AGROTON PUBLIC LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six monts ended 30 June 2018

AGROTON PUBLIC LIMITED

C O N T E N T S

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 1095 Nicosia 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 2018, 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 2018:

Larysa Orlova	

Nicosia, 29 August 2018

AGROTON PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

	Note	30 June 2018	30 June 2017
Continuing operations			
Revenue	4	16 624	16 543
Cost of sales	5	(16 045)	(16 862)
Net change in fair value less cost to sell of biological assets and agricultural produce		8 271	7 452
Gross profit		**8 850**	**7 133**
Other operating income	6	695	74
Administrative expenses	7	(1 726)	(942)
Distribution expenses	8	(1 004)	(335)
Other operating expenses	9	(1 045)	(1 632)
Operating profit		**5 770**	**4 298**
Finance income	10	6 248	4 021
Finance costs	10	(223)	(270)
Net finance income		**6 025**	**3 751**
Profit before taxation		**11 795**	**8 049**
Taxation		-	-
Profit for the period		**11 795**	**8 049**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Effect of translation into presentation currency		(817)	(562)
Total comprehensive income/(expense)		**10 978**	**7 487**
Profit attributable to:			
Owners of the Company		11 789	8 043
Non-controlling interests		6	6
		11 795	**8 049**
Total comprehensive income attributable to:			
Owners of the Company		10 964	7 477
Non-controlling interests		14	10
		10 978	**7 487**
Profit per share			
Basic and fully diluted profit/(loss) per share (USD)		0,51	0,35
Profit per share – continuing operations			
Basic and fully diluted profit/(loss) per share (USD)		0,51	0,35

The notes on pages 8 to 36 are an integral part of these condensed consolidated interim financial statements.

AGROTON PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(in USD thousand, unless otherwise stated)

	Note	30 June 2018	31 December 2017
Assets			
Property, plant and equipment	11	12 831	9 022
Intangible assets		4 159	4 693
Biological assets	12	1 957	1 480
Other non-current assets	14	489	-
Total non-current assets		**19 436**	**15 195**
Inventories	15	14 799	27 177
Biological assets	12	31 220	6 610
Investments designated at fair value through profit or loss		237	236
Trade and other receivables	16	5 360	5 055
Loans receivable	13	20 791	19 720
Assets held for sale	18	18	17
Cash and cash equivalents	17	17 780	17 481
Total current assets		**90 205**	**76 296**
Total assets		**109 641**	**91 491**
Equity			
Share capital		661	661
Share premium		88 532	88 532
Retained earnings		(6 704)	(18 465)
Foreign currency translation reserve		7 981	8 806
Total equity attributable to owners of the Company		**90 470**	**79 534**
Non-controlling interests		**248**	**234**
Total equity		**90 718**	**79 768**
Liabilities			
Loans and borrowings	19	7 756	9 807
Total non-current liabilities		**7 756**	**9 807**
Loans and borrowings	19	97	89
Trade and other payables	20	10 908	1 666
Income tax liability		152	152
Liabilities held for sale	18	10	9
Total current liabilities		**11 167**	**1 916**
Total liabilities		**18 923**	**11 723**
Total equity and liabilities		**109 641**	**91 491**

On 29 August 2018 the Board of Directors of Agroton Public Limited approved and authorised these condensed consolidated interim financial statements for issue.

Tamara Lapta	Larysa Orlova
Deputy Chief Executive Officer	Chief Financial Officer

The notes on pages 8 to 36 are an integral part of these condensed consolidated interim financial statements.

AGROTON PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(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 2017	661	88 532	(26 764)	8 431	70 860	215	71 075
Total comprehensive income							
Profit for the period	-	-	8 043	-	8 043	6	8 049
Other comprehensive income/(expense)	-	-	-	(566)	(566)	4	(562)
Other comprehensive income/(expense)	**-**	**-**	**8 043**	**(566)**	**7 477**	**10**	**7 487**
Balance at 30 June 2017	**661**	**88 532**	**(18 721)**	**7 865**	**78 337**	**225**	**78 562**
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)	-	-	(28)	-	(28)	-	**(28)**
Adjusted balance at 1 January 2018	**661**	**88 532**	**(18 493)**	**8 806**	**79 506**	**234**	**79 740**
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/(expenses) for the year	**-**	**-**	**11 789**	**(825)**	**10 964**	**14**	**10 978**
Balance at 30 June 2018	**661**	**88 532**	**(6 704)**	**7 981**	**90 470**	**248**	**90 718**

The notes on pages 8 to 36 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 2018

(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 2018

(in USD thousand, unless otherwise stated)

	Note	30 June 2018	30 June 2017
Cash flows from operating activities:			
Profit/(Loss) for the period		**11 795**	**8 049**
Adjustments for:			
Depreciation		718	513
Amortisation		532	577
Impairment of inventories	9	329	973
(Gain)/Loss from changes in fair value less cost to sell of biological assets and agriculture produce		(8 271)	(7 452)
Impairment of trade and other receivables	9	603	657
Reversal of provision for bad debts		(407)	(487)
Interest income	10	(1 439)	(1 234)
Income from reversal of impairment of PPE	10	(578)	(44)
Interest expense	10	223	270
Trade payables written-off	6	(27)	(1)
Loss on disposal of property, plant and equipment	9	55	25
Income on disposal of current assets	9	(51)	-
Loss on disposal of intangible assets		360	256
Foreign exchange gain	10	(4 809)	(2 787)
Income tax expense		-	-
Cash flow from operations before working capital changes		**(967)**	**(685)**
Decrease in inventories		13 573	13 071
Increase in biological assets		(15 530)	(14 750)
(Increase)/Decrease in trade and other receivables		(149)	697
Increase in trade and other payables		9 270	6 481
Income tax paid		-	-
Net cash from operating activities		**6 197**	**4 814**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(3 782)	(2 219)
Acquisition of intangible assets		(41)	-
Loans repayment		401	110
Net cash used in investing activities		**(3 422)**	**(2 109)**
Interest on Notes paid		(2 265)	-
Net cash used in financing activities		**(2 265)**	**-**
Net decrease in cash and cash equivalents		**510**	**2 705**
Cash and cash equivalents at the beginning of the period		17 481	11 674
Effect from translation into presentation currency		(211)	3 102
Cash and cash equivalents at the end of the period	17	**17 780**	**17 481**

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(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 30.06.2018	Ownership Interest 31.12.2017
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 %

(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.

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

The shares at 30 June 2018 and as at the date of issue of these condensed consolidated interim financial statements were distributed as follows:

	30 June 2018		29 August 2018	
Shareholder	**Number of Shares**	**Ownership interest, %**	**Number of Shares**	**Ownership interest, %**
Mr. Iurii Zhuravlov	16 367 979	75,53 %	16 367 979	75,53 %
Others	5 302 021	24,47 %	5 302 021	24,47 %
	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 2018 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 2018 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 2017.

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.

(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 2018	Average for the six months ended 30 June 2018	31 December 2017	Average for the six months ended 30 June 2017	31 December 2016
US dollar - UAH	26,1892	26,7462	28,0672	26,7602	27,1909

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 2018, 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.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements.

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.5 Standards and interpretations (cont.)

Adoption of new and revised International Financial Reporting Standards and Interpretations (cont.)

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's condensed consolidated interim financial statements.

IFRS 16 "Leases"

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. The Group does not plan to adopt this standart before it becomes effective.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, a lessee recognizes a right-ofuse asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is in the process of assessing the potential impact of this standard on its consolidated financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Thus far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating land lease agreements. As at 30 June 2018, the Group's future minimum lease payments are disclosed in note 25.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition.The Group is assessing the potential impact of using these practical expedients.

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.5 Standards and interpretations (cont.)

Adoption of new and revised International Financial Reporting Standards and Interpretations (cont.)

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (see (a)) and IFRS 9 *Financial Instruments* (see (b)) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

The effect of initially applying these standards is mainly attributed to increase in impairment losses recognised on financial assets (see (b) ii) below).

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group's adoption of IFRS 15 does not have any impact on the Group's condensed consolidated interim financial statements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.5 Standards and interpretations (cont.)

Adoption of new and revised International Financial Reporting Standards and Interpretations (cont.)

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-byinvestment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.5 Standards and interpretations (cont.)

Adoption of new and revised International Financial Reporting Standards and Interpretations (cont.)

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Investments designed at FVTPL		Investments designed at FVTPL	Investments designed at FVTPL	237	237
Trade and other receivables	14)	Loans and receivables	Amortised cost	5 055	5 027
Loans receivable	11)	Loans and receivables	Amortised cost	20 791	20 791
Cash and cash equivalents	15)	Loans and receivables	Amortised cost	17 780	17 780
Total financial assets				**43 863**	**43 835**

(ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, loans receivable and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs; these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument.

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.5 Standards and interpretations (cont.)

Adoption of new and revised International Financial Reporting Standards and Interpretations (cont.)

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period which the over Group is exposed to credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES

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 2017.

4. REVENUE

	30 June 2018	30 June 2017
Sales of goods	16 453	16 296
Rendering of services	171	247
Total	**16 624**	**16 543**

Revenue generated from sale of goods was as follows:

	30 June 2018	30 June 2017
Livestock and related revenue	2 169	1 937
Winter wheat	120	1 715
Sunflower	4 689	5 587
Corn in grain	96	302
Vegetable oil and protein meals	9 161	6 500
Other agricultural crops	218	255
Total	**16 453**	**16 296**

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

4. REVENUE (cont.)

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

	30 June 2018 tonnes	30 June 2017 tonnes
Winter wheat	832	12 332
Sunflower	13 508	17 646
Corn in grain	700	2 358
Vegetable oil and protein meals	22 798	18 018
Total	**37 838**	**50 354**

Sales volume for milk yield for the six months ended 30 June 2018 was 5 540 tonnes (30 June 2017: 5 834 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.

5. COST OF SALES

	30 June 2018	30 June 2017
Livestock and related operations	1 941	1 736
Plant breeding and related operations	7 252	9 665
Vegetable oil and protein meals	6 600	4 981
Other activities	252	480
Total	**16 045**	**16 862**

6. OTHER OPERATING INCOME

	30 June 2018	30 June 2017
Government grants	61	22
Income from reversal of impairment of PPE	578	44
Trade payables written-off	27	1
Other income	29	7
Total	**695**	**74**

(in USD thousand, unless otherwise stated)

7. ADMINISTRATIVE EXPENSES

	Note	30 June 2018	30 June 2017
Personnel expenses		1 155	394
Amortisation of intangible assets		1	-
Depreciation charge		25	17
Transportation expenses		83	100
Materials		5	7
Insurance		1	2
Professional fees		272	123
Communication services		25	20
Other expenses		159	279
Total		**1 726**	**942**

8. DISTRIBUTION EXPENSES

	Note	30 June 2018	30 June 2017
Personnel expenses		-	1
Transportation expenses		1 000	333
Other expenses		4	1
Total		**1 004**	**335**

9. OTHER OPERATING EXPENSES

	30 June 2018	30 June 2017
Depreciation charge	32	5
Impairment of trade and other receivables	196	170
Loss on disposal of property, plant and equipment	55	25
Loss on write-off and impairment of non-current assets	-	4
Loss on disposal of land lease rights	360	256
Impairment of inventories	329	973
Fines and penalties	4	166
Other expenses	69	33
Total	**1 045**	**1 632**

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

10. NET FINANCE COSTS

	30 June 2018	30 June 2017
Interest income	1 439	1 234
Profit on foreign exchange differences	4 809	2 787
Finance income	**6 248**	**4 021**
Interest on bank loans	-	(5)
Interest on non-bank loans	(9)	
Interest on notes	(214)	(265)
Finance costs	**(223)**	**(270)**
Net finance income	**6 025**	**3 751**

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of USD 3 293 thousand and made prepayment in amount of USD 489 (note 14) for storage facility purchase (the six months ended 30 June 2017: USD 2 219 thousand).

12. BIOLOGICAL ASSETS

Biological assets were presented as follows:

	30 June 2018	31 December 2017
Crops under cultivation	30 312	5 565
Animals in growing and fattening	908	1 045
Total current biological assets	**31 220**	**6 610**
Cattle	1 953	1 478
Other	4	2
Total non-current biological assets	**1 957**	**1 480**
Total	**33 177**	**8 090**

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

12. BIOLOGICAL ASSETS (cont.)

12.1 Crops under cultivation

At 30 June 2018 and 31 December 2017 the crops under cultivation were presented as follows:

	30 June 2018		31 December 2017	
	Thousands of hectares	Carrying values	Thousands of hectares	Carrying values
Winter wheat plantings	37	9 786	36	5 514
Corn plantings	1	91	-	-
Sunflower plantings	37	19 675	-	-
Other plantings	3	760	1	51
Total	**78**	**30 312**	**37**	**5 565**

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

	30 June 2018		30 June 2017	
	Volume, tonnes	Amount, USD thousand	Volume, tonnes	Amount, USD thousand
Winter wheat	3 846	452	-	-
Other sowing	11 570	586	17 068	321
Total	**15 416**	**1 038**	**17 068**	**321**

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.

12.2 Non-current biological assets and animals in growing and fattening

Non-current biological assets:

	30 June 2018		31 December 2017	
	Number, heads	Fair value	Number, heads	Fair value
Cattle	2 201	1 953	2 176	1 478
Horses	3	4	3	2
Total		**1 957**		**1 480**

(in USD thousand, unless otherwise stated)

12. BIOLOGICAL ASSETS (cont.)

12.2 Non-current biological assets and animals in growing and fattening (cont.)

Animals in growing and fattening:

	30 June 2018		31 December 2017	
	Number, heads	**Fair value**	**Number, heads**	**Fair value**
Cattle	2 534	908	2 822	1 045
Total		**908**		**1 045**

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

13. LOANS RECEIVABLE

	Note	30 June 2018	31 December 2017
Current assets			
Loans to related parties	21	15 494	14 884
Loans to third parties		5 297	4 836
Total		**20 791**	**19 720**

- 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 Stiomi 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.

(in USD thousand, unless otherwise stated)

13. LOANS RECEIVABLE (cont.)

- 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.

14. OTHER NON-CURRENT ASSETS

	30 June 2018	31 December 2017
Prepayment for property, plant and equipment	489	-
Total	**489**	**-**

In June 2018, the Group made a prepayment in the amount of USD 489 thousand for the acquisition of a storage facility (Siversky elevator) with a capacity of 15 thousand tonnes for the total consideration of USD 630 thousand.

15. INVENTORIES

	30 June 2018	31 December 2017
Raw materials	665	3 002
Work-in-progress	4 353	3 106
Agricultural produce	2 618	19 931
Finished goods	5 167	9
Other	1 996	1 129
Total	**14 799**	**27 177**

(in USD thousand, unless otherwise stated)

15. INVENTORIES (cont.)

Work-in-progress

Work in progress includes expenditure capitalised in respect of 58 thousand hectares (31 December 2017: 61 thousand hectares) of plough land prepared for sowing in the current or following year and sunflower processing in sunflower oil in amount of USD 1 144 thousand (for the six months ended 30 June 2017: USD 907).

Agricultural produce

The main agricultural produce was as follows:

	30 June 2018	31 December 2017
Winter wheat	619	421
Sunflower	1 472	18 464
Corn	237	388
Other agricultural crops	290	658
Total	**2 618**	**19 931**

The main agricultural produce volume in tonnes was as follows:

	30 June 2018	31 December 2017
Winter wheat	4 430	3 217
Sunflower	4 324	58 114
Corn	1 781	3 119
Total	**10 535**	**64 450**

Inventories were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has tested the related product lines for impairment and recognised an impairment loss for inventories of USD 5 thousand (for the six months ended 30 June 2017: USD 15 thousand).

(in USD thousand, unless otherwise stated)

16. TRADE AND OTHER RECEIVABLES

	Note	30 June 2018	31 December 2017
Trade receivables		1 701	2 995
Provision for impairment of receivables		(442)	(258)
Trade receivables, net		1 259	2 737
Prepayments to suppliers		879	1 725
Other receivables		34 368	33 343
Provision for impairment of prepayments and other receivables		(33 282)	(33 210)
VAT recoverable		2 136	460
Total		**5 360**	**5 055**

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.

17. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash at bank - USD	17 176	17 086
Cash at bank - UAH	588	384
Cash at bank - Euro	9	10
Cash in hand	7	1
Total	**17 780**	**17 481**

(in USD thousand, unless otherwise stated)

18. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Discontinued operations
The assets and liabilities of subsidiary company Agro-Svinprom LLC, operating in pig-breeding, have been presented as held for sale following the Management decision in July 2011 to dispose the company.

In this respect the Management of the Group has advertised their intention for the sale of the subsidiariy to the public media, for attraction of prospective new investors.

Held for sale
At 30 June 2018 the disposal group comprised the following assets and liabilities:

	30 June 2018	30 June 2017
Assets classified as held for sale		
Property, plant and equipment	18	18
Total	**18**	**18**
Liabilities classified as held for sale		
Trade and other payables	(10)	(10)
Total	**(10)**	**(10)**
Net assets	**8**	**8**

19. LOANS AND BORROWINGS

	30 June 2018	31 December 2017
Non-current liabilities		
Notes	7 756	9 807
	7 756	**9 807**
Current liabilities		
Loan from owner	97	89
	97	**89**
Total loans and borrowings	**7 853**	**9 896**

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.

(in USD thousand, unless otherwise stated)

19. LOANS AND BORROWINGS (cont.)

Notes (cont.)

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.

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.

(in USD thousand, unless otherwise stated)

19. LOANS AND BORROWINGS (cont.)

Notes (cont.)

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.

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.

(in USD thousand, unless otherwise stated)

19. LOANS AND BORROWINGS (cont.)

Notes (cont.)

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 Svynprom LLC
- Agro Chornukhinski Kurchata LLC
- Rosinka-Star LLC
- AF named by Shevchenko

20. TRADE AND OTHER PAYABLES

	30 June 2018	**31 December 2017**
Trade payables	1 825	466
Payroll and related expenses accrued	1 066	765
Advances received	5 752	3
Liabilities for other taxes and mandatory payments	65	99
VAT payable	-	76
Payable for operating lease of land	2 138	157
Accrued expenses	18	53
Other provisions	8	12
Other liabilities	36	35
Total	**10 908**	**1 666**

21. RELATED PARTY BALANCES AND TRANSACTIONS

As at 30 June 2018 and the date of this report, the Company is controlled by Mr. Iurii Zhuravlov, who holds directly 74,01% of the Company's share capital. The remaining 25,99% 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.

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

21. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

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 2018 and 30 June 2017 were as follows:

	30 June 2018	**30 June 2017**
Wages and salaries	891	131
Contributions to social funds	13	29
Total	**904**	**160**

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.

	30 June 2018	**30 June 2017**
Number of key management personnel, persons	12	12

Outstanding balances with related parties:

Loans receivable	**30 June 2018**	**31 December 2017**
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	15 494	14 884
Total	**15 494**	**14 884**

Loans payable		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	97	89
Total	**97**	**89**

(in USD thousand, unless otherwise stated)

21. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

The Group's transactions with related parties:

Finance income	**30 June 2018**	**30 June 2017**
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	968	842
Total	**968**	**842**

Expenses

c. Key management personnel	904	160
Total	**904**	**160**

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 2018 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.

22. OPERATING SEGMENTS (cont.)

(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 2018

(in USD thousand, unless otherwise stated)

22. OPERATING SEGMENTS (cont.)

Information by reportable segment is presented as follows:

For the six months ended 30 June 2018	**Livestock**	**Plant breeding**	**Vegetable oil and protein meal**	**Other**	**Group level**	**Total**
Total revenue	2 375	7 453	9 161	362	-	**19 351**
Inter-segment sales	(206)	(2 444)	-	(77)	-	**(2 727)**
External revenues	2 169	5 009	9 161	285	-	**16 624**
Net change in fair value less cost to sell of biological assets and agricultural produce	121	8 150	-	-	-	**8 271**
Expenses (excluding depreciation and amortisation	(976)	(4 476)	(6 314)	(86)	-	**(11 852)**
Profit for the period (excluding depreciation and amortisation)	**1 314**	**8 683**	**2 847**	**199**	**-**	**13 043**
Depreciation and amortisation	(98)	(810)	(286)	(54)	-	**(1 248)**
(Loss)/profit before taxation from continuing operations	1 216	7 873	2 561	145	-	**11 795**
Reportable segment assets	**12 051**	**66 370**	**5 769**	**4 335**	**21 116**	**109 641**
Reportable segment liabilities	**3 173**	**7 327**	**-**	**418**	**8 005**	**18 923**

AGROTON PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(in USD thousand, unless otherwise stated)

22. OPERATING SEGMENTS (cont.)

For the six months ended 30 June 2017	**Livestock**	**Plant breeding**	**Vegetable oil and protein meal**	**Other**	**Group level**	**Total**
Total revenue	2 043	7 832	6 500	340	-	**16 715**
Inter-segment sales	(106)	(25)	-	(41)	-	**(172)**
External revenues	1 937	7 807	6 500	299	-	**16 543**
Net change in fair value less cost to sell of biological assets and agricultural produce	(298)	7 750	-	-	-	**7 452**
Expenses (excluding depreciation and amortisation)	(1 561)	(8 111)	(4 981)	(203)	-	**(14 856)**
Profit for the period (excluding depreciation and amortisation)	**78**	**7 446**	**1 519**	**96**	**-**	**9 139**
Depreciation and amortisation	(68)	(761)	-	(261)	-	**(1 090)**
Profit before taxation from continuing operations	10	6 685	1 519	(165)	-	8 049

Information by reportable segments for the year ended 31 December 2017 is presented as follows:

Reportable segment assets	**7 007**	**60 433**	**360**	**3 738**	**19 953**	**91 491**
Reportable segment liabilities	**191**	**1 452**	**-**	**73**	**10 077**	**11 793**

(in USD thousand, unless otherwise stated)

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
According to the Cyprus Statistical Service, economic growth for 2016 was estimated at + 2,8% compared to 2015. Even though the financial services sector showed negative growth, there has been an increase in the Gross Domestic Product which is mainly attributed to the hotels, construction, manufacturing and the wholesale and retail trade sectors. The economic growth was mainly driven by the increase in private consumption, which benefited from the reduction in unemployment and the consequent increase in disposable income. The growth was also supported by the slower pace of reductions in public spending and the increase in investments. On 17 March 2017 the credit rating of the country rose from BB to BB +.

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.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country’s gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine’s foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 65% (2015: 75%) of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

(in USD thousand, unless otherwise stated)

24. OPERATING ENVIROMENT (cont.)

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

The dangers which may arise from unexpected external factors such as competition, and the further deterioration of the market conditions cannot be ignored. In addition the current financial position of the Group, the uncertain economic conditions in Cyprus and Ukraine, the unavailability of finance, the blockage of funds, together with the current instability of the banking system and the anticipated overall future economic recession may hinder the management's effort to sustain the group as a going concern. However having regard to the fact that with the consent of the Noteholders, the Company has amended the terms and conditions of the Notes with an extension of maturity date and postponement of interest payments, the Board of Directors believes that the Company 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 to repay its Noteholders
2. The ability of the Group's trade and other debtors to repay the amounts due to the Group
3. The cash flow forecasts of the Group and the assessment of impairment of other financial and non-financial assets
4. The ability to realize the current assets held for sale
5. The ability of the Group to repay its loans
6. The ability of the Group to meet its obligations towards its customers

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 enviroment 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.

(in USD thousand, unless otherwise stated)

25. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

Taxation (cont.)
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 Treasure 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.

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 2018 and 31 December 2017 the Group's entities had no liabilities for any supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees.

(in USD thousand, unless otherwise stated)

25. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

Leases
The Group had the following contractual obligations under land operating lease agreements as at 30 June 2018 and 31 December 2017:

	30 June 2018	31 December 2017
Less than 1 year	1 979	6 176
Between 1 to 5 years	6 152	18 440
More than 5 years	4 166	11 006
Total	**12 297**	**35 622**

Plough-land is leased by the Group from individuals. The total size of leased plough-land at 30 June 2018 is 110 thousand hectares (31 December 2017: 120 thousand hectares). The average rental payment for leased plough-land in the six months ended 30 June 2018 ranges between 6% - 9% (year ended 31 December 2017: 6% - 9%) from the normative value of land.

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 2018. 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 adversly affect the Group's results and financial position, so that it is currently impossible to predict.

In August 2018, the Group completed its transaction for purchasing a storage facility with a capacity of 15 thousand tonnes (refer note 14).

On 29 August 2018 the Board of Directors of Agroton Public Limited approved and authorised these condensed consolidated interim financial statements for issue.