

**AGROTON PUBLIC LIMITED**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the six months ended 30 June 2019

# **AGROTON PUBLIC LIMITED**

## **C O N T E N T S**

|                                                                                                                                                                          |        |
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**AGROTON PUBLIC LIMITED****OFFICERS AND PROFESSIONAL ADVISORS**

|                        |                                                |
|------------------------|------------------------------------------------|
| Board of Directors     | Iurii Zhuravlov - Chief Executive Officer      |
|                        | Tamara Lapta - Deputy Chief Executive Officer  |
|                        | Larysa Orlova - Chief Financial Officer        |
|                        | Borys Supikhanov - Non-Executive Director      |
|                        | Volodymyr Kudryavtsev - Non-Executive Director |
| Audit Committee        | Borys Supikhanov (Head of the Committee)       |
|                        | Volodymyr Kudryavtsev                          |
| Remuneration Committee | Borys Supikhanov (Head of the Committee)       |
|                        | Volodymyr Kudryavtsev                          |
| Secretary              | Inter Jura Cy (Services) Limited               |
| Independent Auditors   | KPMG Limited                                   |
| Legal Advisors         | K. Chrysostomides & Co LLC                     |
| Registered office      | 1 Lampousas Street<br>1095 Nicosia<br>Cyprus   |

## AGROTON PUBLIC LIMITED

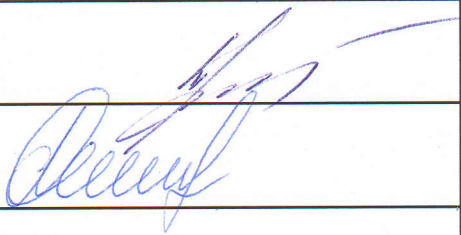
### DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIAL RESPONSIBLE FOR THE PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with article 9(3)(c) and (7) of the Transparency Requirements (Securities Listed for Trading on a Regulated Market) Law of 2007 (the "Law"), as amended from time to time, we, the Members of the Board of Directors and the Company official responsible for the preparation of the condensed consolidated interim financial statements of Agroton Public Limited (the "Company") for the six months ended 30 June 2019, confirm that to the best of our knowledge:

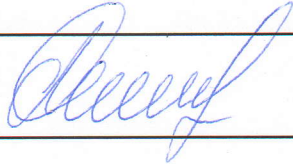
the condensed consolidated interim financial statements presented on pages 3 to 29:

- i) have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and the provisions of article (9), section (4) of the Law, and
- ii) give a true and fair view of the assets and liabilities, the financial position and the profits or losses of Agroton Public Limited and of the entities included in the condensed consolidated interim financial statements, as a whole.

Members of the Board of Directors:

|                       |                                                                                      |
|-----------------------|--------------------------------------------------------------------------------------|
| Iurii Zhuravlov       |                                                                                      |
| Tamara Lapta          |                                                                                      |
| Larysa Orlova         |  |
| Borys Supikhanov      |                                                                                      |
| Volodymyr Kudryavtsev |                                                                                      |

Company official responsible for the preparation of the condensed consolidated interim financial statements of the Company for the six months ended 30 June 2019:

|               |                                                                                      |
|---------------|--------------------------------------------------------------------------------------|
| Larysa Orlova |  |
|---------------|--------------------------------------------------------------------------------------|

Nicosia, 29 August 2019

**AGROTON PUBLIC LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

|                                                                                          | Note | <b>30 June 2019</b> | <b>30 June 2018</b> |
|------------------------------------------------------------------------------------------|------|---------------------|---------------------|
| <b>Continuing operations</b>                                                             |      |                     |                     |
| Revenue                                                                                  | 4    | 17 849              | 16 624              |
| Cost of sales                                                                            | 5    | (19 653)            | (16 045)            |
| Net change in fair value less cost to sell of biological assets and agricultural produce |      | 5 697               | 8 271               |
| <b>Gross profit</b>                                                                      |      | <b>3 893</b>        | <b>8 850</b>        |
| Other operating income                                                                   | 6    | 78                  | 695                 |
| Administrative expenses                                                                  | 7    | (2 334)             | (1 726)             |
| Distribution expenses                                                                    | 8    | (451)               | (1 004)             |
| Other operating expenses                                                                 | 9    | (988)               | (849)               |
| <b>Operating profit</b>                                                                  |      | <b>198</b>          | <b>5 966</b>        |
| Impairment losses on loans, trade and other receivable                                   |      | (86)                | (196)               |
|                                                                                          |      | <b>112</b>          | <b>5 770</b>        |
| Finance income                                                                           | 10   | 4 594               | 6 248               |
| Finance costs                                                                            | 10   | (1 429)             | (223)               |
| <b>Net finance income</b>                                                                |      | <b>3 165</b>        | <b>6 025</b>        |
| <b>Profit before taxation</b>                                                            |      | <b>3 277</b>        | <b>11 795</b>       |
| Taxation                                                                                 |      | -                   | -                   |
| <b>Profit for the period</b>                                                             |      | <b>3 277</b>        | <b>11 795</b>       |
| <b>Other comprehensive income</b>                                                        |      |                     |                     |
| <i>Items that are or may be reclassified subsequently to profit or loss</i>              |      |                     |                     |
| Effect of translation into presentation currency                                         |      | (368)               | (817)               |
| <b>Total comprehensive income/(expense)</b>                                              |      | <b>2 909</b>        | <b>10 978</b>       |
| <b>Profit attributable to:</b>                                                           |      |                     |                     |
| Owners of the Company                                                                    |      | 3 279               | 11 789              |
| Non-controlling interests                                                                |      | (2)                 | 6                   |
|                                                                                          |      | <b>3 277</b>        | <b>11 795</b>       |
| <b>Total comprehensive income attributable to:</b>                                       |      |                     |                     |
| Owners of the Company                                                                    |      | 2 904               | 10 964              |
| Non-controlling interests                                                                |      | 5                   | 14                  |
|                                                                                          |      | <b>2 909</b>        | <b>10 978</b>       |
| <b>Profit per share</b>                                                                  |      |                     |                     |
| Basic and fully diluted profit per share (USD)                                           |      | 0,13                | 0,51                |
| <b>Profit per share – continuing operations</b>                                          |      |                     |                     |
| Basic and fully diluted profit per share (USD)                                           |      | 0,13                | 0,51                |

The notes on pages 8 to 33 are an integral part of these condensed consolidated interim financial statements.

## AGROTON PUBLIC LIMITED

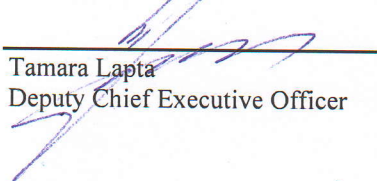
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

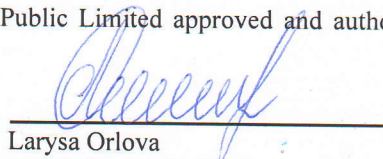
As at 30 June 2019

(in USD thousand, unless otherwise stated)

|                                                             | Note | 30 June 2019   | 31 December 2018 |
|-------------------------------------------------------------|------|----------------|------------------|
| <b>Assets</b>                                               |      |                |                  |
| Property, plant and equipment                               | 11   | 16 349         | 14 132           |
| Right-of-use assets                                         | 12   | 15 552         | -                |
| Intangible assets                                           | 3.1  | 44             | 3 694            |
| Biological assets                                           | 13   | 1 715          | 1 452            |
| <b>Total non-current assets</b>                             |      | <b>33 660</b>  | <b>19 278</b>    |
| Inventories                                                 | 16   | 11 290         | 24 289           |
| Biological assets                                           | 13   | 28 327         | 8 777            |
| Investments designated at fair value through profit or loss | 14   | 9 221          | 141              |
| Trade and other receivables                                 | 17   | 3 223          | 5 429            |
| Loans receivable                                            | 15   | 17 010         | 16 274           |
| Assets held for sale                                        |      | 18             | 17               |
| Cash and cash equivalents                                   | 18   | 8 198          | 24 881           |
| <b>Total current assets</b>                                 |      | <b>77 287</b>  | <b>79 808</b>    |
| <b>Total assets</b>                                         |      | <b>110 947</b> | <b>99 086</b>    |
| <b>Equity</b>                                               |      |                |                  |
| Share capital                                               |      | 661            | 661              |
| Share premium                                               |      | 88 532         | 88 532           |
| Retained earnings                                           |      | (10 157)       | (9 783)          |
| Foreign currency translation reserve                        |      | 8 043          | 8 418            |
| <b>Total equity attributable to owners of the Company</b>   |      | <b>87 079</b>  | <b>87 828</b>    |
| <b>Non-controlling interests</b>                            |      | <b>255</b>     | <b>250</b>       |
| <b>Total equity</b>                                         |      | <b>87 334</b>  | <b>88 078</b>    |
| <b>Liabilities</b>                                          |      |                |                  |
| Loans and borrowings                                        | 19   | 12 781         | -                |
| <b>Total non-current liabilities</b>                        |      | <b>12 781</b>  | <b>-</b>         |
| Loans and borrowings                                        | 19   | 4 843          | 7 865            |
| Trade and other payables                                    | 20   | 5 827          | 2 797            |
| Income tax liability                                        |      | 152            | 337              |
| Liabilities held for sale                                   |      | 10             | 9                |
| <b>Total current liabilities</b>                            |      | <b>10 832</b>  | <b>11 008</b>    |
| <b>Total liabilities</b>                                    |      | <b>23 613</b>  | <b>11 008</b>    |
| <b>Total equity and liabilities</b>                         |      | <b>110 947</b> | <b>99 086</b>    |

On 29 August 2019 the Board of Directors of Agrotion Public Limited approved and authorised these condensed consolidated interim financial statements for issue.

  
 Tamara Lapta  
 Deputy Chief Executive Officer

  
 Larysa Orlova  
 Chief Financial Officer

The notes on pages 8 to 33 are an integral part of these condensed consolidated interim financial statements.

**AGROTON PUBLIC LIMITED**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

|                                                           | Attributable to owners of the Company |               |                   |                                      |         |                           |              |
|-----------------------------------------------------------|---------------------------------------|---------------|-------------------|--------------------------------------|---------|---------------------------|--------------|
|                                                           | Share capital                         | Share premium | Retained earnings | Foreign currency translation reserve | Total   | Non-controlling interests | Total equity |
| Balance at 1 January 2018                                 | 661                                   | 88 532        | (18 465)          | 8 806                                | 79 534  | 234                       | 79 768       |
| Adjustments on initial application of IFRS 9 (net of tax) | -                                     | -             | (4 836)           | -                                    | (4 836) | -                         | (4 836)      |
| Adjusted balance at 1 January 2018                        | 661                                   | 88 532        | (23 301)          | 8 806                                | 74 698  | 234                       | 74 932       |
| Total comprehensive income                                |                                       |               |                   |                                      |         |                           |              |
| Profit for the period                                     | -                                     | -             | 11 789            | -                                    | 11 789  | 6                         | 11 795       |
| Other comprehensive income/(expense)                      | -                                     | -             | -                 | (825)                                | (825)   | 8                         | (817)        |
| Total comprehensive income for the period                 | -                                     | -             | 11 789            | (825)                                | 10 964  | 14                        | 10 978       |
| Balance at 30 June 2018                                   | 661                                   | 88 532        | (11 512)          | 7 981                                | 85 662  | 248                       | 85 910       |
| Balance at 1 January 2019                                 | 661                                   | 88 532        | (9 783)           | 8 418                                | 87 828  | 250                       | 88 078       |
| Adjustments on initial application of IFRS 16             | -                                     | -             | (3 653)           | -                                    | (3 653) | -                         | (3 653)      |
| Adjusted balance at 1 January 2019                        | 661                                   | 88 532        | (13 436)          | 8 418                                | 84 175  | 250                       | 84 425       |
| Total comprehensive income                                |                                       |               |                   |                                      |         |                           |              |
| Profit for the period                                     | -                                     | -             | 3 279             | -                                    | 3 279   | (2)                       | 3 277        |
| Total comprehensive income for the period                 | -                                     | -             | -                 | (375)                                | (375)   | 7                         | (368)        |
| Total comprehensive income for the period                 | -                                     | -             | 3 279             | (375)                                | 2 904   | 5                         | 2 909        |
| Balance at 30 June 2019                                   | 661                                   | 88 532        | (10 157)          | 8 043                                | 87 079  | 255                       | 87 334       |

The notes on pages 8 to 33 are an integral part of these condensed consolidated interim financial statements.

**AGROTON PUBLIC LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont.)**

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

- In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.
- Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

The above requirement of the Law is not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.



**AGROTON PUBLIC LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

|                                                                                                       | <b>Note</b> | <b>30 June 2019</b> | <b>30 June 2018</b> |
|-------------------------------------------------------------------------------------------------------|-------------|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>                                                          |             |                     |                     |
| Profit/(Loss) for the period                                                                          |             | <b>3 277</b>        | <b>11 795</b>       |
| <b>Adjustments for:</b>                                                                               |             |                     |                     |
| Depreciation                                                                                          |             | 2 443               | 718                 |
| Amortisation                                                                                          |             | -                   | 532                 |
| Impairment of inventories                                                                             | 9           | 944                 | 329                 |
| (Gain)/Loss from changes in fair value less cost to sell of biological assets and agriculture produce |             | (5 697)             | (8 271)             |
| Net impairment of trade and other receivables                                                         | 9           | 86                  | 196                 |
| Interest income                                                                                       | 10          | (1 031)             | (1 439)             |
| Income from reversal of impairment of PPE                                                             | 10          | (20)                | (578)               |
| Interest expense                                                                                      | 10          | 1 429               | 223                 |
| Trade payables written-off                                                                            | 6           | -                   | (27)                |
| Loss on disposal of property, plant and equipment                                                     | 9           | 12                  | 55                  |
| Loss/(income) on disposal of current assets                                                           | 9           | 5                   | (51)                |
| Loss on disposal of intangible assets                                                                 |             | -                   | 360                 |
| Foreign exchange gain                                                                                 | 10          | (3 563)             | (4 809)             |
| Income tax expense                                                                                    |             | -                   | -                   |
| <b>Cash flow from operations before working capital changes</b>                                       |             | <b>(2 115)</b>      | <b>(967)</b>        |
| Decrease in inventories                                                                               |             | 14 818              | 13 573              |
| Increase in biological assets                                                                         |             | (12 847)            | (15 530)            |
| (Increase)/Decrease in trade and other receivables                                                    |             | 2 508               | (149)               |
| Increase in trade and other payables                                                                  |             | 2 676               | 9 270               |
| Income tax paid                                                                                       |             | -                   | -                   |
| <b>Net cash from operating activities</b>                                                             |             | <b>5 040</b>        | <b>6 197</b>        |
| <b>Cash flow from investing activities</b>                                                            |             |                     |                     |
| Acquisition of property, plant and equipment                                                          |             | (2 222)             | (3 782)             |
| Acquisition of intangible assets                                                                      |             | -                   | (41)                |
| Acquisition of financial instruments at FVTPL                                                         |             | (8 895)             | -                   |
| Loans repayment                                                                                       |             | -                   | 401                 |
| <b>Net cash used in investing activities</b>                                                          |             | <b>(11 117)</b>     | <b>(3 422)</b>      |
| Repayment of loans and borrowings                                                                     |             | (7 730)             | -                   |
| Interest on Notes paid                                                                                |             | (47)                | (2 265)             |
| <b>Net cash used in financing activities</b>                                                          |             | <b>(7 777)</b>      | <b>(2 265)</b>      |
| <b>Net decrease in cash and cash equivalents</b>                                                      |             | <b>(13 854)</b>     | <b>510</b>          |
| Cash and cash equivalents at the beginning of the period                                              |             | 24 881              | 17 481              |
| Effect from translation into presentation currency                                                    |             | (2 829)             | (211)               |
| <b>Cash and cash equivalents at the end of the period</b>                                             | <b>18</b>   | <b>8 198</b>        | <b>17 780</b>       |

The notes on pages 8 to 33 are an integral part of these condensed consolidated interim financial statements.

# AGROTON PUBLIC LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

### 1. GENERAL INFORMATION

#### Country of incorporation

Agroton Public Limited (the “Company”) was incorporated in Cyprus on 21 September 2009 as a public company with limited liability under the Cyprus Companies Law, Cap. 113. The Company was listed at the main market of Warsaw Stock Exchange on 8 November 2010.

The Company’s registered office is at 1 Lampousas Street, 1095 Nicosia, Cyprus.

#### Principal activities

The principal activities of the Group are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, poultry farming) and milk processing. The poultry farming business has been temporarily abandoned due to the military clashes and armed conflict in Eastern Ukraine.

The Group's subsidiaries, country of incorporation, and effective ownership percentages are disclosed below:

| Company name                         | Country of incorporation | Ownership Interest | Ownership Interest |
|--------------------------------------|--------------------------|--------------------|--------------------|
|                                      |                          | 30.06.2019         | 31.12.2018         |
| Living LLC                           | Ukraine                  | 99,99 %            | 99,99 %            |
| PE Agricultural Production Firm Agro | Ukraine                  | 99,99 %            | 99,99 %            |
| Agroton PJSC                         | Ukraine                  | 99,99 %            | 99,99 %            |
| LLC Belokurakinskiy Elevator         | Ukraine                  | 99,99 %            | 99,99 %            |
| Agro Meta LLC (i)                    | Ukraine                  | 99,99 %            | 99,99 %            |
| Rosinka-Star LLC                     | Ukraine                  | 99,99 %            | 99,99 %            |
| Etalon-Agro LLC (i)                  | Ukraine                  | 99,99 %            | 99,99 %            |
| ALLC Noviy Shlyah                    | Ukraine                  | 99,99 %            | 99,99 %            |
| ALLC Shiykivske                      | Ukraine                  | 94,59 %            | 94,59 %            |
| Agro-Chornukhinski Kurchata LLC      | Ukraine                  | 99,89 %            | 99,89 %            |
| Agro-Svinprom LLC (ii)               | Ukraine                  | 99,89 %            | 99,89 %            |
| Agroton BVI Limited                  | British Virgin Islands   | 100,00 %           | 100,00 %           |
| Gefest LLC (i)                       | Ukraine                  | 100,00 %           | 100,00 %           |
| LLC Lugastan                         | Ukraine                  | 99,99 %            | 99,99 %            |
| LLC Siverskiy Elevator               | Ukraine                  | 100,00 %           | 100,00 %           |

(i) Agro Meta LLC, Etalon-Agro LLC, and Gefest LLC are in the process of liquidation.

(ii) In July 2011 the management of Living LLC resolved to dispose subsidiary of the Group namely Agro-Svinprom LLC engaged in the pig-breeding.

The parent company of the Group is Agroton Public Limited with an issued share capital of 21 670 000 ordinary shares with nominal value € 0,021 per share.

# AGROTON PUBLIC LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

### 1. GENERAL INFORMATION (cont.)

The shares at 30 June 2019 and as at the date of issue of these condensed consolidated interim financial statements were distributed as follows:

|                     | 30 June 2019     |                       | 29 August 2019   |                       |
|---------------------|------------------|-----------------------|------------------|-----------------------|
| Shareholder         | Number of Shares | Ownership interest, % | Number of Shares | Ownership interest, % |
| Mr. Iurii Zhuravlov | 16 851 979       | 77,77 %               | 16 851 979       | 77,77 %               |
| Others              | 4 818 021        | 22,23 %               | 4 818 021        | 22,23 %               |
|                     | 21 670 000       | 100,00 %              | 21 670 000       | 100,00 %              |

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2019 comprise the financial statements of the Company and its subsidiaries (together with the Company, the "Group").

#### 2.1 Statement of compliance

These condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and were not audited by the external independent auditors of the Group. These condensed consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

#### 2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for the following:

- Biological assets and agricultural produce, which are stated at fair value less costs to sell (agricultural produce is measured at fair value at the point of harvest)
- Debt securities which are stated at amortised cost
- Investments designated at fair value through profit or loss.

## AGROTON PUBLIC LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

## 2 . BASIS OF PREPARATION (cont.)

### 2.3 Functional and presentation currency

The functional currencies of the companies of the Group are the Ukrainian Hryvnia (UAH) and United States Dollar (USD). The currency of Cyprus is Euro, but the principal exposure of the parent undertaking is in US dollars, therefore the functional currency of the Company is considered to be USD. Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar (USD) as the presentation currency for financial and management reporting purposes. Exchange differences arising are classified as equity and transferred to the translation reserve.

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

| Currency        | 30 June 2019 | Average for the<br>six months<br>ended 30 June<br>2019 | 31 December<br>2018 | Average for the<br>six months<br>ended 30 June<br>2018 | 31 December<br>2017 |
|-----------------|--------------|--------------------------------------------------------|---------------------|--------------------------------------------------------|---------------------|
| US dollar - UAH | 26,1664      | 26,9316                                                | 27,6883             | 26,7462                                                | 28,0672             |

### 2.4 Going concern basis

These condensed consolidated interim financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management are closely monitoring the events in the current operating environment of the Group as described in note 24 to the condensed consolidated interim financial statements and has assessed the current situation and there is no indication of adverse effects while at the same time are taking all the steps to secure Group's short and long term viability. To this effect, they consider that the Group is able to continue its operations as a going concern.

### 2.5 Standards and interpretations

#### *Adoption of new and revised International Financial Reporting Standards and Interpretations*

As from 1 January 2019, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by EU which are relevant to its operations. This adoption did not have a material effect on the condensed consolidated financial statements of the Group except for IFRS 16 "Leases". The effect from the adoption of IFRS 16 on Group's accounting policies is described in note 3.1.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements.

## AGROTON PUBLIC LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

### **3. SIGNIFICANT ACCOUNTING POLICIES**

Except as described below in note 3.1, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2018.

#### **3.1 Changes in significant accounting policies**

The Group has initially applied IFRS 16 “Leases” from 1 January 2019. Accounting policies of subsidiaries have been changed where necessary to achieve consistent application of the accounting policies applied by the Group.

IFRS 16 introduces a single on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are described below.

##### ***a) Definition of a lease***

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 “Determining Whether an Arrangement contains a Lease”. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

##### ***b) As a lessee***

The Group leases many assets, including plough-land, properties and equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of leases - i.e. these leases are on-balance sheet.

## AGROTON PUBLIC LIMITED

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **3.1 Changes in significant accounting policies (cont.)**

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets or short-term leases (under 12 months). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents its right-to-use assets as a separate caption and includes the related lease liabilities in loans and borrowings in its consolidated statement of financial position.

##### *i) Significant accounting policies*

The Group recognises a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension is reasonable certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied contractual lease terms in the measurement of its right-to-use assets. Upon expiration of the contractual lease term the related right-to-used asset is derecognised, with subsequent extension of contractual lease term being treated as a recognition of a new right-to-use asset.

##### *ii) Transition*

Previously, the Group classified its property leases as operating leases under IAS 17. These mainly include leases of plough-land from individuals. A portion of such leases acquired in prior periods within business combinations were capitalised as intangible assets under the category "Land Lease Rights".

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The land lease rights previously capitalised as part of business combinations have been derecognised.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**3.1 Changes in significant accounting policies (cont.)**

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

***c) As a lessor***

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 in which it acts as a lessor.

***d) Impacts on consolidated financial statements***

***i) Impact on transition***

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, and derecognised previously capitalised land lease rights, with the resulting difference being recorded in retained earnings. The impact on transition is summarised below:

| <b>Financial statements captions</b>           | <b>1 January 2019</b> |
|------------------------------------------------|-----------------------|
| Right-of-use assets in relation to land leases | 17 171                |
| Lease liabilities                              | 17 171                |
| Intangible assets - land lease rights          | (3 653)               |
| Retained earnings                              | (3 653)               |

When measuring lease liabilities for leases that were classified as operating lease, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 17.6%.

***ii) Impact for the period***

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised USD 15 552 thousand of right-to-use assets and USD 17 511 thousand of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During the six months ended 30 June 2019, the Group recognised USD 1 619 thousand of depreciation charges and USD 1 406 thousand of interest expenses from leases.

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**4. REVENUE**

|                       | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b> |
|-----------------------|----------------------------|----------------------------|
| Sales of goods        | 17 574                     | 16 453                     |
| Rendering of services | 275                        | 171                        |
| <b>Total</b>          | <b><u>17 849</u></b>       | <b><u>16 624</u></b>       |

Revenue generated from sale of goods was as follows:

|                                 | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b> |
|---------------------------------|----------------------------|----------------------------|
| Livestock and related revenue   | 1 935                      | 2 169                      |
| Winter wheat                    | 2 558                      | 120                        |
| Sunflower                       | 5 836                      | 4 689                      |
| Corn in grain                   | 94                         | 96                         |
| Vegetable oil and protein meals | 6 795                      | 9 161                      |
| Other agricultural crops        | 356                        | 218                        |
| <b>Total</b>                    | <b><u>17 574</u></b>       | <b><u>16 453</u></b>       |

Sales volume for main agricultural products in tonnes was as follows:

|                                 | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b> |
|---------------------------------|----------------------------|----------------------------|
|                                 | <b><u>tonnes</u></b>       | <b><u>tonnes</u></b>       |
| Winter wheat                    | 13 799                     | 832                        |
| Sunflower                       | 18 908                     | 13 508                     |
| Corn in grain                   | 652                        | 700                        |
| Vegetable oil and protein meals | 16 585                     | 22 798                     |
| <b>Total</b>                    | <b><u>49 944</u></b>       | <b><u>37 838</u></b>       |

Sales volume for milk yield for the six months ended 30 June 2019 was 5 146 tonnes (30 June 2018: 5 540 tonnes).

Revenue generated from rendering of services relates to storage and handling services provided to third parties.

Livestock and related revenue includes revenue from poultry and other livestock related products.



**AGROTON PUBLIC LIMITED**

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**5. COST OF SALES**

|                                       | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b> |
|---------------------------------------|----------------------------|----------------------------|
| Livestock and related operations      | 1 878                      | 1 941                      |
| Plant breeding and related operations | 11 609                     | 7 252                      |
| Vegetable oil and protein meals       | 5 946                      | 6 600                      |
| Other activities                      | 220                        | 252                        |
| <b>Total</b>                          | <b><u>19 653</u></b>       | <b><u>16 045</u></b>       |

**6. OTHER OPERATING INCOME**

|                                           | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b> |
|-------------------------------------------|----------------------------|----------------------------|
| Government grants                         | 13                         | 61                         |
| Income from reversal of impairment of PPE | 20                         | 578                        |
| Trade payables written-off                | -                          | 27                         |
| Other income                              | 45                         | 29                         |
| <b>Total</b>                              | <b><u>78</u></b>           | <b><u>695</u></b>          |

**7. ADMINISTRATIVE EXPENSES**

|                                   | <b>Note</b> | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b> |
|-----------------------------------|-------------|----------------------------|----------------------------|
| Personnel expenses                |             | 1 859                      | 1 155                      |
| Amortisation of intangible assets |             | -                          | 1                          |
| Depreciation charge               |             | 25                         | 25                         |
| Transportation expenses           |             | 88                         | 83                         |
| Materials                         |             | 4                          | 5                          |
| Insurance                         |             | 1                          | 1                          |
| Professional fees                 |             | 180                        | 272                        |
| Communication services            |             | 30                         | 25                         |
| Other expenses                    |             | 147                        | 159                        |
| <b>Total</b>                      |             | <b><u>2 334</u></b>        | <b><u>1 726</u></b>        |

**8. DISTRIBUTION EXPENSES**

|                         | <b>Note</b> | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b> |
|-------------------------|-------------|----------------------------|----------------------------|
| Personnel expenses      |             | -                          | -                          |
| Transportation expenses |             | 444                        | 1 000                      |
| Other expenses          |             | 7                          | 4                          |
| <b>Total</b>            |             | <b><u>451</u></b>          | <b><u>1 004</u></b>        |

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**9. OTHER OPERATING EXPENSES**

|                                                   | <u>30 June 2019</u> | <u>30 June 2018</u> |
|---------------------------------------------------|---------------------|---------------------|
| Depreciation charge                               | 6                   | 32                  |
| Loss on disposal of property, plant and equipment | 12                  | 55                  |
| Loss on disposal of land lease rights             | 5                   | 360                 |
| Impairment of inventories                         | 944                 | 329                 |
| Fines and penalties                               | -                   | 4                   |
| Other expenses                                    | 21                  | 69                  |
| <b>Total</b>                                      | <u><u>988</u></u>   | <u><u>849</u></u>   |

**10. NET FINANCE COSTS**

|                                        | <u>30 June 2019</u>   | <u>30 June 2018</u> |
|----------------------------------------|-----------------------|---------------------|
| Interest income                        | 1 031                 | 1 439               |
| Profit on foreign exchange differences | 3 563                 | 4 809               |
| <b>Finance income</b>                  | <u><u>4 594</u></u>   | <u><u>6 248</u></u> |
| Finance costs on lease liabilities     | (1 406)               | -                   |
| Interest on non-bank loans             | (6)                   | (9)                 |
| Interest on notes                      | (17)                  | (214)               |
| <b>Finance costs</b>                   | <u><u>(1 429)</u></u> | <u><u>(223)</u></u> |
| <b>Net finance income</b>              | <u><u>3 165</u></u>   | <u><u>6 025</u></u> |

**11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of USD 2 222 thousand (the six months ended 30 June 2018: USD 3 293 thousand).

**12. RIGHT-OF-USE ASSETS**

Right-of-use assets have been recognised as a result of adoption by the Group of IFRS 16 “Leases” from 1 January 2019. The Group's right-of-use assets represent leases of plough-land from individuals. The total size of leased plough-land at 30 June 2019 is 119 thousand hectares (31 December 2018: 119 thousand hectares). The changes in accounting policies and details of recognition and measurement of right-to-use assets are described in note 3.1 to the condensed consolidated interim financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**13. BIOLOGICAL ASSETS**

Biological assets were presented as follows:

|                                            | <b>30 June 2019</b>       | <b>31 December 2018</b>   |
|--------------------------------------------|---------------------------|---------------------------|
|                                            | <hr/>                     | <hr/>                     |
| Crops under cultivation                    | 26 815                    | 7 329                     |
| Animals in growing and fattening           | 1 512                     | 1 448                     |
| <b>Total current biological assets</b>     | <hr/> <b>28 327</b> <hr/> | <hr/> <b>8 777</b> <hr/>  |
| Cattle                                     | 1 714                     | 1 451                     |
| Other                                      | 1                         | 1                         |
| <b>Total non-current biological assets</b> | <hr/> <b>1 715</b> <hr/>  | <hr/> <b>1 452</b> <hr/>  |
| <b>Total</b>                               | <hr/> <b>30 042</b> <hr/> | <hr/> <b>10 229</b> <hr/> |

**13.1 Crops under cultivation**

At 30 June 2019 and 31 December 2018 the crops under cultivation were presented as follows:

|                        | <b>30 June 2019</b>              |                            | <b>31 December 2018</b>          |                            |
|------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|
|                        | <b>Thousands<br/>of hectares</b> | <b>Carrying<br/>values</b> | <b>Thousands<br/>of hectares</b> | <b>Carrying<br/>values</b> |
|                        | <hr/>                            | <hr/>                      | <hr/>                            | <hr/>                      |
| Winter wheat plantings | 33                               | 9 132                      | 37                               | 7 309                      |
| Corn plantings         | 1                                | 231                        | -                                | -                          |
| Sunflower plantings    | 36                               | 17 124                     | -                                | -                          |
| Other plantings        | 1                                | 328                        | 1                                | 20                         |
| <b>Total</b>           | <hr/> <b>71</b> <hr/>            | <hr/> <b>26 815</b> <hr/>  | <hr/> <b>38</b> <hr/>            | <hr/> <b>7 329</b> <hr/>   |

The main crops harvested and the fair value at the time of harvesting was as follows:

|              | <b>30 June 2019</b>       |                                 | <b>30 June 2018</b>       |                                 |
|--------------|---------------------------|---------------------------------|---------------------------|---------------------------------|
|              | <b>Volume,<br/>tonnes</b> | <b>Amount,<br/>USD thousand</b> | <b>Volume,<br/>tonnes</b> | <b>Amount,<br/>USD thousand</b> |
|              | <hr/>                     | <hr/>                           | <hr/>                     | <hr/>                           |
| Winter wheat | 19 346                    | 5 156                           | 3 846                     | 452                             |
| Other sowing | 8 222                     | 451                             | 11 570                    | 586                             |
| <b>Total</b> | <hr/> <b>27 568</b> <hr/> | <hr/> <b>5 607</b> <hr/>        | <hr/> <b>15 416</b> <hr/> | <hr/> <b>1 038</b> <hr/>        |

Other sowing mainly includes grass plants for production of animal feed.

Expenses capitalised in biological assets mainly include fertilisers, fuel, seeds, labour and the operating lease rentals.

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**13. BIOLOGICAL ASSETS (cont.)**

**13.2 Non-current biological assets and animals in growing and fattening**

*Non-current biological assets:*

|              | <b>30 June 2019</b>      |                       | <b>31 December 2018</b>  |                       |
|--------------|--------------------------|-----------------------|--------------------------|-----------------------|
|              | <b>Number,<br/>heads</b> | <b>Fair<br/>value</b> | <b>Number,<br/>heads</b> | <b>Fair<br/>value</b> |
| Cattle       | 1 852                    | 1 714                 | 2 014                    | 1 451                 |
| Horses       | 1                        | 1                     | 1                        | 1                     |
| <b>Total</b> |                          | <b>1 715</b>          |                          | <b>1 452</b>          |

*Animals in growing and fattening:*

|              | <b>30 June 2019</b>      |                       | <b>31 December 2018</b>  |                       |
|--------------|--------------------------|-----------------------|--------------------------|-----------------------|
|              | <b>Number,<br/>heads</b> | <b>Fair<br/>value</b> | <b>Number,<br/>heads</b> | <b>Fair<br/>value</b> |
| Cattle       | 2 152                    | 1 512                 | 2 402                    | 1 448                 |
| <b>Total</b> |                          | <b>1 512</b>          |                          | <b>1 448</b>          |

Expenses capitalised in biological assets of animals include mixed fodder, electricity, labour, depreciation and other.

**14. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

|                             | <b>30 June 2019</b> | <b>31 December<br/>2018</b> |
|-----------------------------|---------------------|-----------------------------|
| US Treasury notes           | 9 080               | -                           |
| Bank of Cyprus Holdings Plc | 141                 | 141                         |
| <b>Total</b>                | <b>9 221</b>        | <b>141</b>                  |

**15. LOANS RECEIVABLE**

|                          | <b>Note</b> | <b>30 June 2019</b> | <b>31 December<br/>2018</b> |
|--------------------------|-------------|---------------------|-----------------------------|
| <i>Current assets</i>    |             |                     |                             |
| Loans to related parties | 21          | 17 010              | 16 274                      |
| Loans to third parties   |             | 5 767               | 5 767                       |
| Provision for impairment |             | (5 767)             | (5 767)                     |
| <b>Total</b>             |             | <b>17 010</b>       | <b>16 274</b>               |

**AGROTON PUBLIC LIMITED**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**15. LOANS RECEIVABLE (cont.)**

- On 29 June 2012, the Company has entered into a loan agreement with Stimi Agri Limited amounting to USD 2 million. The loan bears interest of 20% per annum and expired on 29 June 2013. On 28 June 2013 the two parties agreed to postpone the repayment date to 31 December 2014. During 2014 the two parties agreed to further postpone the repayment date to 31 December 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017. During 2017 the two parties agreed to further postpone the repayment date to 31 December 2018. The above loan is unsecured.
- On 29 June 2012, the Company has entered into a loan agreement with Stiom Agri Limited amounting to USD 2 million. The loan bears interest at a rate of 10% per annum and expired on 29 December 2013. On 28 June 2013 the two parties agreed to postpone the repayment dates to 31 December 2014. During 2014 the two parties agreed to further postpone the repayment to 31 December 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017. During 2017 the two parties agreed to further postpone the repayment date to 31 December 2018. The above loan is unsecured.
- On 4 March 2013, the Company has entered into a loan agreement with Agriland Trading Limited amounting to USD 10 million. The loan bears interest at a rate of 20% and expired on 4 March 2014. During 2014 the two parties agreed to further postpone the repayment to 31 December 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017. During 2017 the two parties agreed to further postpone the repayment date to 31 December 2018. The above loan is unsecured.
- On 1 October 2013, the Company has entered into a loan agreement with Hoyt Network Limited amounting to USD 10 million. The loan bears interest at a rate of 10% and expired on 1 October 2014. During 2014 the two parties agreed to further postpone the repayment to 1 October 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017. During 2017 the two parties agreed to further postpone the repayment date to 31 December 2018. The above loan is unsecured.

## AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2019*(in USD thousand, unless otherwise stated)***16. INVENTORIES**

|                      | <b>30 June 2019</b> | <b>31 December 2018</b> |
|----------------------|---------------------|-------------------------|
| Raw materials        | 1 773               | 2 167                   |
| Work-in-progress     | 4 695               | 3 769                   |
| Agricultural produce | 3 267               | 17 042                  |
| Finished goods       | 15                  | 4                       |
| Other                | 1 540               | 1 307                   |
| <b>Total</b>         | <b>11 290</b>       | <b>24 289</b>           |

**Agricultural produce**

The main agricultural produce was as follows:

|                          | <b>30 June 2019</b> | <b>31 December 2018</b> |
|--------------------------|---------------------|-------------------------|
| Winter wheat             | 2 726               | 2 674                   |
| Sunflower                | -                   | 13 391                  |
| Corn                     | 62                  | 232                     |
| Other agricultural crops | 479                 | 745                     |
| <b>Total</b>             | <b>3 267</b>        | <b>17 042</b>           |

The main agricultural produce volume in tonnes was as follows:

|              | <b>30 June 2019</b> | <b>31 December 2018</b> |
|--------------|---------------------|-------------------------|
| Winter wheat | 17 517              | 16 684                  |
| Sunflower    | 6                   | 40 492                  |
| Corn         | 406                 | 1 592                   |
| <b>Total</b> | <b>17 929</b>       | <b>58 768</b>           |

**AGROTON PUBLIC LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**17. TRADE AND OTHER RECEIVABLES**

|                                                               | <b>Note</b> | <b>30 June 2019</b> | <b>31 December<br/>2018</b> |
|---------------------------------------------------------------|-------------|---------------------|-----------------------------|
| Trade receivables                                             |             | 1 054               | 1 369                       |
| Provision for impairment of receivables                       |             | (17)                | (4)                         |
| Trade receivables, net                                        |             | <u>1 037</u>        | <u>1 365</u>                |
| Prepayments to suppliers                                      |             | 825                 | 3 278                       |
| Other receivables                                             |             | 33 835              | 33 764                      |
| Provision for impairment of prepayments and other receivables |             | (33 309)            | (33 226)                    |
| VAT recoverable                                               |             | 835                 | 248                         |
| <b>Total</b>                                                  |             | <b><u>3 223</u></b> | <b><u>5 429</u></b>         |

On 29 June 2012, the Company entered into a preliminary agreement with Stiomi Agri Limited ('Seller') for the acquisition of 100% of the issued share capital of Private Enterprise 'Peredilske'. The parties agreed that the price for transfer of the company's shares amounting to USD 23 080 000.

On 26 December 2012, the Company entered into a preliminary agreement with Stiomi Agri Limited ('Seller') for the acquisition of 100% of the issued share capital of Limited Liability Company 'Skhid Potencial-Resurs'. The parties agreed that the price for transfer of the company's shares shall amount to USD 10 000 000.

On 3 September 2013 both agreements for the acquisition of PE "Peredilske" and of LLC "Skhid-Potencial-Resurs" have been cancelled. The parties agreed that the whole amount paid should be returned to the Company within twelve months of the signing of the cancellation agreements, either in cash and/or an equivalent market value's worth of agricultural goods.

Due to political and economic developments and military conflict in Eastern Ukraine, Stiomi Agri Limited is currently unable to repay this amount to the Group. It is highly probable that this amount will never be recovered, therefore an impairment loss for USD 33 080 thousand was recognised in 2014.

**18. CASH AND CASH EQUIVALENTS**

|                     | <b>30 June 2019</b> | <b>31 December<br/>2018</b> |
|---------------------|---------------------|-----------------------------|
| Cash at bank - USD  | 8 105               | 24 544                      |
| Cash at bank - UAH  | 88                  | 324                         |
| Cash at bank - Euro | 1                   | 2                           |
| Cash in hand        | 4                   | 11                          |
| <b>Total</b>        | <b><u>8 198</u></b> | <b><u>24 881</u></b>        |

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**19. LOANS AND BORROWINGS**

|                                       | <b>30 June 2019</b> | <b>31 December<br/>2018</b> |
|---------------------------------------|---------------------|-----------------------------|
| <i><b>Non-current liabilities</b></i> |                     |                             |
| Lease liabilities                     | 12 781              | -                           |
|                                       | <b>12 781</b>       | <b>-</b>                    |
| <i><b>Current liabilities</b></i>     |                     |                             |
| Notes                                 | -                   | 7 759                       |
| Lease liabilities                     | 4 730               | -                           |
| Loan from owner                       | 112                 | 106                         |
|                                       | <b>4 843</b>        | <b>7 865</b>                |
| <b>Total loans and borrowings</b>     | <b>17 624</b>       | <b>7 865</b>                |

**Lease liabilities**

Recognition and measurement of leases that were previously classed as operating lease have been amended as a result of adoption by the Group of IFRS 16 “Leases” from 1 January 2019. The changes in accounting policies and details are described in note 3.1 to the condensed consolidated interim financial statements.

**Notes**

On 14 July 2011, the Company’s issued USD 50 000 000 12,50% Notes due on 14 July 2014, have been admitted to the official list of the UK Listing authority and to the London Stock Exchange Plc and trading on the London Stock Exchange’s regulated market.

The Notes bear interest at a rate of 12,50% per annum payable semi-annually in arrears on 14 January and 14 July in each year, commencing on 14 January 2012.

The Notes are recognised initially at fair value USD 50 000 000 net of issue costs equal to USD 2 777 014. The difference between the proceeds (net of issue costs) and the redemption value as at 14 July 2014 is recognised in the consolidated statement of profit or loss over the period of the issue.

On 8 August 2013 with the consent of the Noteholders the Company has amended the terms and conditions of the Notes as follow:

- Extend the maturity of the Notes by 60 months to 14 July 2019 in order to lengthen the average maturity of the Groups funding sources;
- Postpone the interest payment that was due for payment to Noteholders on 14 July 2013 to 14 January 2014;
- Decrease the interest rate with effect from 14 January 2013 from 12,5% to 8% per annum;
- Amend the definition of Leverage Ratio Exception so that the maximum Consolidated Leverage Ratio would be 4,0 rather than 3,0; and
- Amend the definition of Permitted Indebtedness so that Additional Indebtedness is not to exceed USD 20 million (rather than USD 5 million) at any time outstanding.



# AGROTON PUBLIC LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### **19. LOANS AND BORROWINGS (cont.)**

#### **Notes (cont.)**

On 18 December 2013 the Company has secured a second consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2015 the interest payments that was due for payment to Noteholders on 14 January 2014 (including the postponed 14 July 2013 Interest Payment) and the one that would be due for payment to Noteholders on 14 July 2014;
- Further decrease the interest rate with effect from 14 January 2013 from 8% to 6%;
- Permit the Issuer, the Sureties and any of their respective subsidiaries to re-purchase Notes, which they may at their option hold, re-sell or surrender for cancellation;
- Remove the augmented quorum requirement for any Noteholders' meeting the business of which includes any Reserved Matter(s), so that the quorum requirement for any Noteholders' meeting for passing an Extraordinary Resolution (whether or not the business of such meeting includes any Reserved Matter(s) shall henceforth be two or more persons present in person holding Notes or being proxies or representatives and holding or representing in the aggregate more than half of the principal amount of the Notes for the time being outstanding;
- Reduce the proportion of votes required to pass an Extraordinary Resolution from not less than three-quarters in principal amount of the Notes owned by the Noteholders who are present in person or represented by proxy or representative at the relevant Noteholders' meeting to more than half of the principal amount of such Notes;
- Reduce the principal amount of Notes required to be held by Noteholders in order to pass an Extraordinary Resolution by way of electronic consent or written resolution from not less than three-quarters in principal amount of the Notes outstanding to more than half of such principal amount; and
- Remove restrictions on the Issuer's ability to declare or pay dividends to shareholders.

On 19 April 2014 the Company has purchased Notes in an aggregate principal amount of USD 22 100 000.

On 15 December 2014 the Company has secured a third consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2016 the interest payments that was due for payment to Noteholders on 14 January 2015 (including the postponed 14 July 2013, 14 January 2014 and 14 July 2014 Interest Payments) and the interest payment that will be due for payment to Noteholders on 14 July 2015; and
- Waive any Event of Default or Potential Event of Default arising as a result of the Issuer's failure to deliver and publish its audited annual financial statements and accompanying certificate for the financial year ended 31 December 2014 within the period stipulated therefor in breach of Condition 3.2(n) (Financial Information) of the terms and conditions of the Notes.

On 28 October 2015 the Company has purchased Notes in an aggregate principal amount of USD 10 350 000.

## AGROTON PUBLIC LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

#### **19. LOANS AND BORROWINGS (cont.)**

##### **Notes (cont.)**

On 12 January 2016 the Company has secured a fourth consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2017 the interest payments that was due for payment to Noteholders on 14 January 2016 (including the postponed 14 July 2013, 14 January 2014 and 14 July 2014 Interest Payments) and the interest payment that will be due for payment to Noteholders on 14 July 2016; and
- Waive any Event of Default or Potential Event of Default arising as a result of the Issuer's failure to deliver and publish its audited annual financial statements and accompanying certificate for the financial year ended 31 December 2015 within the period stipulated therefor in breach of Condition 3.2(n) (Financial Information) of the terms and conditions of the Notes.

On 26 October 2016 the Company has purchased Notes in an aggregate principal amount of US\$10 000 000.

On 17 January 2017 the Company has secured a fifth consent of the Noteholders to postpone to 14 January 2018 the interest payments that was due for payment to Noteholders on 14 January 2017.

On 6 April 2018 the Company announced the timely and full repayment of interest on Notes deferred coupon amounting to USD 2 265 thousands.

The following subsidiaries are acting as surety providers:

- Living LLC
- PE Agricultural Production Firm Agro
- Agroton PJSC
- Agro Meta LLC
- ALLC Noviy Shlyah
- ALLC Shiykivske
- Agro Svyntrom LLC
- Agro Chornukhinski Kurchata LLC
- Rosinka-Star LLC
- AF named by Shevchenko

On 14 January 2019, the outstanding principal amount of Notes issued as well as the accrued interest was fully settled.

**AGROTON PUBLIC LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**20. TRADE AND OTHER PAYABLES**

|                                                    | <b>30 June 2019</b> | <b>31 December<br/>2018</b> |
|----------------------------------------------------|---------------------|-----------------------------|
| Trade payables                                     | 1 969               | 993                         |
| Payroll and related expenses accrued               | 1 163               | 1 255                       |
| Advances received                                  | 2 548               | 51                          |
| Liabilities for other taxes and mandatory payments | 66                  | 100                         |
| VAT payable                                        | -                   | 282                         |
| Payable for operating lease of land                | -                   | 22                          |
| Accrued expenses                                   | 18                  | 17                          |
| Other provisions                                   | 8                   | 12                          |
| Other liabilities                                  | 55                  | 65                          |
| <b>Total</b>                                       | <b>5 827</b>        | <b>2 797</b>                |

**21. RELATED PARTY BALANCES AND TRANSACTIONS**

As at 30 June 2019 and the date of this report, the Company is controlled by Mr. Iurii Zhuravlov, who holds directly 77,77% of the Company's share capital. The remaining 22,23% of the shares is widely held.

For the purposes of these condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

According to these criteria the related parties of the Group are divided into the following categories:

- a. Companies in which Group's companies have an equity interest;
- b. Companies in which key management personnel has an equity interest;
- c. Key management personnel;
- d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

Salary costs of key management personnel for the six months ended 30 June 2019 and 30 June 2018 were as follows:

|                               | <b>30 June 2019</b> | <b>30 June 2018</b> |
|-------------------------------|---------------------|---------------------|
| Wages and salaries            | 1 205               | 891                 |
| Contributions to social funds | 10                  | 13                  |
| <b>Total</b>                  | <b>1 215</b>        | <b>904</b>          |

Key management personnel include Directors (Executive and Non-Executive), the Chief Financial Officer, the Chief Agronomist, the Head of the Food Production Division and the Head of the Livestock Division.

## AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2019*(in USD thousand, unless otherwise stated)***21. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)**

|                                                                                                                        | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b>     |
|------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------|
| <i>Number of key management personnel, persons</i>                                                                     | 11                         | 12                             |
| <i>Outstanding balances with related parties:</i>                                                                      |                            |                                |
| <b>Loans receivable</b>                                                                                                | <b><u>30 June 2019</u></b> | <b><u>31 December 2018</u></b> |
| d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies |                            |                                |
| Mr Iurii Zhuravlov - Chief Executive Officer                                                                           | 17 010                     | 16 274                         |
| <b>Total</b>                                                                                                           | <b><u>17 010</u></b>       | <b><u>16 274</u></b>           |
| <b>Loans payable</b>                                                                                                   |                            |                                |
| d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies |                            |                                |
| Mr Iurii Zhuravlov - Chief Executive Officer                                                                           | 112                        | 106                            |
| <b>Total</b>                                                                                                           | <b><u>112</u></b>          | <b><u>106</u></b>              |
| <i>The Group's transactions with related parties:</i>                                                                  |                            |                                |
| <b>Finance income</b>                                                                                                  | <b><u>30 June 2019</u></b> | <b><u>30 June 2018</u></b>     |
| d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies |                            |                                |
| Mr Iurii Zhuravlov - Chief Executive Officer                                                                           | 736                        | 968                            |
| <b>Total</b>                                                                                                           | <b><u>736</u></b>          | <b><u>968</u></b>              |
| <b>Expenses</b>                                                                                                        |                            |                                |
| c. Key management personnel                                                                                            | 1 215                      | 904                            |
| <b>Total</b>                                                                                                           | <b><u>1 215</u></b>        | <b><u>904</u></b>              |

## AGROTON PUBLIC LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

## 22. OPERATING SEGMENTS

A reportable 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 reportable segments.

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All reportable segments' results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For the six months ended 30 June 2019 the Group identified the following reportable segments, which include products and services, that differ by levels of risk and conditions of generation of income:

- Plant breeding
  - Livestock
  - Vegetable oil and protein meal
  - Other
- (i) Plant breeding segment raises and sells agricultural products and renders accompanying services. The main types of agricultural produce which are sold in this reportable segment are wheat, rye, barley, sunflowers, rape and sunflower oil. The main services which are sold in this reportable segment are ploughing, handling and grain storage services.
  - (ii) Livestock segment raises and sells biological assets and agricultural products of cattle breeding. The main biological assets and agricultural products which are sold in this reportable segment are poultry, cattle, pigs and milk.
  - (iii) Vegetable oil and protein meal is a new segment the Group started disclosing in 2017. It represents the processing of own sunflower seeds into sunflower oil and protein meal using outsourced production facilities.

No operating segments have been aggregated to form the above reportable operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the operating results of each of the unit separately for the purpose of making decisions about resources allocation and evaluation of operating results.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the condensed consolidated interim financial statements. Group financing (including finance expense and finance income) and income taxes, are managed on a group basis and are not allocated to operating segments.

**AGROTON PUBLIC LIMITED**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

**22. OPERATING SEGMENTS (cont.)**

Information by reportable segment is presented as follows:

| <b>For the six months ended 30 June 2019</b>                                                | <b>Livestock</b> | <b>Plant<br/>breeding</b> | <b>Vegetable oil<br/>and protein<br/>meal</b> | <b>Other</b> | <b>Group<br/>level</b> | <b>Total</b>    |
|---------------------------------------------------------------------------------------------|------------------|---------------------------|-----------------------------------------------|--------------|------------------------|-----------------|
| Total revenue                                                                               | 2 134            | 8 772                     | 6 795                                         | 436          | -                      | <b>18 137</b>   |
| Inter-segment sales                                                                         | (199)            | (39)                      | -                                             | (50)         | -                      | <b>(288)</b>    |
| External revenues                                                                           | 1 935            | 8 733                     | 6 795                                         | 386          | -                      | <b>17 849</b>   |
| Net change in fair value less cost to sell of<br>biological assets and agricultural produce | 241              | 5 456                     | -                                             | -            | -                      | <b>5 697</b>    |
| Expenses (excluding depreciation and amortisation)                                          | (1 891)          | (10 149)                  | (5 622)                                       | (164)        | -                      | <b>(17 826)</b> |
| <b>Profit for the period (excluding depreciation<br/>and amortisation)</b>                  | <b>285</b>       | <b>4 040</b>              | <b>1 173</b>                                  | <b>222</b>   | -                      | <b>5 720</b>    |
| Depreciation and amortisation                                                               | (95)             | (1 947)                   | (324)                                         | (77)         | -                      | <b>(2 443)</b>  |
| <b>(Loss)/profit before taxation from continuing<br/>operations</b>                         | <b>190</b>       | <b>2 093</b>              | <b>849</b>                                    | <b>145</b>   | -                      | <b>3 277</b>    |
| <b>Reportable segment assets</b>                                                            | <b>7 155</b>     | <b>76 342</b>             | <b>962</b>                                    | <b>256</b>   | <b>26 232</b>          | <b>110 947</b>  |
| <b>Reportable segment liabilities</b>                                                       | <b>1 032</b>     | <b>22 280</b>             | <b>-</b>                                      | <b>206</b>   | <b>152</b>             | <b>23 613</b>   |

**AGROTON PUBLIC LIMITED**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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**22. OPERATING SEGMENTS (cont.)**

| <b>For the six months ended 30 June 2018</b>                                                | <b>Livestock</b> | <b>Plant<br/>breeding</b> | <b>Vegetable oil<br/>and protein<br/>meal</b> | <b>Other</b> | <b>Group<br/>level</b> | <b>Total</b>    |
|---------------------------------------------------------------------------------------------|------------------|---------------------------|-----------------------------------------------|--------------|------------------------|-----------------|
| Total revenue                                                                               | 2 375            | 7 453                     | 9 161                                         | 362          | -                      | <b>19 351</b>   |
| Inter-segment sales                                                                         | (206)            | (2 444)                   | -                                             | (77)         | -                      | <b>(2 727)</b>  |
| External revenues                                                                           | 2 169            | 5 009                     | 9 161                                         | 285          | -                      | <b>16 624</b>   |
| Net change in fair value less cost to sell of<br>biological assets and agricultural produce | 121              | 8 150                     | -                                             | -            | -                      | <b>8 271</b>    |
| Expenses (excluding depreciation and<br>amortisation)                                       | (976)            | (4 476)                   | (6 314)                                       | (86)         | -                      | <b>(11 852)</b> |
| <b>Profit for the period (excluding depreciation<br/>and amortisation)</b>                  | <b>1 314</b>     | <b>8 683</b>              | <b>2 847</b>                                  | <b>199</b>   | -                      | <b>13 043</b>   |
| Depreciation and amortisation                                                               | (98)             | (810)                     | (286)                                         | (54)         | -                      | <b>(1 248)</b>  |
| <b>Profit before taxation from continuing<br/>operations</b>                                | <b>1 216</b>     | <b>7 873</b>              | <b>2 561</b>                                  | <b>145</b>   | -                      | <b>11 795</b>   |

Information by reportable segments for the year ended 31 December 2018 is presented as follows:

|                                       |              |               |           |              |               |               |
|---------------------------------------|--------------|---------------|-----------|--------------|---------------|---------------|
| <b>Reportable segment assets</b>      | <b>7 729</b> | <b>69 536</b> | <b>11</b> | <b>5 386</b> | <b>16 424</b> | <b>99 086</b> |
| <b>Reportable segment liabilities</b> | <b>275</b>   | <b>2 436</b>  | <b>-</b>  | <b>264</b>   | <b>8 033</b>  | <b>11 008</b> |

## AGROTON PUBLIC LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### **23. SEASONALITY OF OPERATIONS**

The Group's operations are subject to seasonal fluctuations as a result of weather conditions. In particular, the cultivation of crops is adversely affected by winter weather conditions, which occur primarily from January to March. The first half of the year typically results in lower revenues and results for cultivations.

As a result of the annual cycle of crops producing and the Group's attempts to take an advantage of seasonal price changes by managing inventory in its storage facilities, the Group's Plant breeding segment is subject to seasonal fluctuations. Profits of this segment tend to be higher in the first half of a year.

#### **24. OPERATING ENVIROMENT**

##### *Cyprus economic environment*

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a “bail in”.

The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used €7,25 billion of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country's economy including growth in GDP and reducing unemployment rates, significant challenges remain that could affect the estimates of the Company's cash flows and its assessment of impairment of financial and non-financial assets.

##### *Ukrainian economic and political environment*

The Group conducts its operations mainly in Ukraine. Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.



## AGROTON PUBLIC LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

*(in USD thousand, unless otherwise stated)*

#### **24. OPERATING ENVIROMENT (cont.)**

##### *Ukrainian economic and political environment (cont.)*

During 2015 and 2016 the anti-crisis measures undertaken by the Ukrainian government and NBU as well as financing through the extended fund facilities (EFF) agreed with International Monetary Fund (IMF) enabled the country to achieve a certain level of economic and political stability and provided the basis for economic recovery on the territory controlled by Ukraine. In 2016 and 2017 Ukraine's GDP grew by 2.3% and 2.1% respectively. This allowed NBU to ease some foreign exchange restrictions imposed since 2014, including a decrease in the share of the mandatory foreign currency conversion to 65% and permission of dividends remittance. However, certain other restrictions were prolonged.

In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance bonds due in 2019.

During 2018 the Ukrainian economy proceeded with recovery from the economic and political crisis of previous years and demonstrated a sound GDP growth of 3.4% (2017: 2.5%), decline in annual inflation of 9.8% (2017: 13.7%), and relatively stable foreign exchange rate of Ukrainian national currency.

The presidential elections in April-May 2019 resulted in a new presidential team, premature parliamentary elections in July 2019 and resignation of the government. Further economic development depends, to a large extent, upon a smooth transition of power within the executive and legislative branches, formation of a new Ukrainian government and its success in the implementation of planned reforms and cooperation with the International Monetary Fund.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

##### *Going concern basis following the economic and political environment*

The dangers which may arise from unexpected external factors such as competition, and the further deterioration of the market conditions cannot be ignored. All these factors were analysed above. Having regard to the fact that the Company has fully settled its obligations on the Notes without incurring any additional liabilities, the Board of Directors believes that the Group will remain a going concern and that no indications of any kind of threat of liquidation exists in the foreseeable future.

The condensed consolidated interim financial statements do not include any adjustments that would be necessary in case the Group was not able to continue operating as a going concern which could include:

1. The ability of the Group's trade and other debtors to repay the amounts due to the Group
2. The cash flow forecasts of the Group and the assessment of impairment of other financial and non-financial assets
3. The ability of the Group to meet its obligations towards its customers

## AGROTON PUBLIC LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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#### **25. CONTINGENT AND CONTRACTUAL LIABILITIES**

##### *Economic environment*

The exposure of the Group to the economic environment and possible impact is disclosed in note 24 to the condensed consolidated interim financial statements.

##### *Taxation*

As a result of unstable economic environment in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with this, 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 regulations may lead to severe fines and penalties.

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in tax jurisdiction of the respective countries of incorporation. 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 impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's uncertain tax positions are reassessed by management at every reporting period end. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting period.

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

Since 1 January 2017 new procedure of VAT rules for agricultural producers has been implemented: special VAT treatment was changed to distribution of government grants by State Treasury Service.

##### *Legal matters*

In the course of its economic activities, the Group is involved in legal proceedings with third parties. In most cases, the Group is the initiator of such proceedings with the purpose of preventing or mitigating of economic losses.

The Group's management considers that as at the reporting period end, active legal proceedings on such matters will not have any significant influence on its financial position.

**AGROTON PUBLIC LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2019***(in USD thousand, unless otherwise stated)***25. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)***Pension and other liabilities*

Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian Government organisation in accordance with the applicable laws and regulations of Ukraine. The Group is obliged to deduct and contribute a certain percentage of salaries to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions from salaries.

At 30 June 2019 and 31 December 2018 the Group's entities had no liabilities for any supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees.

**26. EVENTS AFTER THE REPORTING PERIOD**

Events referred to in note 24 to the condensed consolidated interim financial statements will continue to influence the Group's operations in 2019. While management believes it is taking all necessary measures to maintain the sustainability of the business in the current circumstances, a further deterioration of economic and political conditions in Ukraine could adversely affect the Group's results and financial position, so that it is currently impossible to predict.

On 29 August 2019 the Board of Directors of Agroton Public Limited approved and authorised these condensed consolidated interim financial statements for issue.