudited
Transport	100	94
Storage	59	105
Processing	51	53
Drying	4	105
Other	166	72
	380	429

c) Revenue by the type of customers was as follows:

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	Unaudited	Unaudited
Non-residential buyer	93 772	57 608
Ukrainian buyer	2 232	5 502
	96 004	63 110

d) Finished products and services transferred to customers at a point in time.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
Current biological assets	24	45 940	44 743
Non-current biological assets	21	166	(737)
Agricultural produce	24	-	75
		46 106	44 081

8. Cost of sales

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
Raw materials	a	(80 717)	(59 265)
Change in inventories and work-in-progress	b	9 239	14 196
Depreciation and amortization	13	(8 253)	(5 372)
Wages and salaries of operating personnel and related charges	14	(5 365)	(4 034)
Fuel and energy supply		(3 122)	(3 569)
Third parties' services		(871)	(1 045)
Repairs and maintenance		(585)	(604)
Rent		(520)	(5 851)
Taxes and other statutory charges		(218)	(112)
Other expenses		(49)	(37)
		(90 461)	(65 693)

a) Raw materials for the six months ended 30 June 2019 includes disposal of the gain recorded on initial recognition of realized agriculture produce and biological assets (both of current and non-current) in the amount of USD 40 834 thousand (USD 22 713 thousand for the six months ended 30 June 2018).

b) Change in inventories and work-in-progress comprises changes in work-in-progress, agricultural produce and current biological assets.

9. Administrative expenses

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
Wages and salaries of administrative personnel and related charges	14	(4 515)	(4 638)
Professional services	a	(215)	(221)
Bank services		(206)	(150)
Depreciation and amortisation	13	(218)	(156)
Third parties' services		(135)	(175)
Transport expenses		(113)	(128)
Repairs and maintenance		(99)	(109)
Other expenses		(393)	(322)
		(5 894)	(5 899)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

10. Selling and distribution expenses

	Note	<u>For the six months ended 30 June 2019</u>	<u>For the six months ended 30 June 2018</u>
		Unaudited	Unaudited
Delivery costs		(11 602)	(5 674)
Depreciation	13	(128)	(131)
Wages and salaries of sales personnel and related charges	14	(112)	(107)
Other expenses		(246)	(128)
		<u>(12 088)</u>	<u>(6 040)</u>

11. Other operating income

	Note	<u>For the six months ended 30 June 2019</u>	<u>For the six months ended 30 June 2018</u>
		Unaudited	Unaudited
Gain on recovery of assets previously written off		288	1 221
Gain on disposal of inventories		4	9
Income from the exchange of property certificates		4	18
Income from write-offs of accounts payable		11	15
Other income	a	1 717	46
		<u>2 024</u>	<u>1 309</u>

a) Other income comprises an amount USD 1 598 thousand of penalty received due to terms of the corn sale contracts.

12. Other operating expenses

	Note	<u>For the six months ended 30 June 2019</u>	<u>For the six months ended 30 June 2018</u>
		Unaudited	Unaudited
Loss on disposal of property, plant and equipment		(1 277)	(960)
Depreciation	13	(580)	(878)
Charity		(258)	(176)
Lost crops		(69)	(418)
Shortages and losses due to impairment of inventories		(37)	(123)
Wages and salaries of non-operating personnel and related charges	14	(54)	(50)
Write-offs of VAT		(43)	(1)
Allowance for doubtful accounts receivable	27	(2)	(115)
Other expenses		(261)	(148)
		<u>(2 581)</u>	<u>(2 869)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

13. Depreciation and amortisation

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
Depreciation			
Cost of sales	8	(3 879)	(4 949)
Other operating expenses	12	(580)	(878)
Administrative expenses	9	(143)	(155)
Selling and distribution expenses	10	(128)	(131)
Depreciation as a part of article "Lost crops"		(20)	(19)
		(4 750)	(6 132)
Amortisation			
Cost of sales	8	(4 354)	(423)
Administrative expenses	9	(75)	(1)
		(4 429)	(424)
		(9 179)	(6 556)

14. Wages and salaries expenses

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	Unaudited	Unaudited
Wages and salaries	(8 572)	(7 633)
Related charges	(1 474)	(1 196)
	(10 046)	(8 829)
The average number of employees, persons	2 086	2 378
Remuneration of management	1 417	1 680

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

Note	For the six months ended 30 June 2019		For the six months ended 30 June 2018		
	Unaudited		Unaudited		
	Wages and salaries and related charges, thousand USD	Average number of employees, persons	Wages and salaries and related charges, thousand USD	Average number of employees, persons	
Operating personnel	8	(5 365)	1 490	(4 034)	1 701
Administrative personnel	9	(4 515)	576	(4 638)	654
Sales personnel	10	(112)	18	(107)	20
Non-operating personnel	12	(54)	2	(50)	3
		(10 046)	2 086	(8 829)	2 378

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

15. Financial expenses, net

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	Unaudited	Unaudited
Interest income on bank deposits	236	101
Interest expenses on loans and borrowings	(2 084)	(2 665)
Other expenses	(64)	(70)
	(1 912)	(2 634)

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

Foreign currency exchange gain/(loss), net remained almost unchanged. UAH had 5,5% of revaluation as at 30 June 2019 in comparison with 6,7% of revaluation as at 30 June 2018.

17. Income tax expenses

The corporate income tax rate for the six months ended 30 June 2019 was: 18% in Ukraine, 12,5% in Cyprus, 18% in Luxemburg.

The components of income tax expenses were as follows:

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	Unaudited	Unaudited
Current income tax	(802)	(505)
Deferred tax	89	(25)
Income tax benefit (expenses) reported in the statement of comprehensive income	(713)	(530)

Consolidated statement of other comprehensive income

Deferred tax related to item charged or credit directly to other comprehensive income during year:

Net gain on revaluation of property, plant and equipment	96	137
--	----	-----

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

18. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
INITIAL COST						
31 December 2017 (audited)	56 736	40 919	22 941	586	1 543	122 725
Additions	156	2 861	1 025	60	757	4 859
Disposals	(2 195)	(1 696)	(629)	(10)	-	(4 530)
Transfer	-	2	-	5	(7)	-
Effect from translation into presentation currency	4 019	2 952	1 654	43	127	8 795
30 June 2018 (unaudited)	58 716	45 038	24 991	684	2 420	131 849
31 December 2018 (audited)	53 807	42 696	21 976	686	983	120 148
Additions	668	2 545	3 246	50	14	6 523
Disposals	(1 044)	(5 267)	(1 103)	(7)	-	(7 421)
Transfer	424	397	-	9	(830)	-
Effect from translation into presentation currency	3 123	2 408	1 345	42	33	6 951
30 June 2019 (unaudited)	56 978	42 779	25 464	780	200	126 201
ACCUMULATED DEPRECIATION						
31 December 2017 (audited)	(11 196)	(17 107)	(11 925)	(549)	-	(40 777)
Depreciation for the period	(1 406)	(2 910)	(1 775)	(41)	-	(6 132)
Disposals	766	1 129	455	10	-	2 360
Effect from translation into presentation currency	(816)	(1 265)	(883)	(40)	-	(3 004)
30 June 2018 (unaudited)	(12 652)	(20 153)	(14 128)	(620)	-	(47 553)
31 December 2018 (audited)	(11 974)	(21 293)	(13 607)	(626)	-	(47 500)
Depreciation for the period	(1 169)	(2 253)	(1 297)	(31)	-	(4 750)
Disposals	421	3 006	863	7	-	4 297
Effect from translation into presentation currency	(719)	(1 218)	(805)	(38)	-	(2 780)
30 June 2019 (unaudited)	(13 441)	(21 758)	(14 846)	(688)	-	(50 733)
Net book value						
31 December 2017 (audited)	45 540	23 812	11 016	37	1 543	81 948
30 June 2018 (unaudited)	46 064	24 885	10 863	64	2 420	84 296
31 December 2018 (audited)	41 833	21 403	8 369	60	983	72 648
30 June 2019 (unaudited)	43 537	21 021	10 618	92	200	75 468

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

19. Right-of-use assets

Amounts recognised in the consolidated statements of financial position:

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Right-of-use assets			
Land	86 243	-	-
Office	268	-	-
	86 511	-	-
Lease liabilities as to right-of-use assets			
Long-term	79 484	-	-
Current portion	8 842	-	-
	88 326	-	-

Amounts recognised in the consolidated statements of comprehensive income:

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
		Unaudited	Unaudited
Amortisation of right-of-use assets			
Land	8	(4 106)	-
Office	9	(74)	-
Effect of lease of right-of-use assets		(3 325)	-

Following changes took place in the right-of-use assets:

	Land	Office	Total
Deemed cost as at 1 January 2019 (unaudited)	84 199	325	84 524
Additions	1 334	-	1 334
Amortisation	(4 106)	(74)	(4 180)
Effect from translation into presentation currency	4 816	17	4 833
Cost as at 30 June 2019 (unaudited)	90 469	344	90 813
Accumulated amortisation as at 30 June 2019 (unaudited)	(4 226)	(76)	(4 302)
Net book value as at 30 June 2019 (unaudited)	86 243	268	86 511

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

20. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
INITIAL COST				
31 December 2017 (audited)	16	355	9 187	9 558
Additions	-	16	-	16
Disposals	-	(169)	-	(169)
Effect from translation into presentation currency	1	22	658	681
30 June 2018 (unaudited)	17	224	9 845	10 086
31 December 2018 (audited)				
	28	220	9 312	9 560
Additions	13	1	-	14
Effect from translation into presentation currency	2	13	540	555
30 June 2019 (unaudited)	43	234	9 852	10 129
ACCUMULATED DEPRECIATION				
31 December 2017 (audited)	(15)	(1)	(6 624)	(6 640)
Amortisation for the period	(1)	-	(423)	(424)
Effect from translation into presentation currency	-	-	(483)	(483)
30 June 2018 (unaudited)	(16)	(1)	(7 530)	(7 547)
31 December 2018 (audited)				
	(16)	(2)	(7 443)	(7 461)
Amortisation for the period	(1)	-	(248)	(249)
Effect from translation into presentation currency	-	-	(441)	(441)
30 June 2019 (unaudited)	(17)	(2)	(8 132)	(8 151)
NET BOOK VALUE				
31 December 2017 (audited)	1	354	2 563	2 918
30 June 2018 (unaudited)	1	223	2 315	2 539
31 December 2018 (audited)	12	218	1 869	2 099
30 June 2019 (unaudited)	26	232	1 720	1 978

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

21. Non-current biological assets

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Non-current biological assets - animal-breeding			
Cattle	2 150	1 830	1 795
Non-current biological assets - plant-breeding			
Perennial grasses	29	27	14
Total non-current biological assets	2 179	1 857	1 809

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

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Cattle			
Cattle, units	845	845	843
Live weight, kg	336 939	328 690	322 718
Book value	2 150	1 830	1 795

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

	Cattle
31 December 2017 (audited)	2 334
Transfer (from (to) current biological assets)	190
Change in fair value	(737)
Effect from translation into presentation currency	8
30 June 2018 (unaudited)	1 795
31 December 2018 (audited)	1 830
Transfer (from (to) current biological assets)	124
Change in fair value	166
Effect from translation into presentation currency	30
30 June 2019 (unaudited)	2 150

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

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Perennial grasses			
Area, ha	291	363	235
Book value	29	27	14

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

	Perennial grasses
31 December 2017 (audited)	9
Harvesting failure	6
Effect from translation into presentation currency	(1)
30 June 2018 (unaudited)	14
31 December 2018 (audited)	27
Capitalized expenses	1
Effect from translation into presentation currency	1
30 June 2019 (unaudited)	29

22. Prepayments for property, plant and equipment

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Prepayments for property, plant and equipment	82	566	674

23. Inventories

	Note	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
Agricultural materials		5 415	2 556	3 962
Agricultural produce	a	1 993	87 100	3 603
Fuel		769	892	915
Spare parts		667	509	1 027
Raw materials		229	324	374
Work-in-progress	b	224	10 129	250
Finished goods		6	11	7
Other inventories		75	57	83
		9 378	101 578	10 221

As at 30 June 2019 cost value of inventories amounts to USD 8 633 thousand (USD 60 858 thousand as at 31 December 2018, USD 8 888 thousand as at 30 June 2018).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Corn	1 571	83 721	3 017
Silage	227	288	192
Soya	83	2 676	106
Wheat	31	37	15
Hay	31	11	22
Sunflower	-	5	21
Potato	-	-	36
Other	50	362	194
	1 993	87 100	3 603

The fair value of agricultural produce was estimated based on market price as at date of harvest and is within level 3 of the fair value hierarchy.

b) Work-in-progress includes expenses on works connected with preparation of the lands for the future harvest obtained from the biological assets of plant growing. The cost of work in progress includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity).

24. Current biological assets

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Current biological assets of animal-breeding			
Cattle	1 007	920	1 107
Other	2	2	4
	1 009	922	1 111
Current biological assets of plant-breeding			
Corn	82 726	-	70 086
Sunflower	19 595	-	21 586
Wheat	11 429	7 031	10 621
Soya	7 781	-	9 476
Grasses	112	-	232
Other	348	30	111
Total current biological assets of plant-breeding	121 991	7 061	112 112
Total current biological assets	123 000	7 982	113 223

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Cattle			
Cattle, units	458	448	526
Live weight, kg	110 602	123 594	147 466
Book value	1 007	920	1 107
Other			
Number of animals, units	5	5	46
Live weight, kg	7 540	2 296	3 794
Book value	2	2	4
Total book value	1 009	922	1 111

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

	Cattle	Other	Total
31 December 2017 (audited)	1 635	3	1 638
Capitalized expenses	167	-	167
Transfer (from (to) non-current biological assets)	(190)	-	(190)
Sale	(444)	-	(444)
Slaughter	(66)	-	(66)
Change in fair value	(244)	1	(243)
Effect from translation into presentation currency	249	-	249
30 June 2018 (unaudited)	1 107	4	1 111
31 December 2018 (audited)	920	2	922
Capitalized expenses	169	-	169
Transfer (from (to) non-current biological assets)	(124)	-	(124)
Sale	(354)	-	(354)
Slaughter	(35)	-	(35)
Change in fair value	296	-	296
Effect from translation into presentation currency	135	-	135
30 June 2019 (unaudited)	1 007	2	1 009

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

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

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Corn			
Area, ha	69 583	-	68 421
Book value	82 726	-	70 086
Sunflower			
Area, ha	22 752	-	23 672
Book value	19 595	-	21 586
Wheat			
Area, ha	13 081	13 080	12 237
Book value	11 429	7 031	10 621
Soya			
Area, ha	10 773	-	10 701
Book value	7 781	-	9 476
Grasses			
Area, ha	377	-	658
Book value	112	-	232
Other			
Area, ha	552	103	209
Book value	348	30	111
Total book value	121 991	7 061	112 112

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

	Corn	Sunflower	Wheat	Soya	Grasses	Other	Total
31 December 2017 (audited)	7 577	-	6 067	-	32	34	13 710
Capitalized expenses (harvesting 2017)	553	-	-	-	-	-	553
Revaluation at fair value at the date of harvest (harvesting 2017)	75	-	-	-	-	-	75
Harvesting (harvesting 2017)	(8 577)	-	-	-	-	-	(8 577)
Harvest failure (harvesting 2017)	(1)	-	-	-	-	(32)	(33)
Capitalized expenses (harvesting 2018)	38 286	11 521	3 531	4 801	246	110	58 495
Harvesting (harvesting 2018)	-	-	-	-	(24)	-	(24)
Harvest failure (harvesting 2018)	(7)	(24)	(18)	(2)	-	(4)	(55)
Change in fair value (harvesting 2018)	30 347	9 639	520	4 480	-	-	44 986
Effect from translation into presentation currency	1 833	450	521	197	(22)	3	2 982
30 June 2018 (unaudited)	70 086	21 586	10 621	9 476	232	111	112 112
	Corn	Sunflower	Wheat	Soya	Grasses	Other	Total
31 December 2018 (audited)	-	-	7 031	-	-	30	7 061
Capitalized expenses (harvest 2019)	43 591	12 039	4 360	5 220	120	312	65 642
Harvesting (harvesting 2019)	-	-	-	-	-	-	-
Harvest failure (harvesting 2019)	-	-	-	-	-	(5)	(5)
Change in fair value (harvesting 2019)	36 789	7 000	(484)	2 339	-	-	45 644
Effect from translation into presentation currency	2 346	556	522	222	(8)	11	3 649
30 June 2019 (unaudited)	82 726	19 595	11 429	7 781	112	348	121 991

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy. There were no transfers between any levels during the six months ended 30 June 2019.

Description	Fair value as at 30 June 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in fields - corn	82 726	Cash flows	Crops yield - tonnes per hectare	9,4
			Crops price	per ton 155
Crops in fields - sunflower	19 595	Cash flows	Crops yield - tonnes per hectare	3,0
			Crops price	per ton 334
Crops in fields - wheat	11 429	Cash flows	Crops yield - tonnes per hectare	5,9
			Crops price	per ton 157
Crops in fields - soya	7 781	Cash flows	Crops yield - tonnes per hectare	2,9
			Crops price	per ton 310
Cattle	3 157	Discounted cash flows	Milk yield - kg per cow	7000-7600 per year
			Milk price	0,3 USD per liter
			Discount rate	21,84%

25. Trade accounts receivable, net

	Note	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
Trade accounts receivable		270	469	781
Allowances for accounts receivable	27	(8)	(10)	(42)
		262	459	739

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

	Total	Neither past due nor impaired	Past due, not impaired		
			Within 90 days	From 90 to 360 days	More than 1 year
30 June 2019 (unaudited)	262	190	71	-	1
31 December 2018 (audited)	459	389	55	-	15
30 June 2018 (unaudited)	739	667	72	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

26. Prepayments and other current assets, net

	Note	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
Prepayments and other non-financial assets:				
Deferred expenses		1 702	2 553	3 404
VAT for reimbursement		8 104	3 169	6 312
Advances to suppliers		2 647	578	602
Allowances for advances to suppliers	27	(8)	(3)	-
		12 445	6 297	10 318
Other financial assets:				
Non-bank accommodations interest free		226	242	300
Other accounts receivable		1 144	634	1 439
Allowances for other accounts receivable	27	(74)	(77)	(63)
		1 296	799	1 676
		13 741	7 096	11 994

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

27. Changes in allowances made

	Note	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
Allowances for trade accounts receivable	25	(8)	(10)	(42)
Allowances for advances to suppliers	26	(8)	(3)	-
Allowances for other accounts receivable	26	(74)	(77)	(63)
		(90)	(90)	(105)

The movements of the allowances were as follows:

	Note	For the six months ended 30 June 2019	For the six months ended 30 June 2018
As at the beginning of the period		(90)	(43)
Accrual	11	(2)	(115)
Use of allowances		3	55
Reverse of allowances		4	3
Effect from translation into presentation currency		(5)	(5)
As at the end of the period		(90)	(105)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

28. Cash and cash equivalents

	Currency	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
Cash in bank and hand	USD	1 279	3 382	438
Cash in bank and hand	UAH	3 800	532	1 311
Cash in bank and hand	EUR	17 041	1	13 670
Cash in bank and hand	PLN	17	5	7
		22 137	3 920	15 426

There were no restrictions on the use of cash and cash equivalents during the reporting periods.

29. Equity

Share capital

IMC S.A. has one class of ordinary shares. The number of authorized, issued and fully paid shares as at 30 June 2019 is 33 178 000 (as at 31 December 2018 – 33 178 000, as at 30 June 2018 – 33 178 000). All shares have equal voting rights. Par value of one share is USD 0,0018 (EUR 0,0018).

	30 June 2019		31 December 2018		30 June 2018	
	Unaudited		Audited		Unaudited	
	%	Amount	%	Amount	%	Amount
AGROVALLEY LIMITED	72	43	72	43	71	42
Other shareholders (each one less than 5% of the share capital)	28	16	28	16	29	17
	100	59	100	59	100	59

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

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Number of authorized, issued and fully paid shares		
As at the beginning of the period	33 178 000	33 178 000
Changes for the period	-	-
As at the end of the period	33 178 000	33 178 000

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

Share premium

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Revaluation reserve

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

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

Effect of foreign currency translation

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

Dividend policy

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

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

On 14 September 2018 the Company paid the interim dividend to the Company's shareholders for an aggregate amount of EUR 11 280 520 (EUR 0.34 per share).

Legal reserve

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

Management Incentive Plan

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

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

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

Options granted under the Plan are the following:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

30. Share purchase warrant

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

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

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

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

In September 2017 new terms of payment of additional return were agreed. In accordance with new terms the amount of additional return is USD 19 742 708 and should be paid in 5 portions starting September 2017 till June 2020. The amortized value of the loan instrument was regarded with effective interest rate of 20,76% (17,46% as at 30 June 2018).

31. Deferred tax assets and liabilities

The major components of deferred tax liabilities were as follows:

Deferred tax liabilities

	Property, plant and equipment
31 December 2017 (audited)	(3 198)
Considering profit (loss)	(25)
Considering equity	137
Effect of foreign currency translation	(228)
30 June 2018 (unaudited)	(3 314)
31 December 2018 (audited)	(3 027)
Considering profit (loss)	89
Considering equity	96
Effect of foreign currency translation	(171)
30 June 2019 (unaudited)	(3 013)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

32. Long-term loans and borrowings

	Currency	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
Secured				
Long-term bank loans	USD	26 258	29 889	34 994
Finance lease liabilities	UAH, USD	18	367	457
Total long-term loans including current portion		26 276	30 256	35 451
Current portion of long-term bank loans	USD	(14 939)	(14 110)	(13 485)
Current portion of finance lease liabilities	UAH, USD	(18)	(357)	(440)
Total current portion		(14 957)	(14 467)	(13 925)
Total long-term loans and borrowings		11 319	15 789	21 526

Essential terms of credit contracts

Creditor	Year of maturity	Currency	Nominal interest rate	30 June 2019 (unaudited)	
				Long-term liabilities	Including current portion
Non-resident bank*	2020	USD	6M Libor+8,00%	18 057	12 057
Ukrainian bank	2021	USD	6,00%	1 268	528
Ukrainian bank	2021	USD	4,75%	2 836	1 270
Ukrainian bank	2023	USD	5,00%	2 210	698
Ukrainian bank	2024	USD	4,90%	1 887	386
				26 258	14 939

Creditor	Year of maturity	Currency	Nominal interest rate	31 December 2018 (audited)	
				Long-term liabilities	Including current portion
Non-resident bank*	2020	USD	6M Libor+8,00%	25 782	12 919
Ukrainian bank	2021	USD	6,00%	1 552	496
Ukrainian bank	2023	USD	5,00%	2 555	695
				29 889	14 110

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

* Loan from non-resident bank consists of:

- Basic loan amount of USD 30 000 thousand with 6M Libor+8,00% interest rate;
- Additional return liabilities in the amount of USD 19 743 thousand payable in instalments till June 2020, interest free, discounted by 20,76% (as at 31 December 2016 - the amount of USD 21 000 thousand payable as of 19 December 2018, interest free, discounted by 17,46%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Long-term loans outstanding were repayable as follows:

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Within one year	14 939	14 110	13 485
In the second to fifth year inclusive	11 319	15 779	21 509
	26 258	29 889	34 994

The Group has committed to comply with loans covenants. As at 30 June 2019, 31 December 2018 and 30 June 2018 the Group was in compliance with all loans covenants.

Finance lease liabilities were presented as follows:

	30 June 2019 (unaudited)		31 December 2018 (audited)		30 June 2018 (unaudited)	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	19	18	369	357	477	440
In the second to fifth year inclusive	-	-	11	10	18	17
	19	18	380	367	495	457
Less future finance charges	(1)	-	(13)	-	(38)	-
Present value of minimum lease payments	18	18	367	367	457	457

33. Short-term loans and borrowings

	Currency	30 June 2019	31 December 2018	30 June 2018
		Unaudited	Audited	Unaudited
Secured				
Short-term bank loans	USD	27 538	28 500	27 000

Essential terms of credit contracts

Creditor	Currency	Nominal interest rate	30 June 2019 (unaudited)
Ukrainian bank	USD	5,00%	10 000
Ukrainian bank	USD	5,50%	5 538
Ukrainian bank	USD	5,25%	5 100
Ukrainian bank	USD	5,25%	5 000
Ukrainian bank	USD	5,25%	1 900
			27 538

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Creditor	Currency	Nominal interest rate	31 December 2018 (audited)
Ukrainian bank	USD	5,00%	10 000
Ukrainian bank	USD	5,25%	6 500
Ukrainian bank	USD	5,25%	5 100
Ukrainian bank	USD	5,25%	5 000
Ukrainian bank	USD	5,25%	1 900
			28 500

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

34. Trade accounts payable

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Trade accounts payable	28 708	3 049	28 476

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

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
30 June 2019 (unaudited)	-	1 779	219	26 710	-	-	28 708
31 December 2018 (audited)	-	3 018	31	-	-	-	3 049
30 June 2018 (unaudited)	-	518	477	27 481	-	-	28 476

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

35. Other current liabilities and accrued expenses

	30 June 2019	31 December 2018	30 June 2018
	Unaudited	Audited	Unaudited
Other liabilities:			
Advances from clients	1 198	7 773	1 726
	1 198	7 773	1 726
Other accounts payable:			
Accounts payable for the lease of land and property rights	-	2 417	3 672
Wages, salaries and related charges payable	1 318	884	1 108
Interest payable on bank loans	179	330	360
Accruals for unused vacations	910	779	707
Accruals for audit services	10	70	57
Accounts payable for non-current tangible assets	91	214	557
Taxes payable	203	217	59
Other accounts payable	24	20	23
	2 735	4 931	6 543
	3 933	12 704	8 269

36. Related party disclosures

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

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

The Group performs transactions with related parties in the ordinary course of business. During the reporting period the Group did not perform any related parties' transactions.

Remuneration of key management personnel was as follows:

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	Unaudited	Unaudited
Wages and salaries	1 400	1 695
Related charges	17	14
	1 417	1 709

The average number of employees, persons 6 6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

37. Information on segments

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

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

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

Information on business segments for the six months ended 30 June 2019 was the follow:

	Crop farming	Dairy farming	Elevators and warehouses	Unallocated	Total
Revenue	176 558	797	1 988	-	179 343
Intra-group elimination	(81 731)	-	(1 608)	-	(83 339)
Revenue from external buyers	94 827	797	380	-	96 004
Gain from changes in fair value of biological assets and agricultural produce, net	45 644	462	-	-	46 106
Cost of sales	(88 381)	(754)	(1 326)	-	(90 461)
Gross income	52 090	505	(946)	-	51 649
Administrative expenses	-	-	-	(5 894)	(5 894)
Selling and distribution expenses	-	-	-	(12 088)	(12 088)
Other operating income	-	-	-	2 024	2 024
Other operating expenses	-	-	-	(2 581)	(2 581)
Write-offs of property, plant and equipment	-	-	-	(626)	(626)
Operating income of a segment	52 090	505	(946)	(19 165)	32 484
Financial expenses, net	-	-	-	(1 912)	(1 912)
Effect of lease of right-of-use assets	-	-	-	(3 325)	(3 325)
Effect of additional return	-	-	-	(1 276)	(1 276)
Foreign currency exchange gain/(loss), net	-	-	-	2 324	2 324
Profit before tax	52 090	505	(946)	(23 354)	28 295
Income tax expenses, net	-	-	-	(713)	(713)
Net profit	52 090	505	(946)	(24 067)	27 582
Other segment information:					
Depreciation and amortisation	8 010	103	1 066	-	9 179
Additions to non-current assets:					
Property, plant and equipment	4 847	-	1 676	-	6 523
Intangible assets	14	-	-	-	14
Right-of-use assets	1 334	-	-	-	1 334

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Information on business segments for the six months ended 30 June 2018 was the follow:

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

38. Events after the balance sheet date

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

Loans and borrowings and interests are repaid in the amount of USD 457 thousand.

Interim dividends are paid in the amount of EUR 14 930 thousand.

VAT for reimbursement is received in the amount of USD 1 533 thousand.

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