Consolidated Financial Statements as of December 31, 2018

AGRO Generation

TABLE OF CONTENTS

Consolidated statement of financial position

(in thousands of Euros)

Assets	***Note***	**December 31, 2018**	**December 31, 2017**
Non-current assets		**65 757**	**71 454**
Intangible assets and leasehold rights	8	26 104	37 764
Right-of-use Assets (Land)	9	12 886	-
Property, plant and equipment	10	26 548	33 389
Financial assets	11	111	230
Biological assets	14	108	71
Deferred tax assets	12.2	-	-
Current Assets		**66 706**	**47 210**
Inventories	13	25 444	25 134
Financial assets	11	906	-
Biological assets	14	11 488	16 045
Trade and other receivables	15	2 272	4 263
Cash and cash equivalents	16	1 074	1 768
Total assets classified as held for sale	17	25 522	-
Total assets		**132 463**	**118 664**
Equity and Liabilities	***Note***	**December 31, 2018**	**December 31, 2017**
Equity		**50 328**	**56 083**
Share capital	19	5 345	5 061
Share premium	19	171 554	169 958
Other reserves		(60 426)	(60 292)
Retained earnings		(60 345)	(46 929)
Revaluation reserves		40 241	41 211
Currency translation differences		(37 520)	(39 749)
Net Income		(8 521)	(13 177)
Non-controlling interests		-	-
Non-current liabilities		**12 917**	**4 686**
Provisions	20	-	-
Non-current borrowings	18	528	4 533
Non-current lease liabilities for right-of-use assets	18	12 359	
Non-current payables	21	-	-
Deferred tax liabilities	12.2	30	153
Current liabilities		**69 218**	**57 895**
Provisions	20	-	8
Current borrowings	18	43 347	42 671
Current lease liabilities for right-of-use assets	18	1 752	-
Trade and other payables	21	15 654	13 591
Current income tax liability		1 629	1 625
Total liabilities classified as held for sale	17	6 836	-
Total equity and liabilities		**132 463**	**118 664**

Consolidated income statement

(in thousands of Euros)	*Note*	2018	2017
Revenue	23	**41 007**	**54 195**
Change in fair value of biological assets and finished goods	14	9 819	14 767
Cost of sales	24	(39 561)	(52 933)
Gross profit / (loss)		**11 265**	**16 029**
Selling, general and administrative expenses	24	(9 602)	(12 663)
Other income and expenses	25	(180)	(2 522)
Profit before interest and tax		**1 483**	**844**
Financial net expenses	26	(7 795)	(14 089)
Income tax expense	12.1	56	68
Profit / (loss) from continued operations		**(6 256)**	**(13 177)**
Profit after tax from discontinued operations (attributable to the Group)	27	(2 265)	-
Profit / (loss) for the period		**(8 521)**	**(13 177)**
Non-controlling interests		-	-
Profit /(loss) from continued and discontinued operations attributable to the Group		**(8 521)**	**(13 177)**
Profit / (Loss) attributable to equity holders of the company (€, 000)		(8 521)	(13 177)
Weighted average number of ordinary shares		224 009 917	220 175 536
Basic earnings / (loss) per share (in Euros per share)	28	**(0,04)**	**(0,06)**
Profit / (loss) attributable to equity holders of the company after dilution (€, 000)		(8 521)	(13 177)
Weighted average number of ordinary and potential shares		224 009 917	220 175 536
Diluted earnings / (loss) per share (in Euros per share)	28	**(0,04)**	**(0,06)**

Consolidated statement of comprehensive income

(in thousands of Euros)	2018	2017
Profit / (loss) for the period	**(8 521)**	**(13 177)**
Items that will not be reclassified to profit and loss, net of tax	**-**	**4 053**
Gains on Property, plant and equipment revaluation	-	4 053
Items that are or may be reclassified to profit and loss, net of tax	**1 020**	**(335)**
Currency translation differences arising during the period	1 020	(2 104)
Currency translation loss reclassified to profit or loss during the period	-	1 769
Total comprehensive income of the period	**(7 501)**	**(9 459)**

Consolidated statement of changes in equity

(in thousands of euros)	Share capital	Share premium	Other reserves	Retained earnings	Revaluation reserves***	Currency translation differences*	Total, Group share	Non-controlling interest	Total equity
Balance as of December 31, 2016	**5 009**	**169 649**	**(60 039)**	**(48 404)**	**38 633**	**(39 414)**	**65 434**	**-**	**65 434**
Issue of new shares**	52	309	-	-	-	-	361	-	361
Redemption of OSRANE**	-	-	(318)	-	-	-	(318)	-	(318)
Change in scope	-	-	-	-	-	-	-	-	-
Other comprehensive income/(expenses)	-	-	-	-	4 053	(335)	3 718	-	3 718
Transfer from other comprehensive income to retained earnings****	-	-	-	1 475	(1 475)	-	-	-	-
Own shares	-	-	24	-	-	-	24	-	24
Share-based payments	-	-	41	-	-	-	41	-	41
Net Income / (loss) for the year	-	-	-	(13 177)	-	-	(13 177)	-	(13 177)
Balance as of December 31, 2017	**5 061**	**169 958**	**(60 292)**	**(60 106)**	**41 211**	**(39 749)**	**56 083**	**-**	**56 083**
Issue of new shares**/*****	284	1 596	-	-	-	-	1 880	-	1 880
Redemption of OSRANE **	-	-	(268)	-	-	-	(268)	-	(268)
ORNANE revaluation and redemption*****	-	-	250	-	-	-	250		250
Change in scope	-	-	-	-	-	-	-	-	-
Other comprehensive income/(expenses)	-	-	-	(1 209)	-	2 229	1 020	-	1 020
Transfer from other comprehensive income to retained earnings****	-	-	-	970	(970)	-	-	-	-
Own shares	-	-	(116)	-	-	-	(116)	-	(116)
Share-based payments	-	-	-	-	-	-	-	-	-
Net Income / (loss) for the year	-	-	-	(8 521)	-	-	(8 521)	-	(8 521)
Balance as of December 31, 2018	**5 345**	**171 554**	**(60 426)**	**(68 866)**	**40 241**	**(37 520)**	**50 328**	**-**	**50 328**

(*) Currency translation differences

Revaluation of Ukrainian hryvnia in 2018 had significant impact on assets and liabilities of the Consolidated Financial Statements.

The positive impact of currency translation differences for 2018 amounts to € **1020 k** and is composed of:

- **€ 3 728k gain** related to inter-company loans of Ukrainian entities denominated in USD and translated into the functional currency, Ukrainian hryvnia, at the closing rate. These loans were treated as net investment (cf. Note 26).
- **€ 105k loss** due to translation difference on ***current year income*** arising from the difference between average and closing rate (32,13 UAH/ EURO and 31,71 UAH/EURO respectively).

€ 2 603k loss due to translating the opening *net assets* at a closing rate (31,71 UAH/EURO) that differs from the previous closing rate (33,50 UAH/EURO): the loss is due to the fact that retained earnings of Ukrainian entities are negative.

In 2019 after finalisation of the sales of farms the Group will recycle €10,4m from currency translation differences reserve to the profit and loss. For more details refer to the Note 5.1

(**) OSRANE early redemption

Relates to the early redemption of OSRANE and related issue of new shares. For more details on issue of OSRANE refer to the Note 2.1 of Consolidated financial statements as of December 31, 2015.

(***) Revaluation reserves

Relates to the revaluation of the fixed assets, this revaluation recognised in other comprehensive income in 2017 amounts to €4,1 m (cf. Note 9 Consolidated financial statements as of December 31, 2017)

(****) Revaluation surplus on fixed assets disposed in 2016 –2018.

(*****) ORNANE revaluation and redemption

For more details on the ORNANE and related issue of new shares refer to the Note 2.1

Consolidated cash flow statement

(in thousands of Euros)	Note	2018****	2017
Profit / (loss) from continued operations		(6 256)	(13 117)
Profit / (loss) from discontinued operations		(2 265)	-
Profit / (loss) for the period		**(8 521)**	**(13 177)**
Depreciation on fixed assets****		8 939	6 245
Provisions		383	(559)
Capital (gains) / losses from disposals		423	1 592
Net financial (income) / loss	26,27	9 529	14 089
Deferred and income taxes (income) / expense		(56)	(68)
Biological assets and finished goods fair value decrease / (increase)		(2 713)	(3 277)
Impairment of fixed assets		-	453
Other (income) / expense with no cash impact		1	52
Cash flow from operating activities		**7 985**	**5 350**
Trade and other payables (decrease) / increase*		1 374	5 210
Inventories decrease / (increase)		1 162	(3 853)
Biological assets cost decrease / (increase)		1 979	(2 594)
Trade and other receivables decrease / (increase) **		3 523	(415)
Income tax paid		(43)	(40)
Working capital variation		**7 995**	**(1 692)**
Net operating cash flow		**15 980**	**3 658**
Cash flow from investing activities			
Acquisition of subsidiaries		(518)	(2 062)
Purchase of property, plant and equipment		(851)	(7 104)
Purchase of intangible assets		(41)	(57)
Purchase of financial assets		(364)	(117)
Disposal of subsidiaries	2.2	1 141	2 715
Disposal of property, plant and equipment		112	58
Disposal of intangible assets		-	1
Disposal of financial assets		479	71
Net investing cash flow		**(42)**	**(6 495)**
Cash flow from financing activities			
Purchase/sale of treasury shares		(116)	24
Pledged term deposits decrease / (increase)	11	(934)	1 854
Proceeds from borrowings		33 892	13 330
Repayment of borrowings		(33 584)	(5 994)
Payment of lease liabilities for right-of-use assets		(5 310)	-
Gain / (losses) from realised foreign exchange	26	655	(132)
Paid interests		(11 106)	(7 531)
Net cash generated from financing activities		**(16 503)**	**1 551**
Effects of exchange rate changes on cash and cash equivalents		33	(185)
Net movement in cash and cash equivalents		**(533)**	**(1 471)**
Cash and cash equivalents at the beginning of the period	16	**1 768**	**3 130**
Cash arising from held for sale activities at the beginning of the period* **		**-**	**109**
Cash and cash equivalents at the end of the period	16	**1 074**	**1 768**
Cash and cash equivalents at the end of the period from discontinued operations		**161**	**-**
Cash and cash equivalents at the end of period from continued operations		**1074**	**1 768**

** In the consolidated balance sheet, the accounts receivable as of December 31, 2018 include prepayments made to suppliers of the Group in connection with inputs for the 2019 harvest. In the consolidated cash flow statement, the variation in prepayments to suppliers (negative cash flow / increase in receivable), which stands at €156k, not inclusive of exchange rate effects, is presented as a change in accounts payable.*

*** In the consolidated balance sheet, the accounts payable as of December 31, 2018 include prepayments received from Group customers in respect of upcoming deliveries in the end of financial year 2018. In the consolidated cash flow statement, the change in customer prepayments (positive cash flow / increase in debt), which amounts to €3 112k, not inclusive of exchange rate effects, is presented as a change in accounts receivable.*

**** Restatement of cash and cash equivalents that has been transferred to held for sale activities as of December 31, 2016 due to finalization of disposal in H1 2017 (cf Note 16 of Consolidated Financial Statements as of December 31, 2017 and Note 2.2)*

*****The figures include cash flows from discontinued operations of Zhytomyr (AFT+VLY) and Ternopyl (AJU+VZL) disposal groups. For the cash flows from discontinued operations refer to Note 27. The amount of depreciation for continued operations in 2018 is €6 554k, for discontinued is €2 385k.*

Notes to the Consolidated Financial Statements

The Consolidated Financial Statements of the AgroGeneration Group ("AgroGeneration", "the Group" or "the Company") for the year ended December 31, 2018 were authorized for issue by the Board of Directors on April 19, 2019. These Financial Statements are presented in thousands of euro for all financial years, except for the per-share information.

1. Scope of consolidation

The Group's Consolidated Financial Statements for the year ended December 31, 2018 include the accounts of AgroGeneration SA and of all companies controlled by the Group, as well as companies over which the Group exercises significant influence. Please refer to the Note 33 for the List of consolidated companies.

General information and background

AgroGeneration was created in March 2007. The parent company is a Joint Stock Company (AgroGeneration SA) recorded on the Paris Trade and Companies Register with number 494 765 951, whose shares have been listed on the Alternext market of NYSE-Euronext Paris since March 1, 2010.

The registered office address is 3 rue de la Pompe, 75116 Paris.

The information on ownership and governance is presented in the Note 31.1.

2. Major events of the period

2.1. A reserved issuance of Redeemable Bonds into New or Existing Shares (ORNANE)

On June 6, 2018 AgroGeneration SA entered into a financing agreement with European High Growth Opportunities Securitization Fund (the "Investor", "EHGO") in the form of bonds redeemable into new and/or existing shares and/or in cash ("ORNANE") with stock warrants ("BSA") attached, up to a maximum bond issuance nominal value of €20 million, over a maximum period of 36 months.

The Group wished to conclude this ORNANE agreement in order to get additional room of manoeuvre with regard to negotiating with suppliers, and thus reducing its input costs; reduce its bank seasonal loans, and thus related financial costs.

The extraordinary and ordinary general meeting of AgroGeneration shareholders, which met on June 26, 2018 voted in favour of this financing. Namely, to the issuance of 2000 of Issuance Warrants (« Issuance Warrants ») corresponding to 2000 ORNANE with a nominal value €10 000 each, accompanied by BSA.

Issuance warrants are granted to the Investor free of charge. They have maturity of 30 months (extendable for 6 months in case of suspension) from the date of the first issued tranche. The Issuance Warrants cannot be sold without AgroGeneration's consent.

In July 2018 the Board of Directors approved issuance of 300 Issuance Warrants ("Issuance warrants") of ORNANE with BSA attached to the Investor. The Issuance Warrants were fully subscribed by the Investor in 4 July 2018.

In July-August, Agrogeneration drew down three tranches for a total amount of €3 million, and issued 300 new ORNANE of a nominal value of €10,000 each. These ORNANEs were issued together with 3,290,448 BSA with an exercise price in the range of €0,43-0,47, which if fully exercised, are liable to generate an additional equity injection of €1.5 million for the Company.

As at December 31, 2018 the Investor opted for the partial redemption of the ORNANEs of the first three tranches. As a result, 151 ORNANEs were exchanged for 4 845 364 shares.

In addition to these three tranches, AgroGeneration paid to the Investor a commitment fee of €150 000, or 5% of the €3 million, in the form of 15 ORNANEs. These ORNANEs do not have BSA attached.

Following drawdown of three initial tranches the program was suspended and then resumed for the additional amount of €17 million after a decision of the Board of Directors on October 8, 2018.

The resumption of the program enabled AgroGeneration to draw a new tranche for an amount of €1 million. 100 new ORNANEs with a nominal value of €10 000 have been issued. These ORNANEs were issued together with 833 333 BSA with exercise price of €0,30.

For these fourth tranche AgroGeneration paid to the Investor a commitment fee of €260 000 in the form of 26 ORNANEs (these 26 ORNANEs do not have attached BSA).

As at December 31, 2018 the Investor converted 9 ORNANES from 126 ORNANES of the fourth tranche. As a result, 9 ORNANEs were exchanged for 300 000 shares.

On November 27, 2018 AgroGeneration announced suspension of the financing with European High Growth Opportunities Securitization Fond.

According to IFRS 9, Issuance Warrants are derivatives with a zero fair value.

Each ORNANE shall entitle its holder, at AgroGeneration's discretion:

- the allotment of new and/or existing shares, and/or
- the allotment of a cash amount equal to all or a part of the amount set out in the redemption notice

If AgroGeneration decides to allot new and/or existing shares, the conversion ratio shall be determined using the following formula: N=Vn / P, where

- "N" is the number of shares resulting from the conversion allocated to the ORNANE holder,
- "Vn" is the ORNANE's nominal value, i.e €10 000,
- "P" is the ORNANE's conversion price, i.e. 95% of the lowest daily volume-weighted average price of the AgroGeneration share for the period of 7 consecutive trading days immediately preceding the date of redemption request.

AgroGeneration and the Investor have agreed to contractually define a conversion floor price of €0.30 (the "Floor Price") under which the Investor would be required to convert its ORNANE in the event of a conversion request at the date when the theoretical conversion price would be lower, or if no conversion request has taken place, on maturity date of ORNANEs. This Floor Price is well above the nominal value of the Company's share (€0.05).

In addition, in the event that the drawdown of a tranche is made at the request of AgroGeneration, on a date when AgroGeneration's price is less than €0.33, and subject to the Investor's agreement for such drawdown, AgroGeneration has undertaken to contractually compensate the Investor for the prejudice that could result from the conversion of ORNANE in the said tranche at the Floor Price, whereas their theoretical conversion price calculated on the basis of stock market price would be lower than the Floor Price (the "Conversion Compensation"). Payment of Conversion Compensation will be made, at AgroGeneration's discretion, in cash or in new shares.

The ORNANEs must be redeemed in shares no later than before the end of each semester, for 80% of the outstanding ORNANE, and in any events, at the maturity date. All ORNANEs have maturity of one year as from issuance. On December 28, 2018 considering the number of outstanding ORNANEs and the current share price, it was agreed with the Investor to postpone, on the exceptional basis, this mandatory redemption into shares until June 30, 2019.

In accordance with IAS 32 and IFRS 9 and with regard to conditions of their exercise, ORNANEs are not considered as equity instruments but as financial instruments measured at fair value through profit and loss.

On issue ORNANEs (including contingent indemnity are recognized at their fair value. The difference with their nominal value is recognized in financial result.

At each redemption, the difference between the fair value at the date of issue and redemption date is recognized in the financial result (financial income/expenses).

The ORNANEs outstanding at the year-end are re-measured at fair value through profit and loss in the financial result, based on the Floor Price and the actual share price of AgroGeneration share.

At December 31, 2018 the net financial income recorded for ORNANE (including contingent indemnity) amounts to €986 793.

As at December 31, 2018 the market value of this financial instrument is € 1 840 000 and it is accounted as a "Borrowing".

For the description and details of the valuation of BSA attached to ORNANE refer Note 29.3.

2.2. Disposal of subsidiaries Agrodrujstvo Jevisovice Ukraine (AJU), Zborivski Lany LL (VZL), Knyazhi Lany LLC (VZL), Agro Fund Terestchenko (AFT), Lishchynske (VLY)

To achieve long-term sustainability in November and December 2018 the Board of Directors decided to dispose certain farms, namely AJU, VZL (Ternopil region), AFT and VLY (Zhytomyr region) concentrated in two regions of Ukraine. In November 2018 the Group signed contract with a potential buyer of AFT and VLY and received $1.3m of prepayment.

In compliance with IFRS 5 as of December 31, 2018 the complete AJU and VZL, AFT and VLY (disposal groups) assets and liabilities have been presented in two lines in the Consolidated Financial Statements: "Assets of disposal group classified as held for sale and "Liabilities of disposal group classified as held for sale". Income statement of disposal groups is presented in the line "Profit/(loss) after tax from discontinued operations", the net cash flow from discontinued activity is included in the Consolidated Statement of Cash Flow.

As of December 31, 2018 the Group assessed that the selling price of disposal groups was lower than their net assets, as a result a provision of €0.34m was recognised in the "Profit/(loss) from discontinued operations".

The Group attributed €9.89m of goodwill to the disposal groups.

3. Financial risk management

3.1. Political risks in Ukraine

The Group conducts most of its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, relatively high level of inflation (consumer inflation in 2018 reached 9.8%, the inflation rate is expected to decline to 7% in 2019 and to 6% in coming years), and some imbalances in the public finance and international trade.

In 2018, for the third year in a row, Ukraine is demonstrated positive GDP growth of 3,3% (2016 – 2,4%, 2017 – 2,5%). Ukrainian government continues to pursue a comprehensive structural reform agenda aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system, etc. with the ultimate goal to ensure sustainable economic growth in the country. In addition, the Government has committed to direct its policy towards the association with the European

Union. Stabilisation of the Ukrainian economy in the foreseeable future depends on the success of the actions undertaken by authorities to move forward the reform agenda.

The on-going IMF Extended Fund Facility Program totalling $17,5 billion significantly diminished currency exchange risks in the country. After significant devaluation of the local currency (UAH) in 2014-2015 when it lost 2/3 of its value the exchange rate remained relatively stable in 2016-2018 (27,2 average exchange rate in 2018). Four tranches out of eight expected from IMF were already obtained by the country during 2015-2017 ($8,7 billion in total, in 2017, $1 billion was received in April 2017), in mid-2017 the program was suspended. In late 2018, new stand-by financing program totalling $3,9 billion was approved by IMF. Three tranches are foreseen under mentioned. The first tranche of $1,4 billion was already obtained by Ukraine in late December 2018. Next tranches of $1.3 million each are expected to be executed in May and November 2019 under adhering all conditions of this financing program, precisely reforms in the energy sector followed by settlement of market prices for gas.

The known and estimable effects of the above events on the financial position and performance of the Group in the reporting period have been taken into account in preparing these consolidated financial statements.

The Group has a number of farming subsidiaries in the Kharkiv oblast of Ukraine, where there is a limited risk in the escalation of protests and possible military conflicts as the situation has stabilized significantly in 2016-2018. As of December 31, 2018, the carrying value of the Group's assets located in the Kharkiv oblast is €49.4 m. Sowings of the Group in 2018 in Kharkiv oblast represents 56 472ha.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. Further adverse developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Group's financial position and performance in a manner not currently determinable.

3.2. Risks related to changes in the legal and fiscal environment

Ukraine currently lacks a comprehensive legal system allowing it to foster and consolidate a stable market economy. Its fundamental laws are relatively recent, little tested, subject to change and often characterised by ambiguity and inconsistency. While the pace of change of Ukraine's legislative framework is fast, several fundamental laws are still in the process of discussion or adoption by the Ukrainian parliament.

Uncertainties also arise due to the fact that different regulatory authorities can choose to reinterpret an applicable law, particularly in the field of taxation, possibly with retroactive effect. Also, the corpus of law relies on implementing decrees which have often not yet been promulgated, creating legal loopholes or else that have been promulgated with substantial differences in relation to the rules and conditions established by the corresponding law, which generates a lack of clarity and many conflicts between companies and the authorities.

No assurance can be given that the legal and fiscal environment in which the Company operates will become more stable in the near future. Insofar as Ukraine is continuing to develop its corpus of law, some existing laws might change and have a negative impact on the Company.

3.3. Risks related to changes in exchange rates

Incomes and expenses of the Group are partly exposed to changes in exchange rates, particularly the euro, the USD and the hryvnia.

Ukraine operations

Starting July 9, 2012 the National Bank of Ukraine (NBU) fixed the exchange rate for USD / hryvnia at the rate of 7,993 hryvnia per 1 USD. On February 6, 2014 this measure was released and NBU stopped supporting the exchange rate of hryvnia. This measure together with the economic situation resulted in a sharp decline of hryvnia foreign exchange rate which reached 15,77 UAH/USD as of the end of 2014. During 2015 –2018 hryvnia continued its decline till 27,7 UAH/USD.

The devaluation of hryvnia against the euro was in line with EURO/USD exchange rate.

Ukrainian legislation concerning the hryvnia prohibits the use of most of the exchange rate hedging instruments that are available in other countries. Options, futures, forwards, and swaps are not available in hryvnia. Therefore, AgroGeneration does not actively cover its exposure to fluctuations in the hryvnia on financial markets.

The Group is partially naturally hedged against a risk of change in exchange rate of the hryvnia against the USD. Indeed, in the scope of its operations in Ukraine, crop revenues and some of the Group's costs (seeds, chemicals, pesticides, etc.) are influenced by worldwide commodity market in USD even if denominated in UAH. In case the local price is not automatically adjusted to the international market, the Group has sufficient storage capacity to postpone its sales.

At last, the currency risk in relation to USD denominated liabilities for crop financing is partially mitigated by the existence of USD export sales.

Financial debt

Interest rate risk sensitivity analysis

At December 31, 2018, if interest rates (for both variable-rate and fixed-rate borrowings) at that date had been 10 basis points higher/lower with all other variables held constant, interest expense for the year would have been € 612k higher/lower (without IFRS 16 would have been 439 k higher/lower (2017 – € 472k)).

Foreign currency exchange rate sensitivity analysis

The Group's foreign currency denominated monetary assets and liabilities as of December 31, 2018 consist of US dollar denominated loans and other debts. Other monetary assets and liabilities are not significant.

At December 31, 2018, if the USD had weakened/increased versus EUR by 10 per cent with all other variables held constant, pre-tax profit for the half of the year would have been € 3 760k lower/higher.

3.4. Risks related to commodities price changes

Due to the size of its grain production, the Group is exposed to fluctuations of crop prices.

For a few years now, agricultural markets have been characterized by high volatility of prices, which depend on world prices which are mainly formed on the stock exchanges of agricultural products. The main factors affecting prices are the climatic factors, the level of energy and inputs prices, and the seasonality of demand.

The market for agricultural commodities in Ukraine is subject to fluctuations in agricultural commodity prices on international markets. It is also subject to conditions of Ukraine's local demand and export capacity, especially when export quota policies are set up, as was the case in 2010. Since Ukraine is a member of the WTO, these quotas are intended to be exceptional and of limited duration, justified only by a significant reduction in production on a country-wide scale. To limit this risk, the Group has developed its own storage capacity enabling it to better manage the pace of commercialization of its production.

The Group hedges against the pricing risk, making forward sales in Ukraine (sales at a fixed price with forward delivery, denominated in U.S. dollars) in the months prior to the harvest, so as to lock in its margin. The Group's goal is to be hedged at the rate of around 30% to 40% of its production prior to the harvest.

3.5. Liquidity risks on crop financing

The main liquidity risk arises from the seasonality of agricultural production. Costs and required working capital reach their peak in spring ahead of the harvest. The cash inflows are concentrated in the second half of the year after harvest. The Group remedies this seasonality by expanding its own storage capacity which allows it to sell its production throughout the year. In addition, the management team controls the liquidity risk by monitoring key performance indicators, including those regarding cash flow.

Companies face significant liquidity problems due to poor sources of foreign investment and low lending capacity by the domestic banking system.

The Group continues collaboration with Ukrainian private bank, Alfa-Bank Ukraine, which granted a crop financing "revolver" credit line of $20m (taking into account reduced scope of the Group after disposal of farms (more details in Note 2.2) releasable in several instalments.

In addition to the above elements, the Group is putting in place alternative sources of financing, such as prepayments of forward contracts and the use of guaranteed promissory notes and extended credit terms provided by some of the input suppliers. These additional sources of financing give additional comfort to continue normal operations through the harvest season.

3.6. Counterparty risks

The Group is exposed to credit risks through its cash and cash equivalents, which are kept in current accounts and with financial institutions (local banks), its supplier credit and customer credit, which includes commitments towards third parties. Credit risks are not concentrated in a particular counterparty. Although the company receives lines of credit from many input suppliers during the season, there is no line of credit secured in advance by the company because the Group manages its positions on a case by case basis. The Group tends to work with banks and financial institutions owned by leading international groups.

3.7. Capital repatriation risks

Risks related to repatriation of capital come from the investments in its Ukrainian subsidiaries. To date, foreign groups are able to repatriate their capital through dividend payments or the repayment of shareholder loans without tax implications. AgroGeneration finances most of its investments in Ukraine via shareholder loans, normally through its Cypriot entities. The capital repatriation risks are linked to these investments. Possible changes in the political environment in Ukraine or in Cyprus could lead to restrictions on repatriation of capital invested in this country.

4. Critical accounting judgments and estimates

The preparation of Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are the following.

Estimates and judgments are continually evaluated on the basis of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1. Impairment test on intangible assets

Intangible assets are tested for impairment at each balance sheet date and whenever there are indications of impairment. The outcome of this exercise is highly sensitive to certain assumptions (weighted average cost of capital, fluctuation of the commodities price, yields).

4.2. Fair value of biological assets and net realisable value of agricultural produce

The Group's biological assets are measured at fair value less costs to sell at each balance sheet date. The fair value of biological assets varies according to climatic conditions during growth and harvest, yield potential and price development. A change in any of these estimates could lead to a material change in the income statement. If the management team's assumptions as of December 31, 2018, would have been by 10% better/lower, then the fair value of the biological assets and gross margin would increase/decrease by around € 2 009 k.

The agricultural produce harvested by the Group is first fair valued at the harvest date when accounted for in inventory in the "Agricultural produce". They are later revalued at the lower of that fair value and the net realizable value at the balance sheet date. The value used for agricultural produce in the assessment of fair value at harvest time and subsequently for the net realizable value at the balance sheet date is determined based on the actual prices less costs to sell at the point of harvest and contract prices on the presold crops.

4.3. Equity-settled share-based transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

4.4. Fair value of fixed assets

Starting from January 1, 2015 the Group applies revaluation model to its tangible assets situated in Ukraine, such as buildings, constructions, machinery and equipment and other assets.

Under this model, property is carried at fair value less any subsequent accumulated depreciation and impairment losses. An impairment loss is recognized in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Estimating the fair value of property requires the exercise of judgment and the use of assumptions. At each reporting date, the Group carries out a review of the macroeconomic factors such as, inflation rate in Ukraine and depreciation of UAH, to determine whether the carrying amount of tangible assets differs materially from fair value.

Based on the results of the review, the Group concluded that the carrying amount of building, constructions, machinery and equipment and other assets does not materially differ from the fair value as of December 31, 2018.

5. Events after the balance sheet date

5.1. Disposal of subsidiaries in Ukraine

In March-April 2019 the Group completed disposals of the all disposal groups classified as held for sales as of December 31, 2018.

The net result from disposal of disposal groups Zhytomyr (AFT and VLY farms) and Ternopil (AJU and VZL farms) is estimated to be a loss of €4,5 million. At the disposal of Zhytomyr and Ternopyl disposal groups the Group attributed €9.89 million of goodwill.

At disposal the Group estimate to recycle €4,5 million of cumulative translation differences (losses) to be attributed to the disposal groups Zhytomyr and Ternopyl.

In January 2019 the Board of Directors decided to sell Agroziom LLC (AZG). The disposal was completed at the end of March 2019. The net result from disposal of AGZ is estimated to be a loss of €5,3 million. At the disposal of AGZ the Group attributed €3,2 million of goodwill and estimate to recycle €5,7 million of cumulative translation differences (losses).

In the first four months of 2019 the Group received $24 million as cash proceeds from the disposal of farms. The additional and final payment of $3,8 million is planned to be received by the end of the year 2019.

5.2. Full redemption of OSRANE bonds into shares

On March 31, 2019 OSRANE subordinated bonds have been fully redeemed into shares. As a result 583 621 OSRANE subordinated bonds were exchanged for 112 052 232 shares.

5.3. ORNANE

During the first quarter 2019, EHGO (European High Growth Opportunities Securitization Fund) converted 91 ORNANE resulting in the issuance of 3 033 331 new shares and a conversion compensation of €0,8 million. This compensation was paid in cash by the company to EHGO.

6. Summary of significant accounting policies

The principal accounting policies applied are summarized below.

6.1. Basis of preparation and changes in accounting policies

AgroGeneration's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU) as of December 31, 2018. They comprise (i) the IFRS, (ii) the International Accounting Standards (IAS) and (iii) the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The Group's Consolidated Financial Statements include the Financial Statements of AgroGeneration and those of all its subsidiaries as of December 31, 2018. The Financial Statements of the subsidiaries are prepared for the same accounting period as those of the parent company and are based on the same accounting policies.

The IFRS accounting policies used by AgroGeneration in the preparation of these Consolidated Financial Statements as of December 31, 2018 are the same as for 2017 ones presented, except for those pertaining to the effect of the new or amended standards or interpretations detailed below.

(a) Standards and amendments for mandatory application in the European Union for financial period ended December 31, 2018

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts*
- Amendment to IAS 40 : *Transfers of Investment Property*
- Annuals improvements of IFRSs 2014-2016 cycle: *Amendments to IFRS 1 and IAS 28*
- IFRIC 22 *Foreign Currency Transactions and Advance Considerations*

The Group has initially adopted IFRS 15 *Revenue from Contracts with customers* and IFRS 9 *Financial instruments* from January 01, 2018. These standards together will other standards effective from January 01, 2018 (described above) do not have material effect on the Group's financial statements.

The changes in significant accounting policies related to newly adopted standards IFRS15 and IFRS 9 are set in the Note 6.2 (a) and 6.2 (b).

(b) Standards early adopted by the Group

The Group has elected to apply IFRS 16 *Leases* starting from January 01, 2018. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.
The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16 and IFRIC 4 and the impact of changes is disclosed in Note 6.2 (c).

(c) Standards and Interpretations published by the IASB but not yet endorsed by the EU

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- IFRIC22 "Foreign Currency Transactions and Advance Consideration", issued on December 8, 2016
- Amendments to IAS40 "Transfers of Investment Property" issued on December 8, 2016
- IFRIC 23 : uncertainty over Income Tax treatments
- IFRS 17 : insurance contracts
- Amendments to IFRS 9 : prepayments with negative compensation features
- Amendments to IAS 28 : long-term interests in Associates and Joint Ventures

The potential impact of the above standards is currently under examination.

6.2. Changes in Accounting policies

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

Taking into account that the major part of Group's revenues arises from the sales of agricultural produce, IFRS 15 did not have a significant impact on the Group's accounting policies.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. All risks and rewards are transferred to the customer at the delivery point or dispatch point, according to the contract specification, which is in line with the Group's accounting policy as of December 31, 2017.

(b) IFRS 9 Financial Instruments

IFRS 9 *Financial instruments* sets out requirements for recognizing 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.

(i) Impact of adoption

Impairment of financial assets

The effect of adopting IFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment requirement, as described further below.
The Group's trade receivables for sales of agricultural produce is subject to IFRS 9's new expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Classification and measurement of financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of the financial liabilities at January 1, 2018.

(ii) Accounting policies applied from January 01, 2018

Investments and other financial assets

From January 01, 2018 the group classifies its financial assets in the following measurement categories, if applicable:

- Those to be measured subsequently at fair value (either through OCI, or through profit and loss), and
- Those to be measured at amortized cost.

(c) IFRS 16 *Leases*

The Group applied IFRS 16 with the date of initial application of January 01, 2018. The Group applied IFRS 16 using modified retrospective approach, under which the right-of-use assets are recognized at the date of initial application at an amount equal to the lease liability. Therefore, there is no impact on equity at the date of initial application.

The group changed its accounting policy for lease contracts as detailed below.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the policy below.

Policy applicable from January 01, 2018

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of identified asset
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used

This policy applies to contracts entered into, or changed, on or after January 01, 2018.

The Group has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applies IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after January 01, 2018.

(ii) Leases previously classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 01, 2018. Right-of-use assets are measured at amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applies this approach to the land leases.

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

- Applied the incremental borrowing rates: 20,64%-21,63% for UAH denominated contracts and 9,44% for EUR and 11,19 % for USD denominated contracts,
- Applied the exemption not to recognize 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
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Right-of-use assets and lease liabilities

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risk and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The group decided to apply recognition exemptions to short-term leases of € 258 k.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability if initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments,
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under the purchase option that the Group is reasonably certain to exercise, lease payment in an optional renewal period if the Group is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Reconciliation between operating lease commitments disclosed applying IAS 17 as of 31 December 2017, discounted using the incremental borrowing rate at the date of initial application of IFRS 16 and recognized lease liabilities for the right-of-use assets as of 01 January 2018.

	K EUR
Lease commitments as of December 31, 2017	56 702
Discounted lease commitments as of December 31, 2017	25 013
Lease liabilities for the right-of-use assets as of January 1, 2018	16 601
Difference	(8 412)

The difference is attributed mainly to the additional component not contractual accounted for the lease commitments as of December 31, 2017, while Lease liabilities for right-of-use assets as of January 01, 2018 are based only on contractual terms.

(iii) Short-term leases and leases of low-value items

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of €258 k that have a lease term of 12 months or less. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Land lease rights

As of January 01, 2018 the land lease rights of net amount 1 879 k EUR has been derecognized and adjusted carrying amount of right-of-use assets.

Amounts recognized in profit or loss (for continued operations)

(in thousands of Euros)	2018
Interest on lease liabilities	2 896
Additional lease payments not contractual and not included in the measurement of lease liabilities*	2 038
Income from sub-leasing right-of-use assets	165
Expenses relating to short-term leases	258

*Estimation of Lease liabilities for right-of-use assets is based on contractual terms. However, majority of land lease agreements were concluded away back that caused a lag between contractual terms and current market conditions. Actual payments to landholders are higher than those stipulated in the contracts and reflect additional component not contractual within the meaning of IFRS 16. That additional component is attributable to market growing tendency.

Additional portion of not contractual land lease expenses would have an effect of 6 149k€ on lease debt for continued operations as at December 31, 2018.

Amounts recognized in the statement of cash flows (for continued operations)

(in thousands of Euros)	2018
Total cash outflow for leases (continued operations)	4 205

Synthesis of impact for IFRS16

(in thousands of Euros)	2018 (before IFRS 16 and IFRS 5)	Impact IFRS 16	2018 published (before IFRS 5)
Revenue	**59 970**	-	**59 970**
Biological assets and finished goods (change in fair value)	8 555	3 297	11 852
Cost of sales	(58 704)	27	(58 677)
Gross profit	**9 821**	**3 324**	**13 145**
Selling, general and administrative expenses	(11 696)	83	(11 613)
Other income and expenses	(580)	-	(580)
Operating profit	**(2 455)**	3 407	**952**
Net financial income (expense)	(5 840)	(3 689)	(9 529)
Tax	56	-	56
Net profit (loss)	**(8 239)**	**(282)**	**(8 521)**

6.3. Consolidation

(a) Subsidiaries

All the subsidiaries in which the Group exercises control are fully consolidated. Control is exists when all the following conditions are met:

- power over the subsidiary;
- exposure, or rights, to variable returns from its involvement with the subsidiary;
- the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The Group does not exert joint control over any of the entities within its scope of consolidation as at December 31, 2018.

All intercompany balances and transactions as well as income, expenses and unrealised gain/losses, which are included in the net book value of assets, which derive from intercompany transactions, are fully eliminated.

(b) Accounting for business combinations

The acquisitions of subsidiaries from third parties (which constitute Business Combination under IFRS) are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at fair values.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

In case identifiable net assets attributable to the Group, after reassessment, exceed the cost of acquisition, the difference is recognized in the Consolidated Income Statement as a bargain purchase gain.

6.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of each Group entity are measured using the currency of primary economic environment in which the entity operates ("the functional currency").

The functional currency of the parent and Cypriote subsidiaries is the euro (EUR) and the functional currency of Ukrainian subsidiaries is the hryvnia (UAH).

The presentation currency of the Consolidated Financial Statements is the euro (EUR).

(b) Foreign transactions

Foreign currency transactions are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of

such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as financial income and expense in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Long-term intercompany loans to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are classified as net investments in the foreign operation.

Where a subsidiary that is a foreign operation repays a net investment loan but there is no change in the parent's proportionate percentage shareholding, cumulative translation adjustment is not reclassified from other comprehensive income to the income statement.

(c) Translation of Financial Statements expressed in foreign currencies

The income statements and statements of financial position of all Group entities that have a functional currency different from the presentation currency (none having a currency of a hyperinflationary economy as of December 31, 2018) are translated into the presentation currency as follows:

- Assets and liabilities of the statement of financial position are translated at the exchange rate of closing date,
- Revenues and charges in the income statement are translated at exchange rates at the dates of the transactions (for practical reasons, the Group translates items of income and expenses for each period presented in the financial statements using the average exchange rates for such an accounting period, if such translations reasonably approximate the results translated at exchange rates prevailing on the dates of the transactions),
- Residual foreign exchange differences are recognized in a separate component of equity.

The exchange rates used for translating Financial Statements of subsidiaries in Ukraine are the following:

	December 31, 2018		December 31, 2017	
Monetary unit per € 1	**Average**	**Closing**	**Average**	**Closing**
Ukrainian Hryvnia (UAH)	32,1289	31,7141	30,0753	33,4954
American Dollar (USD)	1,1809	1,1454	1,1310	1,1934

The rates used for the hryvnia and the U.S. dollar are those of the National Bank of Ukraine ("NBU") in force.

Exchange rate differences on a monetary item forming part of the net investment of the entity presenting the Financial Statements in a foreign operation are recognised in other comprehensive income and reclassified from equity to Income Statement upon partial or total disposal of this net investment.

Goodwill and fair value adjustments recognised in the acquisition of a foreign entity are recognised as assets and liabilities of the foreign entity and translated at closing exchange rate.

6.5. Intangible assets

The main intangible assets recognised are goodwill and leasehold rights. These have been recognised as part of the business combination process.

Subsequent to initial recognition goodwill is recognized at initial cost less accumulated impairment losses, if any.

Cash-generating unit (CGU) for the goodwill impairment test was determined to be equal to the operating segment "Ukraine".

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

6.6. Property, plant and equipment

Starting from January 1, 2015 the Group applies revaluation model for fixed assets situated in Ukraine. Under this model, fixed assets are carried at fair value less any subsequent accumulated depreciation and impairment losses.

Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the date of reporting period.

The acquisition cost of the tangible fixed assets includes all the expenses directly attributable to the acquisition of the fixed assets. Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The carrying amount of the replaced limited-life component is derecognised.

Fixed assets are depreciated over their estimated useful lives:

- Buildings 10 – 55 years
- Machinery and equipment 5 – 30 years
- Other tangible assets 3 - 30 years

Production facilities represent immobile agricultural production equipment, mainly dryers and cleaners. Machinery and vehicles include other mobile agricultural equipment (tractors, combines, harvesters, seed planters, trucks etc.).

The assets' useful lives are reviewed, and adjusted if appropriate, at each financial year-end. The effect of any changes from previous estimates is accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on a sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of construction in progress commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management.

On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

6.7. Impairment of non-financial assets

Non-financial assets other than goodwill are reviewed for possible impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognized immediately in the Consolidated Income Statement unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

6.8. Agriculture

(a) Definitions

The Group accounting policies for agricultural activities are based on IAS 41 "Agriculture".

Agricultural activity is defined as a biological transformation of biological assets into agricultural products or into other biological assets.

Group classifies following biological assets: crops in field and livestock.

Agricultural produce are the products of the harvest of biological assets of the Group and produce received from cattle breeding, i.e. harvested grain that is stored, milk, meat and other livestock produce.

The Group recognizes a biological asset or an agricultural produce when the Group controls the asset as a result of past events, and it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

(b) Biological assets

Biological assets are measured at initial recognition and at each balance sheet date at their fair value less costs to sell, with any resulting gain or loss recognized in the income statement. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

Biological assets are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market determined rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset. The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment.

Based on the above policy, the principal groups of biological assets are stated as follows:

(i) *Crops in fields*

The fair value of crops in fields is determined by reference to the discounted cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

The fair value of plant-growing Biological assets is determined based on, among other estimates, weather conditions, quality of soils, growth potential, yields, harvest conditions and price development.

As of December 31, 2018, the Group had identified for each type of plant growing biological asset their respective principle market, and measures their fair value based on the following:

in determining prices

- Management assessment of future prices at the date of harvest reconciled to the Ukrainian FOB prices or Western markets offset prices on the balance sheet date. These prices have been reduced by fobbing and transport costs.

in determining yields

- Management assessment of future yields for crop based on the most relevant recent data from the crop surveys carried out in the fields.

Given the nature of these input parameters, the fair value of the biological assets is categorised as Level 3 as defined by IFRS 13. Change in any estimates could lead to recognition of significant fair values changes in income statement.

(ii) *Livestock*

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Cattle, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate.

Biological assets are recorded as current or non-current assets based on the operational cycle of the Group's biological assets.

(c) Agricultural produce

Agricultural produce harvested by the Group is initially measured at the time of harvest at its fair value less cost to sell at the point of harvest. It is subsequently recorded as inventory in "Agricultural produce" and stated at the lower of fair value at the time of harvest and net realizable value. This valuation at net realizable value is presented in the form of inventory depreciation. ("Change in fair value of finished goods", cf. Note 14).

The value of agricultural produce used for the assessment of fair value at the time of harvest and subsequent net realizable value is determined based on the actual prices less costs to sell at the point of harvest and contract prices on the presold crops.

(d) Work in progress (inventory of work in progress)

Work in progress is represented by the costs of preparing the land which has not been sown at balance sheet date (case of spring plants in Ukraine – corn, soybean, sunflower, etc. – when valued as of December 31). The soil preparation costs are measured on the basis of the historical costs incurred by the Group.

6.9. Government grants

An unconditional government grant is recognised as income when the government grant becomes receivable.

If a government grant is conditional, the Group recognises the government grant as income when the conditions attaching to the government grant are met (area-aid environmental subsidies) and until then aid received is recognised as a liability.

6.10. Inventories

(a) Raw material and other supplies

Inventories are stated at the lower of cost and net realizable value. Costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using the weighted average cost method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(b) Finished goods (agricultural produce)

Cf. note 6.8 (c) – Agriculture.

(c) Work in progress

Cf. note 6.8 (d) – Agriculture.

6.11. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or to the exercise of new options are recorded directly in equity as a deduction from the issue premium, net of tax effects.

6.12. Current and deferred income tax

(a) General tax treatment

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income.

The tax rates applicable on December 31, 2018 are 33,33% in France, 18% in Ukraine (see (b) Agricultural tax schemes for agricultural concerns in Ukraine) and 12,5% in Cyprus.

Tax reform measures in France (2016) already provided for a progressive reduction of the ordinary corporate tax rate from 33,33% to 28%. The Finance Law for 2018 provides for a further progressive reduction of the corporate income tax rate to 25%, fully applicable for financial years opened in 2022. The schedule for phased-in application of the progressive reduction will be as follows:

- In 2018, the 28% rate of corporate income tax will apply for amounts of taxable profit up to €500,000 and a corporate income tax rate of 33,33% will apply for amounts of profit above €500,000.
- For financial years opened as from 1 January 2019, the standard rate of corporate income tax will be reduced to 31%, with the first €500,000 of profit being still subject to the 28% rate.
- For financial years opened as from 1 January 2020, the 28% rate of corporate income tax will become the new "ordinary rate" (for all profits).
- For financial years opened as from 1 January 2021, the ordinary rate of corporate income tax will be reduced to 26.5%.
- For financial years opened as from 1 January 2022, the ordinary rate of corporate income tax will be reduced to 25%.

The deferred tax is determined using the tax rate and the tax regulations in effect or in effect in essence at the balance sheet date and which are likely to be applied when the deferred tax assets will be used or when the deferred tax liability will be paid.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

However, the deferred tax is not accounted for if at initial recognition of an asset or a liability at the time of a transaction other than a business combination the transaction has no implications for the accounting income or the taxable income.

Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- The Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

(b) Agricultural tax scheme for agricultural companies in Ukraine

In Ukraine, a company is considered to be a farming company if at least 75% of its revenues from the previous fiscal year arise from the sale of agricultural products. In this case, a farming company enjoys special regime on corporate income tax.

Starting from January 1, 2017, the privileged VAT regime for agricultural companies has been cancelled. For more detailed refer to the Consolidated Financial Statements as of December 31, 2016.

Corporate income tax: agricultural companies are not subject to corporate income tax but to the tax on land which is calculated on the basis of a percentage of the value of the land used for agricultural production. The related corresponding costs are classified in "Cost of sales".

Among the 25 legal entities that the Group controls in Ukraine as of December 31, 2018, 13 are involved in agricultural production and are eligible for the special tax regime for agricultural companies in Ukraine in 2018.

6.13. Employees benefits

(a) Pension obligations

The Group does not operate any significant pension schemes. The contributions to the local pension funds are treated as defined contribution benefits.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

6.14. Provisions

Provisions must be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

6.15. Revenue

Revenue represents the proceeds from ordinary business activities. These proceeds are measured at fair value of the counterparty received or to be received for the sale of goods or services in the scope of the Group's typical operations.

The proceeds from typical operations presented for the Group's Ukrainian activities exclude the VAT collection on sales.

These same proceeds from agricultural operations are presented net of discounts and rebates, and after elimination of intra-Group sales.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.
The following specific recognition criteria must also be met before revenue is recognized:

- Sale of Goods and Finished Products – Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer, the amount of revenue can be measured reliably and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The point of transfer of risk, which may occur at delivery or shipment, varies for contracts with different types of customers.
- Rendering of Services – Revenue is recognized in the accounting period in which services are rendered.

The Group's main revenue arises from the sales of agricultural produce.

For the analysis of impact of implementation of IFRS 15 refer to the Note 6.2 (a)

6.16. Share-based payment

The fair value of services assumed to have been received in exchange for the equity instruments (warrants) issued is recognised as an expense in the income statement and in other reserves in equity during the vesting period (from the grant date of warrants until the vesting date). The fair value of the services received is determined by reference to the fair value (market value) of equity instruments granted at the grant date.

7. Segment reporting

The Group has one operating segment in Ukraine, which is composed of 25 legal entities operating around 110 000 hectares of farmland (including 30 000 of hectares of farmlands of disposal groups held for sale).

8. Intangible fixed assets and land leases

(in thousands of Euros)	Gross value				Depreciation				Net value			
	Good-will (1)	Lease-hold rights (2)	Others (3)	Total	Good-will	Leasehold rights	Others	Total	Good-will	Leasehold rights	Others	Total
December 31, 2016	**36 859**	**5 809**	**577**	**43 245**	**-**	**(3 031)**	**(296)**	**(3 327)**	**36 859**	**2 778**	**281**	**39 918**
Change in scope	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Purchases of assets	-	-	57	**57**	-	-	-	**-**	-	-	57	**57**
Depreciation	-	-	-	**-**	-	(532)	(55)	**(587)**	-	(532)	(55)	**(587)**
Exchange rate differences	(527)	(880)	(66)	**(1 473)**	-	513	24	**537**	(527)	(367)	(42)	**(936)**
Disposals of assets	(688)	-	(5)	**(693)**	-	-	5	**5**	(688)	-	-	**(688)**
Other movements	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
December 31, 2017	**35 644**	**4 929**	**563**	**41 136**	**-**	**(3 050)**	**(322)**	**(3 372)**	**35 644**	**1 879**	**241**	**37 764**
IFRS 16 opening adjustment	-	(4 929)	-	**(4 929)**	-	3 050	-	**3 050**	-	(1 879)	-	**(1 879)**
Change in scope	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Purchases of assets	-	-	41	**41**	-	-	-	**-**	-	-	41	**41**
Depreciation	-	-	-	**-**	(344)	-	(55)	**(399)**	(344)	-	(55)	**(399)**
Exchange rate differences	149	-	21	**170**	-	-	(11)	**(11)**	149	-	10	**159**
Disposals of assets	-	-	(2)	**(2)**	-	-	2	**2**	-	-	-	**-**
Transfer toward assets held for sale	(9 894)	-	(73)	**(9 968)**	344	-	42	**386**	(9 551)	-	(31)	**(9 582)**
December 31, 2018	**25 899**	**-**	**550**	**26 448**	**-**	**-**	**(344)**	**(344)**	**25 898**	**-**	**206**	**26 104**

(1) The goodwill as at December 31, 2018 is composed of:

- € 202 k the goodwill arising from acquisition of Barvenkovskaya
- €2 596 k the goodwill arising from acquisition of Tornado
- €32 995k the goodwill arising from the consolidation of the ex-AgroGeneration Group on October 11, 2013

- Less €9 894k of total goodwill allocated to the disposal groups Zhytomyr (AFT and VLY) and Ternopil (AJU and VZL)

Goodwill - Impairment test

The group tests annually whether goodwill has suffered any impairment. Cash-generating unit (CGU) for the goodwill impairment test was determined to be equal to the operating segment "Ukraine" (Note 7).

The *recoverable amounts* of cash-generating units have been determined based on value-in-use calculations. Value in use was determined using the method of discounted cash flows (DCF) based on operational forecasts.

The main assumptions and the total amount recoverable obtained were compared with Market Capitalization for the reasonableness check.

The estimate was based on the specific *key assumptions* below, which represent the current best estimate by management at the date of these consolidated financial statements:

- The cash flow forecasts for the next five financial years relies on the 2019 budget,
- In the absence of long-term financial reference, the expected cash flows generated beyond the planning horizons are planned using the last year of the planning horizon,
- Cash flows were discounted at the rate of 13,84%, representing the long-term WACC of the Group in USD,
- A terminal growth of 2% has been used for the calculation of terminal values as of December 31, 2023. The terminal growth rate reflects long-term forecast of inflation in the United States.

Sensitivity analysis has been performed, especially on WACC, terminal growth, yields and prices and cost of production assumptions. No reasonable change in the assumptions would generate a risk of impairment.

(2) Leasehold rights

As of January 01, 2018 the land lease rights of net amount 1 879 k EUR has been derecognized and adjusted as the carrying amount of right-of-use assets.

As of December 31, 2017 the net carrying amount of land lease rights represented €1 879k which mostly arose from Purchase Price Allocation of fair value of AgroGeneration to the land lease agreements. Total land bank of AgroGeneration included in the leasehold rights consisted of c. 62 000 ha.

(3) Other intangible assets include administrative software and prepaid expenses for leasehold rights.

9. Right-of-use assets (Land)

(in thousands of Euros)	Gross value	Depreciation	Net value
January 1 , 2018	**15 421**	**-**	**15 421**
IFRS 16, opening adjustment for leasehold rights	1 879	-	1 879
Additions	1056	-	1 056
Depreciation	-	(2 766)	(2 776)
Exchange rate differences	989	36	953
Other changes	167	-	167
Transfer towards assets held for sale	(4 629)	805	(3 824)
December 31, 2018	**14 883**	**(1 997)**	**12 886**

10. Property, plant and equipment

(in thousands of Euros)	Gross value					Depreciation				Net Book Value				
	Build-ings	Agricultu-ral machinery and others	Right-of-use Assets	Construction in progress and prepayments	Total	Build-ings	Agricultu-ral machinery and others	Right-of-use Assets	Total	Build-ings	Agricultu-ral machinery and others	Right-of-use Assets	Construction in progress and prepayments	Total
December 31, 2016	**15 127**	**25 877**	**-**	**253**	**41 257**	**(1 255)**	**(5 826)**	**-**	**(7 081)**	**13 872**	**20 051**	**-**	**253**	**34 176**
Revaluation to fair value	718	3 084	-	-	**3 802**	-	-	-	-	718	3 084	-	-	**3 802**
Impact of revaluation on depreciation	(2 169)	(9 983)	-	-	**(12 152)**	2 169	9 983	-	**12 152**	-	-	-	-	-
Purchases of assets	916	6 087	-	108	**7 111**	-	-	-	-	916	6 087	-	108	**7 111**
Depreciation	-	-	-	-	-	(1 240)	(5 674)	-	**(6 914)**	(1 240)	(5 674)	-	-	**(6 914)**
Exchange rate differences	(2 393)	(4 598)	-	(33)	**(7 024)**	314	1457	-	**1 771**	(2 079)	(3 141)	-	(33)	**(5 253)**
Disposals of assets	(67)	(241)	-	-	**(308)**	13	115	-	**128**	(54)	(126)	-	-	**(180)**
Other movements	151	746	-	(186)	**711**	(1)	(63)	-	**(64)**	150	683	-	(186)	**647**
December 31, 2017	**12 283**	**20 972**	**-**	**142**	**33 397**	**-**	**(8)**	**-**	**(8)**	**12 283**	**20 964**	**-**	**142**	**33 389**
IFRS 16, opening adjustment	-	(2 845)	4 134	-	**1 289**	-	-	-	-	-	(2 845)	4 134	-	**1 289**
Purchases of assets	235	579	4	50	**868**	-	-	-	-	235	579	4	50	**868**
Depreciation	-	-	-	-	-	(1 157)	(5 314)	**(883)**	**(7 354)**	(1 157)	(5 314)	(883)	-	**(7 354)**
Exchange rate differences	691	1 026	229	7	**1 953**	(15)	(68)	**(11)**	**(94)**	676	958	218	7	**1 859**
Disposals of assets	(110)	(447)	-	(40)	**(597)**	3	78	-	**81**	(107)	(369)	-	(40)	**(516)**
Other movements	18	581	226	(99)	**726**	-	(29)	**29**	-	18	552	255	(99)	**726**
Transfer toward assets held for sale	(3 357)	(814)	-	(40)	**(4 211)**	303	195	-	**498**	(3054)	(619)	-	(40)	**(3 713)**
December 31, 2018	**9 760**	**19 052**	**4 593**	**20**	**33 425**	**(866)**	**(5 146)**	**(865)**	**(6 877)**	**8 894**	**13 906**	**3 728**	**20**	**26 548**

Had the Group's fixed assets been measured on a historical cost basis, their carrying amount would have been as follows:

(in thousands of euros)	
Group of property, plant and equipment	**December 31, 2018**
Buildings	3 268
Machinery and equipment and others	4 917
Leased agricultural machinery classified as ROU assets	1 947
Tangible assets in progress	23
Total	**10 155**

Property plant and equipment comprise owned and leased assets.

(in thousands of Euros)	**December 31, 2018**
Property plant and equipment owned	22 820
Right-of-use assets	3 728
Total Property plant and equipment	**26 548**

The Group leases land and buildings, vehicles and machinery. The information about leases for which the Group is lessee is presented below.

Right-of-use assets

(in thousands of Euros)	Land	Buildings	Agricultural machinery	Total
Balance as of January 01,2018	15 421	1 289	2 845	19 555
Leasehold rights reclassified	1 879	-	-	1 879
Transfer to property plant and equipment owned	-	-	(340)	(340)
Additions	1 056	581	4	1 641
Depreciation charge for the year	(2 766)	(459)	(424)	(3 649)
Exchange rate differences	953	67	151	1 171
Other changes	167	14	-	181
Transfer toward assets held for sale	(3 824)	-	-	(3 824)
Balance as of December 31, 2018	**12 886**	**1 492**	**2 236**	**16 614**

Leases of buildings – mainly represents rent of offices.

Leases of machinery and equipment - represents rent of agricultural machinery.

Land leases – mainly rent of land for agricultural purposes.

The total net carrying amount of tangible assets pledged as of December 31, 2018 amounts to €9 808k (€ 3 044k pledge on buildings, and €6 764k pledge on agricultural machinery and other tangible fixed assets).

11. Financial assets

(in thousands of Euros)	Non-current Non-consolidated subsidiaries (1)	Other financial assets (2)	Term deposit (3)	Total
December 31, 2016	**85**	**148**	**1 933**	**2 166**
Change in scope	-	-	-	-
Acquisition of subsidiaries	-	-	-	-
Purchases of financial assets	-	117	9 933	**10 050**
Disposals of financial assets	-	(95)	(11 758)	**(11 853)**
Other transactions	-	-	-	-
Exchange rate difference	(10)	-	(108)	**(118)**
Depreciation	(15)	-	-	**(15)**
December 31, 2017	**60**	**170**	**-**	**230**
Change in scope	-	-	-	-
Acquisition of subsidiaries	-	-	-	-
Purchases of financial assets	-	364	1 653	**2 017**
Disposals of financial assets	(28)	(479)	(720)	**(1 227)**
Other transactions	-	-	4	**4**
Exchange rate difference	2	-	-	**2**
Depreciation	22	-	-	**22**
Transfer towards assets held for sale	-		(31)	**(31)**
December 31, 2018	**56**	**55**	**906**	**1 017**

(1) Non-consolidated subsidiaries include 8,96% shares of Agro-Farm, acquired in March 2013. 10% shares of Agropervomaisk was sold in 2018.

(2) The "Other financial assets" are mainly a deposit made with a specialized financial intermediary in the scope of liquidity contract concerning transactions on the AgroGeneration share on the NYSE Euronext Alternext market. This contract has been in place since March 1, 2010, the date that the AgroGeneration security was admitted to Alternext. It is in line with the code of ethics of the AFEI approved by the AMF by decision of September 11, 2006.

The amount allocated to this liquidity contract is € 800k as of December 31, 2018. Over the year 2018, and in the application of the liquidity contract, 1 600 000 securities were purchased at the average price of € 0,30 and 1 050 000 securities were sold at the average price of € 0,34.

As of December 31, 2018, the situation of the contract was as follows:

- 1 147 285 shares valued at € 140k (€ 0,12 / share) were owned by the Group under its liquidity contract.
- The cash position available under this contract came to € 36k which was shown in "Other financial assets" in the above statement.

(3) As of December 31, 2018 the Group had some term deposits.

Reconciliation of movements of financial assets to cash flows arising from financing activities:

(in thousands of Euros)	**Financial assets**		
	Non-current financial assets	**Current financial assets**	**Total**
Balance as of December 31, 2017	**230**	**0**	**230**
Purchase/sale of treasury shares	(115)		(115)
Pledged term deposits (decrease)/increase-		933	933
Interest	-	4	4
Depreciation	22	-	22
Other transactions	(28)	-	(28)
Foreign exchange adjustments	2	-	2
Transfer toward assets held for sale	-	(31)	(31)
Balance as of December 31, 2018	**111**	**906**	**1017**

12. Corporate income tax

12.1. Analysis of Income tax expense – Tax proof

Breakdown of income tax expense is presented below:

(in thousands of euros)	**December 31, 2018**	**December 31, 2017**
Current taxes	(73)	(84)
Deferred taxes	129	152
Total income taxes from continued operations	**56**	**68**

The analysis of the income tax expense reveals the following factors:

(in thousands of euros)	December 31, 2018	December 31, 2017
Accounting profit before tax	(8 577)	(13 245)
Accounting profit before tax	**(8 577)**	**(13 245)**
French corporate tax rate	28,00%*	28,00%*
Theoretical income tax (expense) / gain	**2 402**	**3 709**
Impact from:		
profit/(losses) of agricultural producers exempt from taxation in Ukraine (cf. Note 6.12)	(933)	2 149
unrecognised deferred tax assets and unused tax losses	(1 525)	(2 751)
permanent differences between accounting profit and taxable profit	1 148	1 220
used tax losses	497	-
difference between French and foreign tax rates	(1 533)	(983)
Gain / (loss) out of effective taxation	**56**	**(162)**
Income tax expense reported in the consolidated income statement	56	(162)

* For more details refer to note 6.12

12.2. Deferred tax assets and liabilities

Most of the companies of the Group which are subject to income tax (Note 6.12) are in net deferred tax asset position due to accumulated tax losses.

For reference, the total tax loss carry forward for AgroGeneration SA amounts to €45 988k as of December 31, 2018 and €42 163k as of December 31, 2017 (deferred tax asset €12 877k and €11 806k respectively). As well as for Ukrainian entities the total tax loss carry forward amounts to €25 662k as of December 31, 2018 and €25 049k as of December 31, 2017 (deferred tax asset €4 619k and €4 509k respectively).

The deferred tax asset was not recognised at the end of financial year 2018 since it is unlikely to be recovered in the nearest future.

13. Inventories

	December 31, 2018			December 31, 2017		
(in thousands of Euros)	*Gross Value*	*Depreciation*	***Net value***	*Gross Value*	*Depreciation*	***Net value***
Raw materials and other supplies	1 908	(24)	**1 884**	2 815	(57)	**2 758**
Works in progress	5 983	-	**5 983**	6 419	-	**6 419**
Agricultural produce	17 850	(273)	**17 577**	15 964	(7)	**15 957**
Total	**25 741**	**(297)**	**25 444**	**25 198**	**(64)**	**25 134**

Raw materials and other supplies are inputs to be used in the agricultural campaign 2018/2019, including purchased seeds, fertilizers, fuel, spare parts and other suppliers. ***Work in progress*** includes costs accumulated before crop sowing.

As of December 31, 2018, ***agricultural produce*** representing €17 577 k, is mainly made up of 93 238 tons of crops from the 2018 harvest (96 350 tons as of December 31, 2017).

Depreciation represents write-down provisions of inventory to the net realizable value at the reporting date.

As of December 31, 2018, €14 611k (73 821 tons) of finished goods has been pledged for the trade financing credit facility (€9 619k (50 855 tons) of finished goods has been pledged for the trade financing credit facility as of December 31, 2017).

14. Biological assets

(in thousands of Euros)	December 31, 2018			December 31, 2017		
	Biological assets at cost	*Adjustment to fair value*	***Fair value***	*Biological assets at cost*	*Adjustment to fair value*	***Fair value***
Non-current						
Crops in fields	-	-	-	-	-	-
Livestock	146	(38)	108	94	(23)	71
Total non-current biological assets	**146**	**(38)**	**108**	**94**	**(23)**	**71**
Current						
Crops in fields	6 045	5 321	11 366	9 852	6 035	15 887
Livestock	245	(123)	122	192	(34)	158
Total current biological assets	**6 290**	**5 198**	**11 488**	**10 044**	**6 001**	**16 045**
TOTAL BIOLOGICAL ASSETS	**6 436**	**5 160**	**11 596**	**10 138**	**5 978**	**16 116**

The Group's biological assets are cereals and oilseeds that are planted as of December 31, 2018 for harvest in the second half of 2019 in Ukraine. It also includes livestock consisting of meat cows and other cattle.

The biological assets of the Group are measured at fair value less estimated costs to sell and are within level 3 of the fair value hierarchy (for more details refer to Note 6.8). At the balance sheet date, the fair value of ***the current crops in fields*** is determined on the basis of the planted area and the following significant unobservable inputs as of December 31, 2018:

- Crops price
- Crops yields (tonnes per hectare)
- Expected production costs

	December 31, 2018				December 31, 2017			
	Cultivated area (in hectares)	*Average yields (ton / ha)*	*Average price (EURO/ton)*	*Fair value (in kEURO)*	*Cultivated area (in hectares)*	*Average yields (ton / ha)*	*Average price (EURO/ton)*	*Fair value (in kEURO)*
Winter Wheat	31 296	4,7	137	9 926	38 707	4,7	120	9 930
Winter Barley	515	4,6	136	135	2 901	5,5	116	899
Winter Rapeseed	2302	3,0	347	1 282	6 687	2,9	340	4 037
TOTAL	**34 114**			**11 343**	**48 295**			**14 866**

If the management team's assumptions as of December 31, 2018, would have been different by 10% better/lower, then the fair value of the biological assets and gross margin would increase/decrease by around € 2 009k.

The significant unobservable inputs used in the fair value measurement of the ***livestock*** are as follows:

- Average number of heads and its weight
- Expected future inflows from livestock

The following table represents movements in biological assets for the year ended December 31, 2017 and 2018:

(in thousands of Euros)	Crops	Livestock	TOTAL
Book value as of December 31, 2016	**11 785**	**151**	**11 936**
Current Biological Assets	11 785	99	11 884
Non-current Biological Assets	-	52	52
Reclassification of work in progress to biological assets	7 702	-	7 702
Costs incurred over the period	45 813	174	45 987
Biological assets decrease due to harvest	(60 408)	(45)	(60 453)
Gain/loss due to change in fair value	**14 783**	**(16)**	**14 767**
Impairment of biological assets	(887)	-	(887)
Revaluation of ZACH and VYB	(23)	-	(23)
Exchange rate differences	(2 878)	(35)	(2 913)
Book value as of December 31, 2017	**15 887**	**229**	**16 116**
Current Biological Assets	15 887	158	16 045
Non-current Biological Assets	-	71	71
Reclassification of work in progress to biological assets	6 419	-	6 419
Costs incurred over the period	42 649	221	42 870
Biological assets decrease due to harvest	(61 402)	(107)	(61 509)
Gain/loss due to change in fair value	**11 965**	**(113)**	**11 852**
Incl. gain/loss from continued operations	*9 932*	*(113)*	*9 819*
Incl. gain/loss from discontinued operations	*2 033*	*-*	*2 033*
Transfer to assets classified as held for sale	(5 317)	(11)	(5 328)
Exchange rate differences	1 165	11	1 176
Book value as of December 31, 2018	**11 366**	**230**	**11 596**
Current Biological Assets	11 366	122	11 488
Non-current Biological Assets	-	108	108

As of December 31, 2018, €11 360k (34 613ha) of biological assets have been pledged for the trade financing credit facility (€14 863k (48 286 ha) as of December 31, 2017).

15. Trade and other receivables

(in thousands of Euros)	December 31, 2018	December 31, 2017
Trade receivables	655	944
Prepayments to suppliers (1)	252	142
Other receivables	112	591
Social and tax receivables (excl. VAT receivables)	777	455
VAT receivables (2)	430	2 009
Prepaid expenses	46	122
Trade and other receivables	**2 272**	**4 263**

	December 31, 2018	December 31, 2017
Currency:		
Denominated in EUR	192	118
Denominated in USD	510	651
Denominated in UAH	1 570	3 494
Trade and other receivables	**2 272**	**4 263**

The maximum exposure to credit risk as at the balance sheet date amounts to the fair value of each class of receivables mentioned above. The Group has no collateral for hedging.

(1) The advances paid correspond to prepayments to suppliers of inputs for the 2018 harvest.

(2) The VAT receivable mostly includes:

€311k represents input VAT of Ukrainian entities.

€110k related to the input VAT of AgroGeneration SA.

16. Cash and cash equivalents

(in thousands of euros)	December 31, 2018	December 31, 2017
Cash at bank and in hand	1 074	1 768
Investment securities	-	-
Cash and cash equivalents	**1 074**	**1 768**

The Cash and cash equivalents are denominated in the following currencies as of December 31, 2018:

(in thousands of euros)	December 31, 2018 Cash and cash equivalents	December 31, 2017 Cash and cash equivalents
Currency :		
Denominated in EUR	58	71
Denominated in USD	578	1 185
Denominated in UAH	438	512
Total	**1 074**	**1 768**

17. Assets and liabilities classified as held for sale

(in thousands of Euros)	December 31, 2018
Intangible assets and lease rights	9 582
Right-of-use Assets (Land)	3 824
Property, plant and equipment	3 713
Financial assets	31
Inventories	1 887
Biological assets	5 328
Trade and other receivables	996
Cash and cash equivalents	161
Total assets of disposal group classified as held for sale	**25 522**
Provisions	48
Lease liabilities for right-of-use assets	3 620
Non-current	*3 226*
Current	*394*
Trade and other payables	3 168
Total liabilities of disposal group classified as held for sale	**6 836**

In November-December 2018, the Board of Directors decided to dispose certain farms, namely AJU, VZL (Knyazhi and Zborivski Lany), AFT and VLY. In compliance with IFRS 5 as of December 2018 for AJU and VZL, AFT and VLY (Disposal groups) certain assets and all liabilities of these are classified as held for sale.

As of December 31, 2018 building, machinery and equipment of disposal groups with the net book value of €1 496k has been pledged as security for liabilities under loans contracts with Alfa-Bank (cf Note 18) (buildings - €1 260k and machinery and equipment - €236k).

18. Borrowings and Lease Liabilities for right-of-use assets

(in thousands of euros)		December 31, 2018 Non-current					December 31, 2017 Non-current				
			Current			TOTAL		Current			TOTAL
		Borrow-ings	*Borrow-ings*	*Interest*	***Total***		**Borrow-ings**	*Borrow-ings*	*Interest*	***Total***	
OSRANE	(1)	-	1 090	1 174	**2 264**	**2 264**	**1 096**	4 015	1 182	**5 197**	**6 293**
ORNANE	(2)	-	1 840	-	**1 840**	**1 840**					
Financial lease	(3)	**528**	773	-	**773**	**1 301**	**1 251**	823	-	**823**	**2 074**
Lease Liabilities for right-of-use assets	(3)	**12 359**	1 742	10	**1 752**	**14 111**	-	-	-	-	-
Bank borrowings	(4)	-	31 016	282	**31 298**	**31 298**	-	34 013	409	**34 422**	**34 422**
Other financial debt	(5)	-	6 406	766	**7 172**	**7 172**	**2 186**	1 644	585	**2 229**	**4 415**
Total borrowings		**12 887**	42 867	2 232	**45 099**	**57 986**	**4 533**	40 495	2 176	**42 671**	**47 204**

(1) As of December 31, 2018, the amortised cost of OSRANE amounts to €1.1 m and accrued interest to €1,17 m.

(2) ORNANE please refer to the Note 2.1 for the description and details and the table below for the tranche by tranche characteristics

(3) Current and non-current lease payments are presented at the present value of the future minimum lease payments.

(4) Bank borrowings include borrowing from Alfa-Bank Ukraine (€30,2 m), The First Ukrainian International Bank (FUIB) (€0,82 m). In July 2018 the Group fully reimbursed the loan from EBRD.

In the scope of the borrowings with Alfa-Bank Ukraine, the Group has pledged part of its current and non-current assets including:

- Some of the Fixed assets (Buildings and Agricultural machinery; cf. Note 10), includes some pledges to FUIB
- Short-term deposits (cf. Note 11),
- Some of the biological assets (cf. Note 14),
- Shares in Ukrainian and Cyprus subsidiaries
- Some of the inventories (cf. Note 13),

All term deposits of the Ukrainian subsidiaries are pledged as security for liabilities under the loan contracts with Alfa-Bank (cf. Note 18). These deposits may be withdrawn after the repayment of the loan tranches to Alfa-Bank and are classified as "Other current financial assets".

The shares in Harmelia, Wellaxo, Zeanovi, Azent and HAR, BAR, DON, NST, POD, AgroDom, LAN, UNA, APK, AGG UA, Tornado, VKL, AGZ, BUR, VKD, VZL, VLY and AFT are pledged to the benefit of Alfa-Bank Ukraine as part of loan agreement.

The loans granted by the Alfa-Bank Ukraine and FUIB are subject to covenants. The Group is not compliant with some of these covenants.

(5) Other financial debt relates to the borrowings from a private investor (€1.35 m) and related party Konkur (€5.05m).

ORNANE and related BSA characteristics by tranche

		Initial Tranches			Additional Tranche	Total
		T1	T2	T3	TA1	
Date of issuance		04/07/2018	01/08/2018	29/08/2018	31/10/2018	
Number of ORNANEs	#	100	100	100	100	400
Nominal value of ORNANEs	**€'000**	1 000	1 000	1 000	1 000	4 000
Number of ORNANEs issued as a commission	#	5	5	5	26	41
Nominal value of ORNANEs issued as a commission	**€'000**	50	50	50	260	410
Lifetime of ORNANEs	*month*	6	7	8	10	
Number of converted ORNANEs as of 31/12/2018	#	105	46	-	9	160
Number of related shares issued	#	3 315 257	1 530 107	-	300 000	5 145 364
Number of ORNANEs as of 31/12/2018	#	-	59	105	117	281
Nominal value of ORNANEs as of 31/12/2018	**€'000**	-	590	1 050	1 170	2 810
Conversion Price	€	n/a	0	0	0	
Number of potential shares	#	-	1 966 667	3 500 000	3 900 000	9 366 667
Closing share price as of 31/12/2018	€	0,12	0,12	0,12	0,12	
Fair Value of the debt	**€'000**	-	**240**	**427**	**1 173**	**1 840**

Lease liabilities maturity analysis:

(in thousands of Euros)	**December 31, 2018**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	4 557
One to five years	14 785
More than five years	12 376
Total undiscounted lease liabilities as of December 31, 2018	**31 718**

The maturity of the current and non-current borrowings is as follows:

(in thousands of euros)	**2019**	**2020**	**2021**	**2022 and after**	**Total**
OSRANE	2264	-	-	-	2 264
ORNANE	1840	-	-	-	1840
Financial lease	773	337	132	59	1 301
Bank borrowings	31 298	-	-	-	31 298
Other financial debt	7 172	-	-	-	7172
Total borrowings	**43 347**	**337**	**132**	**59**	**43 875**

Details of the variable-rate and fixed-rate borrowings and lease liabilities for right-of-use assets (excluding interest):

(in thousands of euros)	December 31, 2018 Variable	December 31, 2018 Fixed	December 31, 2017 Variable	December 31, 2017 Fixed
OSRANE	-	1 091	-	5 111
ORNANE	-	1840		
Bank borrowings	-	31 016	3 496	30 517
Financial lease	469	832	754	1 320
Lease liabilities for right-of-use assets	-	14 101	-	-
Other financial debt	-	6 406	-	3 830
Total borrowings	**469**	**55 285**	**4 250**	**40 778**

The carrying amounts of the Group's borrowings and lease liabilities for right-of-use assets are denominated in the following currencies:

(in thousands of euros)	December 31, 2018	December 31, 2017
Currency:		
EUR	10 664	9 877
USD	34 141	36 541
UAH	13 181	786
Total borrowings	**57 986**	**47 204**

Reconciliation of movements of borrowings and lease liabilities for right-of-use assets to cash flows arising from financing activities:

(in thousands of Euros)	OSRANE	ORNANE	Finance leases	IFRS 16 debts	Bank Borrowings and other financial debts	Total
Balance as of December 31, 2017	**6 293**	**-**	**2 074**	**-**	**38 837**	**47 204**
IFRS16 Opening adjustment non - cash	-	-	-	16 601	-	16 601
Proceeds from borrowings	-	4 000	-	-	29 892	33 892
Repayment of borrowings	-	-	(860)	-	(32 725)	(33 585)
Payment of lease liabilities (IFRS16)	-	-	-	(5 310)	-	(5 310)
Interest accrued	673	-	248	3 704	4 222	8 847
Interest repaid	(4 702)	-	(248)	-	(3 824)	(8 774)
Foreign exchange asjustments	-	-	87	918	2 002	3 007
Other non-cash movements	-	(2 160)	-	1 818	67	(275)
Transfer toward liabilities held for sale	-	-	-	(3 620)	-	(3 620)
Balance as of December 31, 2018	**2 264**	**1 840**	**1 301**	**14 111**	**38 470**	**57 986**

The average interest rates of the Group by currency are:

Currency	December 31, 2018	December 31, 2017
EUR	8,70%	9,2%
USD	11,02%	11,3%
UAH	20,93%	17,5%

19. Share Capital

	Share capital in euros	Number of shares	Share premium in euros
December 31, 2016	**5 008 672**	**100 173 448**	**169 649 293**
Additional shares issued (OSRANE redemption)	37 168	743 356	323 732
Attribution of free shares	14 750	295 000	(14 750)
December 31, 2017	**5 060 590**	**101 211 804**	**169 958 275**
Additional shares issued (OSRANE redemption)	27 525	550 492	252 575
Additional shares issued (ORNANE)	257 268	5 145 364	1 342 732
December 31, 2018	**5 345 383**	**106 907 660**	**171 553 582**

As of December 31, 2018, the financial instruments in circulation and the respective numbers of shares that could be issued by exercise of these instruments are presented below:

	Number of instruments	Potential additional shares
BSPCE	5 327	106 540
Stock-options	1 317 833	1 317 833
OSRANE (1)	583 621	112 055 232
ORNANE	281	9 366 667
ORNANE BSA stock-warrants	4 123 781	4 123 781
Konkur warrants	1 379 487	2 519 544

1) The number of OSRANE potential additional shares is calculated considering 192 shares per OSRANE (the number maximum which could be redeemed on December 31, 2018).

20. Provisions

(in thousands of euros)	Provisions for litigation	Provisions for liabilities and expenses	Total
December 31, 2016	**49**	**490**	**539**
Additionnal	-	-	**-**
Reversal (used)	-	(470)	**(470)**
Reversal (unused)	(39)	-	**(39)**
Other variations	-	(20)	**(20)**
Exchange rate differences	(2)	-	**(2)**
December 31, 2017	**8**	**-**	**8**
Additionnal	47	-	**47**
Reversal (used)	(8)	-	**(8)**
Reversal (unused)	-	-	-
Exchange rate differences	1	-	1
Transfer toward liabilities	(48)	-	(48)
December 31, 2018	**-**	**-**	**-**

The management closely monitors legal and tax litigations and assesses the relating risks.

One of the minority investors requested an acceleration of its contract and the Group is reviewing that. As of December 31, 2018, the Group is not exposed to any other significant legal or tax litigation.

For more details on the risks of changes related to the legal and fiscal environment refer to the Note 3.2.

21. Trade and other payables

(in thousands of Euros)	December 31, 2018	December 31, 2017
Trade payables	6 131	7 967
Advance payments received	5 427	2 118
Social & tax payables	1653	1 386
VAT payables	474	401
Deferred income	1 238	132
Other payables	701	1 056
Payables on the purchase of subsidiary	30	531
Trade and other payables	**15 654**	**13 591**

The Trade and other payables are denominated in the following currencies :

(in thousands of Euros)	December 31, 2018	December 31, 2017
Currency:		
Denominated in EUR	2 889	1 612
Denominated in USD	10 025	9 510
Denominated in UAH	2 740	2 469
Trade and other payables	**15 654**	**13 591**

22. Financial assets and liabilities

Financial assets and liabilities are classified as follows in accordance with IFRS 7:

Financial assets and liabilities by category and fair value as of December 31, 2018

(in thousands of Euros)	Note	Measured at amortised cost	Measured at fair value		Total carrying amount December 31, 2018	Valued at cost	Financial instrument at fair value hierarchy under IFRS 7		
			through profit or loss	*through share-holders' equity*			*Level 1: quoted prices and cash*	*Level 2: valuation based on obser-vable market data*	*Level 3: valuation based on unobser-vable market data*
Assets									
Financial assets (non-current)	11								
Shares in non-consolidated subsidiaries				56	56	56			
Other financial assets		12	43		55	12	43		
Financial assets (current)	11								
Term deposits			906		906		906		
Other financial assets									
Trade and other receivables	15	767			767	767			
Cash and cash equivalents	16		1074		1 074		1074		
Liabilities									
OSRANE	18	(2 264)			(2 264)	(2 264)			
ORNANE			(1 840)				(1840)		
Non-current and current bank borrowings	18	(31 298)			(31 298)	(31 298)			
Non-current and current financial lease	18	(1 301)			(1 301)	(1 301)			
Lease liabilities for right-of-use assets	18	(14 111)			(14 111)	(14 111)			
Other financial debt	18	(7 172)			(7 172)	(7 172)			
Trade and other payables	21	(6 862)			(6 862)	(6 862)			

Financial assets and liabilities by category and fair value as of December 31, 2017

(in thousands of Euros)	Note	Measured at amortised cost	Measured at fair value		Total carrying amount December 31, 2017	Valued at cost	Financial instrument at fair value hierarchy under IFRS 7		
			through profit or loss	*through share-holders' equity*			*Level 1: quoted prices and cash*	*Level 2: valuation based on obser-vable market data*	*Level 3: valuation based on unobser-vable market data*
Assets									
Financial assets (non-current)	11								
Shares in non-consolidated subsidiaries				60	60	60			
Other financial assets		10	160		170	10	160		
Financial assets (current)	11								
Term deposits					-				
Other financial assets									
Trade and other receivables	15	1535			1 535	1 535			
Cash and cash equivalents	16		1 768		1 768		1 768		
Liabilities									
OSRANE	18	(6 293)			(6 293)	(6 293)			
Non-current and current bank borrowings	18	(34 422)			(34 422)	(34 422)			
Non-current and current financial lease	18	(2 074)			(2 074)	(2 074)			
Other financial debt	18	(4 415)			(4 415)	(4 415)			
Trade and other payables	21	(11 341)			(11 341)	(11 341)			

23. Revenues from operating activities

(in thousands of euros)	2018	2017
Sales of agricultural produce (1)	40 152	53 238
Services and others (2)	855	957
Total revenue from operating activities	**41 007**	**54 195**

(1) In 2018, AgroGeneration sold 211 866 tons of cereals and oilseeds

(2) The services are mainly composed of activities of drying, storage or loading grain for third parties.

Detail of revenue by geographical region:

(in thousands of euros)	2018	2017
Ukraine	23 080	26 061
France	17 927	28 134
Total revenue	**41 007**	**54 195**

Detail of revenue by harvest:

(in thousands of Euros)	2018	2017
Crops revenue	**40 076**	**53 201**
Harvest 2016	-	11 430
Harvest 2017	11 413	41 771
Harvest 2018	28 663	-
Livestock	**76**	**37**
Services & Other	**855**	**957**
Total Revenue	**41 007**	**54 195**

There is two significant clients to which the Group sold the goods for €13,8m in 2018 (one significant client in 2017 with sales of €6,3m) which represent 33,71% (11,65% in 2017) of the total revenue. The revenue from other clients is individually less than 10%.

24. Functional costs / costs by nature

(in thousands of euros)	2018	2017
Cost of sales	(39 561)	(52 933)
Administrative & Selling expenses	(9 602)	(12 663)
Costs by function	**(49 163)**	**(65 596)**
Raw materials, purchases services and leasing	(28 579)	(39 721)
Personnel costs	(6 312)	(6 956)
Depreciation	(6 553)	(6 245)
Fair value and impairment adjustment (for goods sold)	(7 241)	(11 490)
Other expenses	(478)	(1 184)
Costs by nature	**(49 163)**	**(65 596)**

On average, in 2018 the Group (without discontinued operations) had 1 132 employees.

25. Other income and expense

(in thousands of euros)	2018	2017
Proceeds from fixed assets sold	81	49
Reversal of provision for liabilities and expenses	-	39
Government grant	-	180
Other income	317	219
Other operating Income	**398**	**487**
Net book value of fixed assets sold	(471)	(199)
Impairment from fixed assets revaluation	-	(453)
Provision for liabilities and expenses	-	-
Net result (loss) from sale of investment (1)	(19)	(1 442)
Other expenses	(88)	(915)
Other operating expenses	**(578)**	**(3 009)**
Other operating income and expenses	**(180)**	**(2 522)**

(1) Relates to disposal of ZACH and VYB (cf Note 2.1 of the Consolidated financial statements as of the for the year ended December 31, 2017)

26. Net financial income / (expenses)

(in thousands of euros)

		2018	2017
Cost of debt	(1)	(5 135)	(6 579)
Foreign exchange gains and losses		1 697	(5 779)
realised foreign exchange gains/losses	(2)	*696*	*(132)*
unrealised foreign exchange gains/losses	(3)	*1001*	*(5 647)*
Other		(4 357)	(1 731)
Net financial expense		**(7 795)**	**(14 089)**

Interest expense

(1) Cost of debt is mostly composed of:

€ 673 k interest on OSRANE

€ 4 076 k interest on bank loans

Foreign exchange gains and losses

The Group's foreign currency denominated monetary assets and liabilities as of December 31, 2018 consist of USD and EURO denominated loans and other debts. Other monetary assets and liabilities are not significant. Due to the impact of the current political situation on the volatility of Ukrainian hryvnia (cf. Note 3.3), the exchange rate Ukrainian hryvnia/USD fluctuated during the year and as of reporting date changed from 28,07 UAH/USD on December 31, 2017 to 27,69 UAH/USD on December 31, 2018.

(2) Realised foreign exchange gains and losses (net amount €696 k gain) generated by the Group in 2018 due to the change in foreign exchange rate between the dates when the liability/asset was recognised and when it was settled.

(3) Unrealised foreign exchange gains and losses generated by the Group in 2018 due to the translation of all monetary items of Ukrainian entities and holding companies (mostly bank loans and intercompany loans) from foreign currency (mostly USD) into functional currency (UAH and EUR respectively). Unrealised foreign exchange loss generated included:

- €**857** k loss mostly related to the bank loans and other debt;
- €**1 847** k gain related to the inter-company loans, interest on loans and other ICO debt between Ukrainian, Cyprus and French entities.

Note that certain intercompany loans are classified as net investments (cf Note 6.4 (b)), therefore, corresponding unrealised foreign exchange gain (€ **3 728**k) is recognised directly in equity.

Other financial income/(expenses) in 2018 includes €2 896k of the interest expenses related to the implementation of the IFRS 16 standard.

27. Discontinued operations

In Novembre-Decembre 2018, the Board of Directors decided to dispose certain farms, namely AJU, VZL (Knyazhi and Zborivski Lany), AFT and VLY. The results from discontinued operations for 2018 are presented below.

As of December 31, 2018 the Group assessed that the selling price of disposal groups was lower than their net assets, as a result a provision of €0.34m was recognised in the "Profit/(loss) from discontinued operations".

	December 31, 2018
Revenue	**18 963**
Change in fair value of biological assets and finished goods	2 033
Cost of sales	(19 116)
Gross profit / (loss)	**1 880**
Selling, general and administrative expenses	(2 011)
Other income and expenses	(400)
Profit before interest and tax	**(531)**
Financial net income (expenses)	(1 734)
Income tax expense	-
Profit / (loss) from discontinued operations	**(2 265)**

The net cash flows incurred by disposal groups are, as follows

	2018
Net operating cash flow	1 541
Net investing cash flow	(171)
Net cash generated from financing activities	(1 494)
Effects of exchange rate changes on cash and cash equivalents	14
Net movement in cash and cash equivalents	**(110)**

28. Earnings per share

The basic earnings per share are calculated by dividing:

- The net earnings (group share)
- By the weighted average number of ordinary shares in circulation during the financial year.

The diluted earnings per share are calculated by dividing:

- The net earnings (group share) taking into account the instruments that cause dilution,
- By the weighted average number of ordinary shares in circulation during the financial year plus the weighted average number of ordinary shares that would have been issued following the conversion of all the potential ordinary shares that cause dilution into ordinary shares.

(in thousands of euros)	2018	2017
Net consolidated income / (loss) - group from continued activity (K€)	(6 501)	(13 177)
Net consolidated income / (loss) - group from discontinued activity (K€)	(2 020)	-
Net consolidated income / (loss) - group share (K€)	**(8 521)**	**(13 177)**
Dilution impact (K€)	-	-
Net consolidated income / (loss) after dilution impact	**(8 521)**	**(13 177)**
Weighted average number of ordinary shares	224 009 917	220 175 536
Potential dilution	-	-
Weighted average number of shares after dilution impact	224 009 917	220 175 536
Net income / (loss) per share (Euros) - group share	**(0,04)**	**(0,06)**
Net income / (loss) per share (Euros) after dilution - group share	**(0,04)**	**(0,06)**
Net income/(loss) per share (Euro) – from continued operations	**(0,03)**	**(0,06)**
Net income/(loss) per share (Euro) after dilution – from continued operations	**(0,03)**	**(0,06)**
Net income/(loss) per share (Euro) – from discontinued operations	**(0,01)**	-
Net income/(loss) per share (Euro) after dilution – from discontinued operations	**(0,01)**	-

Over 2018, the potential ordinary shares that would have been issued after the conversion of the stock-options, warrants or BSPCE are not included in the measurement, since they have an anti-dilutive effect.

29. Share-based compensation

29.1. Allocation of BSPCE warrants

(a) Plan of 50,000 enterprise founder share warrants (BSPCE warrants) (December 6, 2007).

There is a warrants plan for employees (BSPCE) of the Ex-AgroGeneration Group. The plan was implemented in December 2007 with a vesting period of three years. The exercise of a BSPCE provided entitlement to 20 shares with a nominal value of € 0.05. The exercise price of each BSPCE is € 2.50. The exercising conditions of the plan were changed in January 2010 according to the status of the beneficiaries (present and former employees):

- The beneficiaries, providing evidence of the status of employee or officer of the company as of January 26, 2010, can exercise half the BSPCE warrants that may be exercised on July 1, 2010, subject to providing evidence of the status of employee or officer of the company without interruption until July 1, 2010, and the other half on July 1, 2011 if they can provide evidence of the status of employee or officer of the company without interruption until that date. The maximum number of BSPCE warrants that may be exercised for this category of beneficiaries as of December 31, 2018 is 500.

- The former employees up to January 26, 2010 may exercise their warrants as of January 1, 2011, for twelve years as of the date of their issuance, and are subject to conditions of net minimum internal rate of return achieved by GreenAlliance on its investment within the Company. As of December 31, 2018, the maximum number of BSPCE warrants able to be exercised was 4 827.

This makes a total of 5 327 BSPCE warrants able to be exercised as of December 31, 2018.

(b) Summary of the BSPCE warrant subscription plan

	2018	2017
Number of share-warrants that can be issued at the beginning of the period	5 327	5 327
Number of share-warrants due to change in scope		
Number of share-warrants issued during the period		
Number of share-warrants converted during the period		
Number of share-warrants lost during the period		
Number of BSPCE that can be issued at the end of the period	**5 327**	**5 327**

(c) Valuation Model

These warrants were valued at their issuance using the Monte Carlo method. The main assumptions are:

- Risk free rate: 3.79%
- Turnover Rate: 0.00%
- Volatility: 50.00%

29.2. Allocation of stock-options

(a) Plan to issue 533 000 options (January 26, 2009)

On January 26, 2009, pursuant to the delegation given by the Special General Meeting held on June 26, 2008, after the consent of the Supervisory Board given on January 30, 2009, the Executive Board of Ex-AgroGeneration Group distributed 533 000 stock options. Each stock option provides entitlement to a share at the strike price of € 2,02. These stock options are approved in thirds over three years and can be exercised after the fourth year (on January 26, 2013) in blocks of 25% minimum until 2019.

This plan was replaced subsequently, for all the options but 50 000, by the plan dated January 26, 2010.

The number of remaining options as of December 31, 2018 is 50 000.

(b) Plan to issue 483 000 options (January 26, 2010)

On January 26, 2010, pursuant to the delegation given by the Special General Meeting held on December 7, 2009, after the consent of the Supervisory Board given on January 14, 2010, the Executive Board of Ex-AgroGeneration Group issued 483 000 stock options, each one providing entitlement to one share at the strike price of € 1,79. The beneficiary must provide evidence of his status as an employee or officer of the Group as of January 1, 2013, and if he / she separates from the company prior to that date, he / she will lose, unless authorized otherwise by the Executive Board:

- 1/6 of his / her options if he / she separates from the company after July 1, 2012 and before January 1, 2013,
- 2/6 of his / her options if he / she separates from the company after January 1, 2012 and before July 1, 2012,
- 3/6 of his / her options if he / she separates from the company after July 1, 2011 and before January 1, 2012,
- 4/6 of his / her options if he / she separates from the company after January 1, 2011 and before July 1, 2011,
- 5/6 of his / her options if he / she separates from the company after July 1, 2010 and before January 1, 2011,
- all of his / her options if he / she separates from the company after January 1, 2010 and before July 1, 2010.

The options can be exercised for ten years with a latency period of 4 years from the date of grant (January 26, 2014).

The number of remaining options as of December 31, 2018 is 405 333.

(c) Plan to issue 400,000 options (February 24, 2010)

On February 24, 2010, pursuant to the delegation given by the Special General Meeting held on December 7, 2009, and after the consent of the Supervisory Board given on February 23, 2010, the Executive Board of Ex-AgroGeneration Group decided to issue 400,000 stock options, the strike procedures of which are identical to the Plan to issue 483 000 options on January 26, 2010 (strike price of € 1,79, condition of presence, strike period of ten years including a four-year latency period).

The number of remaining options as of December 31, 2018 is 400 000.

(d) Plan to issue 850,000 options (December 9, 2011)

On December 9, 2011, pursuant to the delegation given by the Special General Meeting held on June 7, 2011, and after the consent of the Supervisory Board given on July 12, 2011, the Executive Board of Ex-AgroGeneration Group decided to issue 850 000 stock options, each one providing entitlement to one share pursuant to the following strike procedures:

- Strike price of € 1,95,
- Conditions of presence:

  If the beneficiary has more than three years of seniority as of December 9, 2011, he / she must provide evidence of his / her status as an employee or officer of the Group as of July 1, 2014, and if he / she separates from the company prior to that date, he / she will lose, unless authorized otherwise by the Executive Board:

  - 1/6 of his / her options if he / she separates from the company after January 1, 2014 and before July 1, 2014,
  - 2/6 of his / her options if he / she separates from the company after July 1, 2013 and before January 1, 2014,
  - 3/6 of his / her options if he / she separates from the company after January 1, 2013 and before July 1, 2013,
  - 4/6 of his / her options if he / she separates from the company after July 1, 2012 and before January 1, 2013,
  - 5/6 of his / her options if he / she separates from the company after January 1, 2012 and before July 1, 2012,
  - all of his / her options if he / she separates from the company before January 1, 2012.

  If the beneficiary has between one and three years of seniority as of December 9, 2011, he / she must provide evidence of his / her status as an employee or officer of the Group as of July 1, 2015, and if he / she separates from the company prior to that date, he / she will lose, unless authorized otherwise by the Executive Board:

- 1/8 of his / her options if he / she separates from the company after January 1, 2015 and before July 1, 2015,
- 2/8 of his / her options if he / she separates from the company after July 1, 2014 and before January 1, 2015,
- 3/8 of his / her options if he / she separates from the company after January 1, 2014 and before July 1, 2014,
- 4/8 of his / her options if he / she separates from the company after July 1, 2013 and before January 1, 2014,
- 5/8 of his / her options if he / she separates from the company after January 1, 2013 and before July 1, 2013,
- 6/8 of his / her options if he / she separates from the company after July 1, 2012 and before January 1, 2013,
- 7/8 of his / her options if he / she separates from the company after January 1, 2012 and before July 1, 2012,
- all of his / her options if he / she separates from the company before January 1, 2012.

If the beneficiary has less than one year of seniority on December 9, 2011, he / she must provide evidence of his / her status as an employee or officer of the Group as of July 1, 2015, and if he / she separates from the company prior to that date, he / she will lose, unless authorized otherwise by the Executive Board:

- Half of his / her options if he / she separates from the company after July 1, 2013 and before July 1, 2015,
- All of his / her options if he / she separates from the company before July 1, 2013.
- Strike period of ten years including a 4-year latency period.

The number of remaining options as of December 31, 2018 is 462 500.

(e) Summary of the stock-options subscription plan

	2018	2017
Number of stock options at the beginning of the period	1 317 833	1 317 833
Number of stock options due to change in scope		
Number of stock options attributed during the period		
Number of stock options replaced during the period		
Number of stock options lost during the period		
Number of stock options converted during the period		
Number of stock options at the end of the period	**1 317 833**	**1 317 833**

(f) Valuation model

The major computation assumptions used in the issuance of each stock option plan are as follows:

Plans	Risk-free rate	Turnover	Volatility	Valuation model
2009 and 2010	2.80%	0%	50%	Binomiale
December 9, 2011	2.85%	7.50%	31%	Black & Scholes

Expected volatility for the 2009 and 2010 plans was determined from the historical volatility of a group of comparable companies over a period comparable to the period of vesting.

The expected volatility of the 2011 plan was estimated on the basis of the historical volatility of AgroGeneration.

29.3. ORNANE stock warrants (BSA)

The BSA which are attached to each ORNANE and issued upon exercise of the Issuance Warrants, have the following characteristics:

- each BSA grants its holder the right, during the exercise period to subscribe to one new AgroGeneration's share
- the BSA's exercise price shell be equal to 130% of the lowest daily volume-weighted average price for the AgroGeneration share over the 10 trading days immediately preceding the tranche issuance date.
- they may be exercised for a period of 3 years as from their issuance;
- the global nominal amount of BSA is capped at 50% of the nominal amount of related tranche of ORNANE for the first three tranches, and 25% of the nominal value of ORNANE for all subsequent tranches.

		Initial Tranches			Additional Tranche	Total
		T1	T2	T3	TA1	
Number of BSA	*#*	1 063 829	1 063 829	1 162 790	833 333	4 123 781
Fair value of BSAs at the issuance date	*€'000*	82	71	68	46	267
Lifetime of BSA	*month*	30	31	32	34	
Exercise price	*€*	0,47	0,47	0,43	0,30	
Volatility	*%*	40,3%	39,4%	37,0%	38,1%	

The ORNANE BSAs were evaluated using Black & Scholes valuation model with the following assumptions:

- Dividend yield = 0%,
- Risk-free rate =0%
- Volatility - has been determined based on historical volatility of AgroGeneration over the period of 3 years.

According to IFRS 9 and IAS 32, the BSA meet the definition of stand-alone derivatives on own shares settled by the settled by the delivery of a number of shares for cash on the basis of an exercise price. At issuance, the fair value of BSA is recognized in other comprehensive income (OCI) and in the profit and loss account of the corresponding period. Being an equity instrument, BSAs are not re-valued at subsequent period end closings.

As of December 31, 2018 the financial expenses related to BSA amount to €267 245.

29.4. Free shares

In July 2016 the Board of Directors approved a free allocation of 295000 of existing or new shares to some employees of the Group. Free allocation will become definitive in July 5, 2017, provided that the beneficiary has not left the Group till that date. The employees should hold the share for one year after the free share allocation. These free shares have been distributed in July 2017.

In 2017 the Group recognized EUR63k of expenses related to this share allocation. No free shares were allocated in 2018.

30. Commitments

The Group's commitments related to debt and financial instruments are discussed in Note 18.

Non-current assets acquired under finance leases are recognized as an asset as well the liabilities related to its financing are recognized in the consolidated balance sheet.

At December 31, 2018, €1 544 thousands of future minimum lease payments due under finance leases concerned agricultural machinery and vehicles. Total assets under finance leases recognized in consolidated assets amounted to €2,2 million at December 31, 2018 (December 31, 2017: €2,8 million).

(in thousands of Euros)	December 31, 2018	December 31, 2017
Future minimum lease payments		
Due within 1 year	914	1 063
Due in 1 to 5 years	630	1 483
Due beyond 5 years	-	-
Total minimum lease payments	**1 544**	**2 546**
Less finance cost	(243)	(472)
Present value of future minimum lease payments	**1 301**	**2 074**

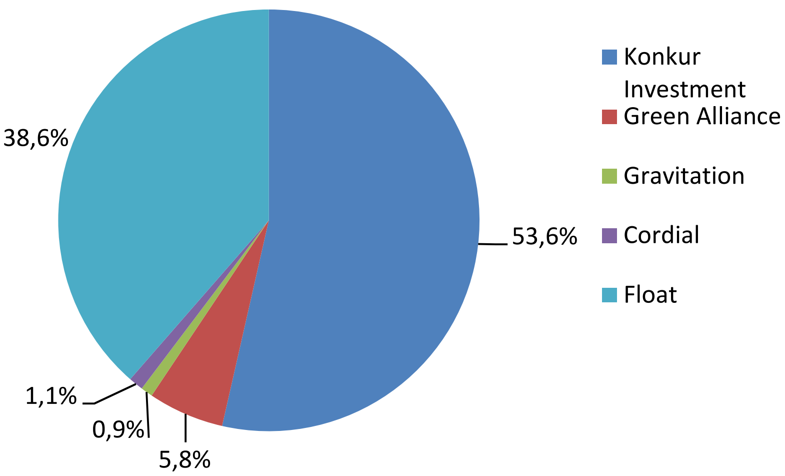
31. Related parties

31.1. Ownership and governance

(a) Ownership

As of December 31, 2018, the shareholding is divided as follows:

Shareholding structure as of December 31, 2018



Konkur: investment holding company controlled by SigmaBleyzer fund, the ultimate parent for the Group.

Green Alliance/Gravitation: holding company controlled by Charles Beigbeder

Cordial Investment and Consulting Ltd: holding company controlled byPierre Danon

Neither the ultimate parent nor the next senior parents produce consolidated financial statements available for public use.

(b) Governance

On October 11th, 2013, the company changed its corporate governance from Executive Board and Supervisory Board to Board of Directors. The Board of Directors is composed of eleven members.

The company also has an Audit Committee and a Remuneration Committee which meet regularly and which are composed of some members of the Board of Directors, as explained below.

Following the debt restructuring, and in view of the new shareholders' structure after the issuance of OSRANE, the Group has changed its governance in April 2015: 4 out of 5 directors representing the historical shareholders left the Board. As of December 31, 2018 the Board of Directors is composed of 8 members, presided by Michael Bleyzer, the Chairman, and, Pierre Danon, the Deputy Chairman.

Board of Directors

- Chairman: Michael Bleyzer
- Deputy Chairman: Pierre Danon

Other members:

- Lev Bleyzer (SigmaBleyzer) * / **
- Valeriy Ivanovich Dema (SigmaBleyzer)
- Neal Warren Sigda (SigmaBleyzer) * / **
- John Shmorhun (CEO AgroGeneration)
- Guillaume James (Gravitation)*
- Xavier Regnaut

** member of the Remuneration Committee*
***member of the Audit Committee*

Compensation of the members of the Board of Directors

In 2018 AgroGeneration paid €20k as attendance fee to the members of the Board of Directors. The remuneration of John Shmorhun, CEO AgroGeneration, is mentioned in Note *31.2 Transactions with related parties*.

31.2. Transactions with related parties

Material transactions entered into over the period and remaining balances as at December 31, 2018 with parties that have significant influence over the Group are as follows:

kEURO		December 31, 2018		2018		December 31, 2017		2017	
		ASSETS	LIABILITIES	INCOME	EXPENSE	ASSETS	LIABILITIES	INCOME	EXPENSE
***SigmaBleyzer group :** various entities under common control*									
	Management Fees	-	(63)	-	(340)	-	(63)	-	(278)
	Consulting services	-	-	-	(3)	-	-	-	(50)
	Rent of premises	-	-	-	-	-	-	-	(1)
	Payment of legal and tax expenses	-	-	-	-	-	-	-	-
	Prepayment	-	-	-	-	-	-	-	-
	Loans	-	(5 053)	-	-	-	(2 186)	-	-
	Interest on loans	-	(560)	-	(459)	-	(101)	-	(124)
	Others	-	-	-	(5)	-	-	-	-
***Safari Arms :** controlled by a member of the Board of Directors*									
	Security services	-	-	-	(956)	-	(220)	-	(1 007)
John Shmorhun	*Key management*								
	Consulting services	-	(87)	-	(402)	-	-	-	(591)
***Cordial Consulting :** Controlled by a member of the Board of Directors*									
	Consulting services	-	(33)	-	(126)	-	(31)	-	(123)
TOTAL		-	(5 796)	-	(2 291)	-	(2 601)	-	(2 174)

32. Fees paid to auditors

(in thousands of euros)	December 31, 2018	December 31, 2017
Certification		
EY network	227	227
Finexsi Audit	46	45
Other services		
EY network	57	102
Finexsi Audit	15	2
Total fees	**345**	**376**

33. List of consolidated companies

All companies are fully consolidated.

#	Name	Conso name	Registered office	Activity	December 31, 2018 % of interest	December 31, 2017 % of interest
1	AgroGeneration	AgroGeneration	Paris - France	Group Holding	Consolidating entity	Consolidating entity
2	Marrimore Holdings Ltd	Marrimore	Nicosia - Cyprus	Holding company	100%	100%
3	Harmelia Investments Limited	Harmelia	Nicosia - Cyprus	Holding company	100%	100%
4	Zeanovi Limited	Zeanovi	Nicosia - Cyprus	Holding company	100%	100%
5	Wellaxo Investments Limited	Wellaxo	Nicosia - Cyprus	Holding company	100%	100%
6	Azent Limited Company	Azent	Nicosia - Cyprus	Holding company	100%	100%
7	UCD Ukraine	UCD UA	Kiev - Ukraine	Service operating company	100%	100%
8	AgroGeneration Ukraine LLC	AGG UA	Kiev - Ukraine	Service operating company	100%	100%
9	Agrofuel Ukraine	Agrofuel	Kiev - Ukraine	Trading company	100%	100%
10	AFT-Agro	AFT	Kiev - Ukraine	Service operating company	100%	100%
11	Agroziom[1]	AGZ	Sumy - Ukraine	Agricultural producer	100%	100%
12	APK Agroziom LLC[1]	AGZ	Sumy - Ukraine	Service operating company	100%	100%
13	Vinal Agro	VKD	Lviv - Ukraine	Agricultural producer	100%	100%
14	Knyazhi Lany (VKL) [1]	VZL	Lviv - Ukraine	Agricultural producer	100%	100%
15	Zborivski Lany (VZB) [1]	VZL	Ternopol - Ukraine	Agricultural producer	100%	100%
16	Agrodruzstvo Jevisovice Ukraine [1]	AJU	Ternopol - Ukraine	Agricultural producer	100%	100%
17	Lishchynske [1]	VLY	Zhitomir - Ukraine	Agricultural producer	100%	100%
18	Agro Fund Terestchenko [1]	AFT	Zhitomir - Ukraine	Agricultural producer	100%	100%
19	APK Novy Stil LLC[2]	NST	Kharkiv - Ukraine	Service operating company	100%	100%
20	APK Donets LLC	DON	Kharkiv - Ukraine	Agricultural producer	100%	100%
21	Burlukskoje PC	BUR	Kharkiv - Ukraine	Agricultural producer	100%	100%
22	AF Barvenkovskaya LLC	BAR	Kharkiv - Ukraine	Agricultural producer	100%	100%
23	APK Ukraina Nova LLC	APK	Kharkiv - Ukraine	Service operating company	100%	100%
24	AF Podoljevskaja LLC	POD	Kharkiv - Ukraine	Agricultural producer	100%	100%
25	FG Podoljevskaja	POD	Kharkiv - Ukraine	Service operating company	100%	100%
26	AF Ukraina Nova LLC	UNA	Kharkiv - Ukraine	Agricultural producer	100%	100%
27	Lan LLC	LAN	Kharkiv - Ukraine	Agricultural producer	100%	100%
28	Harmelia Trading LLC [2]	HAR	Kharkiv - Ukraine	Trading company	100%	100%
29	Agro Dom Plus	AgroDom	Kharkiv - Ukraine	Service operating company	100%	100%
30	Register LLC	Registr	Kharkiv - Ukraine	Service operating company	100%	100%
31	Tornado Agro-holding PC	Tornado	Kharkiv - Ukraine	Service operating company	100%	100%

1) In March, 2019 the Group sold AJU, VZL, VLY and AFT, AGZ

2) Has been liquidated in January - March 2019.