



**Consolidated Financial Statements  
as of December 31, 2019**





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## Consolidated statement of financial position

(in thousands of Euros)

Assets	Note	<u>December 31, 2019</u>	<u>December 31, 2018</u> as restated (Note 5)
<b>Non-current assets</b>		<b>41 239</b>	<b>65 757</b>
Intangible assets and leasehold rights	9	11 896	26 104
Right-of-use Assets (Land)	10	10 719	12 886
Property, plant and equipment	11	18 426	26 548
Financial assets	12	88	111
Biological assets	15	110	108
Deferred tax assets	13	-	-
<b>Current Assets</b>		<b>28 678</b>	<b>64 592</b>
Inventories	14	15 433	25 444
Financial assets	12	302	906
Biological assets	15	8 499	11 488
Trade and other receivables	16	2 466	2 272
Cash and cash equivalents	17	1 978	1 074
Total assets classified as held for sale	18	-	23 408
<b>Total assets</b>		<b>69 917</b>	<b>130 349</b>
			<u>December 31, 2018</u> as restated (Note 5)
<b>Equity and Liabilities</b>	<b>Note</b>	<b><u>December 31, 2019</u></b>	
<b>Equity</b>		<b>27 898</b>	<b>48 214</b>
Share capital	20	11 079	5 345
Share premium	20	225 042	171 554
Other reserves		(118 608)	(60 426)
Retained earnings		(56 675)	(60 345)
Revaluation reserves		26 316	40 241
Currency translation differences		(31 605)	(37 520)
Net Income		(27 650)	(10 635)
Non-controlling interests		-	-
<b>Non-current liabilities</b>		<b>11 715</b>	<b>12 917</b>
Provisions	21	-	-
Non-current borrowings	19	863	528
Non-current lease liabilities for right-of-use assets	19	10 801	12 359
Deferred tax liabilities	13	51	30
<b>Current liabilities</b>		<b>30 304</b>	<b>69 218</b>
Provisions	21	609	-
Current borrowings	19	18 114	43 347
Current lease liabilities for right-of-use assets	19	1 953	1 752
Trade and other payables	22	8 473	18 101
Current income tax liability		1 155	1 629
Total liabilities classified as held for sale	18	-	4 389
<b>Total equity and liabilities</b>		<b>69 917</b>	<b>130 349</b>



## Consolidated income statement

(in thousands of Euros)	Note	2019	2018 as restated (Note 5)
<b>Revenue</b>	<b>24</b>	<b>30 591</b>	<b>41 007</b>
Change in fair value of biological assets and finished goods	15	(610)	9 819
Cost of sales	25	(30 567)	(39 561)
<b>Gross profit / (loss)</b>		<b>(586)</b>	<b>11 265</b>
Selling, general and administrative expenses	25	(10 338)	(9 602)
Other income and expenses	26	(8 942)	(180)
<b>Profit before interest and tax</b>		<b>(19 866)</b>	<b>1 483</b>
Financial net expenses	27	2 054	(7 795)
Income tax expense		450	56
<b>Profit / (loss) from continued operations</b>		<b>(17 362)</b>	<b>(6 256)</b>
<b>Profit after tax from discontinued operations (attributable to the Group)</b>	<b>28</b>	<b>(10 288)</b>	<b>(4 379)</b>
<b>Profit / (loss) for the period</b>		<b>(27 650)</b>	<b>(10 635)</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>
<b>Profit /(loss) from continued and discontinued operations attributable to the Group</b>		<b>(27 650)</b>	<b>(10 635)</b>
Profit / (Loss) attributable to equity holders of the company (€, 000)		(27 650)	(10 635)
Weighted average number of ordinary shares		226 660 930	224 009 917
<b>Basic earnings / (loss) per share (in Euros per share)</b>	<b>29</b>	<b>(0,12)</b>	<b>(0,05)</b>
Profit / (loss) attributable to equity holders of the company after dilution (€, 000)		(27 650)	(10 635)
Weighted average number of ordinary and potential shares		226 660 930	224 009 917
<b>Diluted earnings / (loss) per share (in Euros per share)</b>	<b>29</b>	<b>(0,12)</b>	<b>(0,05)</b>



## Consolidated statement of comprehensive income

(in thousands of Euros)	<b>2019</b>	<b>2018</b> as restated (Note 5)
<b>Profit / (loss) for the period</b>	<b>(27 650)</b>	<b>(10 635)</b>
<b>Items that will not be reclassified to profit and loss, net of tax</b>	-	-
Gains on Property, plant and equipment revaluation	-	-
Other	380	-
<b>Items that are or may be reclassified to profit and loss, net of tax</b>	<b>5 915</b>	<b>1 020</b>
Currency translation differences arising during the period	1067	1 020
Currency translation loss reclassified to profit or loss during the period	4 848	-
<b>Total comprehensive income of the period</b>	<b>(21 355)</b>	<b>(9 615)</b>



## 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
<b>Balance as of December 31, 2017</b>	<b>5 061</b>	<b>169 958</b>	<b>(60 292)</b>	<b>(60 106)</b>	<b>41 211</b>	<b>(39 749)</b>	<b>56 083</b>	<b>-</b>	<b>56 083</b>
Issue of new shares**/*****	284	1 596	-	-	-	-	1 843	-	1 843
Redemption of OSRANE **	-	-	(268)	-	-	-	(233)	-	(233)
ORNANE revaluation and redemption*****	-	-	250	-	-	-	250	-	250
Change in scope	-	-	-	-	-	-	-	-	-
Other comprehensive income/(expenses)	-	-	-	(1 209)	-	876	(333)	-	(333)
Transfer from other comprehensive income to retained earnings****	-	-	-	970	(970)	-	-	-	-
Own shares	-	-	(116)	-	-	-	(116)	-	(115)
Share-based payments	-	-	-	-	-	-	-	-	-
Net Income / (loss) for the year - as restated (Note 5)	-	-	-	(10 635)	-	-	(10 635)	-	(10 635)
<b>Balance as of December 31, 2018 – as restated (Note 5)</b>	<b>5 345</b>	<b>171 554</b>	<b>(60 426)</b>	<b>(70 980)</b>	<b>40 241</b>	<b>(37 520)</b>	<b>48 214</b>	<b>-</b>	<b>48 214</b>
Issue of new shares**/*****	5 734	53 488	-	-	-	-	59 222	-	59 222
Redemption of OSRANE **	-	-	(58 362)	-	-	-	(58 362)	-	(58 362)
ORNANE revaluation and redemption*****	-	-	180	-	-	-	180	-	180
Change in scope	-	-	-	380	-	-	380	-	380
Other comprehensive income/(expenses)	-	-	-	-	-	5 915	5 915	-	5 915
Transfer from other comprehensive income to retained earnings****	-	-	-	13 925	(13 925)	-	-	-	-
Own shares	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Net Income / (loss) for the year	-	-	-	(27 650)	-	-	(27 650)	-	(27 650)
<b>Balance as of December 31, 2019</b>	<b>11 079</b>	<b>225 042</b>	<b>(118 608)</b>	<b>(84 325)</b>	<b>26 316</b>	<b>(31 605)</b>	<b>27 898</b>	<b>-</b>	<b>27 898</b>

(\*) Currency translation differences

Revaluation of Ukrainian hryvnia in the 2019 had significant impact on assets and liabilities of the Consolidated Financial Statements.

The positive impact of currency translation differences for 2019 amounts to € 5 915 k and is composed of:

€ 3 113 k 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 27).

€ 986k loss due to translation difference on **current year income** arising from the difference between average and closing rate (28,66 UAH/ EURO and 26,42 UAH/EURO respectively).



**€ 680k loss** due to translating the opening net assets at a closing rate (26,42 UAH/EURO) that differs from the previous closing rate (31,71 UAH/EURO): the loss is due to the fact that retained earnings of Ukrainian entities are negative.

**€ 4 848k gain** due to reclassification of cumulative translation losses consecutive to disposal of foreign operations, i.e. Ternopyl (AJU and VZL) and Zhytomyr (AFT and VLY) farms, AGZ and VKD (see Note 2.1)

**€ 380k loss** due loss due to reclassification of cumulative translation losses consecutive to liquidation of HAR

(\*\*) 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. In first quarter 2019 OSRANE has been fully redempt.

(\*\*\*) 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 2017 –2019.

(\*\*\*\*\*) ORNANE revaluation and redemption

For more details on the ORNANE and related issue of new shares refer to the Note 2.1 Consolidated financial statements as of December 31, 2018 and Note 2.3 and 19.





## Consolidated cash flow statement

(in thousands of Euros)	Note	2019	2018****
Profit / (loss) from continued operations		(17 362)	(6 256)
Profit / (loss) from discontinued operations	28	(10 288)	(4 379)
<b>Profit / (loss) for the period</b>		<b>(27 650)</b>	<b>(10 635)</b>
Depreciation on fixed assets		8 997	8 939
Provisions		8 347	383
Capital (gains) / losses from disposals		6 210	423
Net financial (income) / loss		(753)	9 529
Deferred and income taxes (income) / expense		(451)	(56)
Biological assets and finished goods fair value decrease / (increase)		7 135	(2 713)
Impairment of fixed assets		-	-
Other (income) / expense with no cash impact		-	1
<b>Cash flow from operating activities</b>		<b>1 835</b>	<b>7 985</b>
Trade and other payables (decrease) / increase*		(11 309)	1 374
Inventories decrease / (increase)		5 818	1 162
Biological assets cost decrease / (increase)		1 060	1 979
Trade and other receivables decrease / (increase) **		614	3 523
Income tax paid		(85)	(43)
<b>Working capital variation</b>		<b>(3 901)</b>	<b>7 995</b>
<b>Net operating cash flow</b>		<b>(2 066)</b>	<b>15 980</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries		-	(518)
Purchase of property, plant and equipment		(1 555)	(851)
Purchase of intangible assets		(11)	(41)
Purchase of financial assets		(171)	(364)
Disposal of subsidiaries	2.1	34 202	1 141
Disposal of property, plant and equipment		740	112
Disposal of intangible assets		-	-
Disposal of financial assets		164	479
<b>Net investing cash flow</b>		<b>33 369</b>	<b>(42)</b>
<b>Cash flow from financing activities</b>			
Purchase/sale of treasury shares		(223)	(116)
Pledged term deposits decrease / (increase)	12	(88)	(934)
Proceeds from borrowings		11 541	33 892
Repayment of borrowings		(37 667)	(33 584)
Payment of lease liabilities for right-of-use assets		(4 785)	(5 310)
Gain / (losses) from realised foreign exchange		6 797	655
Paid interests		(5 834)	(11 106)
<b>Net cash generated from financing activities</b>		<b>(30 259)</b>	<b>(16 503)</b>
Effects of exchange rate changes on cash and cash equivalents		(301)	33
<b>Net movement in cash and cash equivalents</b>		<b>743</b>	<b>(533)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>1 074</b>	<b>1 768</b>
<b>Cash arising from held for sale activities at the beginning of the period***</b>		<b>161</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>1 978</b>	<b>1 074</b>
<b>Cash and cash equivalents at the end of the period from discontinued operations</b>		<b>-</b>	<b>161</b>
<b>Cash and cash equivalents at the end of period from continued operations</b>		<b>1 978</b>	<b>1 074</b>



\* In the consolidated balance sheet, the accounts receivable as of December, 31 2019 include prepayments made to suppliers of the Group in connection with inputs for the 2020 harvest. In the consolidated cash flow statement, the variation in prepayments to suppliers (positive cash flow / decrease in receivable), which stands at €88k, 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 2019 include prepayments received from Group customers in respect of upcoming deliveries in the end of financial year 2019. In the consolidated cash flow statement, the change in customer prepayments (negative cash flow / decrease in debt), which amounts to €1 997k, not inclusive of exchange rate effects, is presented as a change in accounts receivable.

\*\*\* Transfer of cash and cash equivalents as of December 31, 2018 to the held for sale activities due to disposal in H1 2019 (cf Note 17 of Consolidated Financial Statements as of December 31, 2018 and Note 2.1)

\*\*\*\*The figures include cash flows from discontinued operations of Zhytomyr (AFT+VLY) and Ternopyl (AJU+VZL) disposal groups for 2018 and Zhytomyr (AFT+VLY) and Ternopyl (AJU+VZL), AGZ and VKD disposal groups for 2019. For the cash flows from discontinued operations refer to Note 28. The amount of depreciations in 2019 is €7223k for continued and €1 774k for discontinued operations (2018 - the amount of depreciations is €6 554k for continued and €2 385k for discontinued operations)



## Notes to the Consolidated Financial Statements

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The Consolidated Financial Statements of the AgroGeneration Group (“AgroGeneration”, “the Group” or “the Company”) for the year ended December, 31 2019 were authorized for issue by the Board of Directors on April 28, 2020. 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, 2019 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. Disposal of subsidiaries Agrodrujstvo Jevisovice Ukraine (AJU), Zborivski Lany LLC (VZL), Knyazhi Lany LLC (VZL), Agro Fund Terestchenko (AFT), Lishchynske (VLY), Agroziom (AGZ) and Vinal Agro (VKD).

In November - December 2018 and February 2019 the Board of Directors decided to dispose certain farms, namely AJU, VZL (Ternopil region), AFT and VLY (Zhytomyr region) and AGZ (Sumy region).

In March-April 2019 the Group completed abovementioned disposals. The net result from the disposals of Zhytomyr (AFT and VLY farms), Ternopil (AJU and VZL farms) and Sumy (AGZ) is a loss of €4.8 million. At the disposal the Group attributed €10.6 million of goodwill (net of impairment of €2.5 million) and recycled €3,9 million of cumulative translation differences (losses).

By the end of September 2019 the Group received \$29 million - the total amount of cash proceeds from the disposal of the above mentioned farms.

In October 2019, the Board of Directors decided to sell the company VKD (Vinal Agro LLC). By the mid of December 2019 the Group completed the sale of VKD and received the total amount of cash proceeds of \$10.7 million.

At the disposal of VKD the Group attributed €3.8 million of goodwill and recycled €0.9 million of cumulative translation differences (losses). The net result from disposal of VKD is a profit of €17 k.

### 2.2. Full redemption of OSRANE

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.

### 2.3. Litigation with EHGO/ORNANE

During first-half year 2019 EHGO requested before the Paris Commercial Court termination of ORNANE agreement and early repayment of the ORNANE bonds, for a total amount of €1.9 million in cash. AgroGeneration is contesting the EHGO request. No judgment was pronounced on the date of disclosure of these financial statements.

The related risks are covered by a provision booked in the Group accounts as of December 31, 2019 (see Note 21) based on weighted risk scenario. The Group expects to have better vision of the outcome of this litigation close to the end of the year 2020.



### 3. Financial risk management

#### 3.1. Geopolitical 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 still, with positive declining trend (annual consumer inflation in Ukraine slowed to 4.1% y-o-y in 2019 from 9.8% y-o-y in 2018, and is expected to stay at c.a. 5% level in coming years), and some imbalances in the public finance and international trade.

The pace of real GDP growth of Ukraine in Q4 2019 slowed down vs first three quarters of the year (1,5% vs 4,1% in Q3, 4.6% in Q2 and 2,5% in Q1 2020), as a result annual GDP Growth of Ukraine in 2019 came to 3,3%, the same as in 2018 (2017 – 2,5%, 2016 – 2,4%). 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 2019, Ukraine's current account deficit declined by 75,5% y-o-y to \$1,072 million (0,7% of GDP), compared to \$4,367 million in 2018. Ukrainian financial account net inflow amounted \$7,005 million. Therefore, the overall consolidated surplus of the balance of payments amounted to \$5,971 million. This surplus increased international reserve to \$25,302 million. 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.

Although Ukraine's economy is recovering from its recent crisis, it has been growing well below potential and should have grown faster given the depth of its previous fall. In January 2020, the World Bank published its forecast of GDP growth for Ukraine, according to which in 2020 Ukrainian economy is expected to grow by 3,7%, and in 2021-2022 the GDP growth in Ukraine is expected to accelerate to 4,2% per annum.

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 and one tranche of \$1,4 billion was obtained by Ukraine in late December 2018. The negotiations are now underway about new program with IMF, which is expected to be signed in Q1 2020, worth 4 billion SDR (Special Drawing Rights), or about \$ 5,5 billion. If the new program with IMF is successfully approved, Ukraine is expected to get another EUR 500 million of macro-financial aid from EU (the second tranche of EU macro financial assistance program to Ukraine; the first EUR 500 million tranche was received in late 2018).

In 2020 Ukraine is expected to introduce new land market reform. A draft bill to create the market was passed in its first reading in December 2019 and the remaining two readings are due at the start of 2020. The reform envisages that all government land will be privatized and the moratorium for land sale will be



removed (a moratorium on farmland sales in Ukraine has been in place since 2001 and affects close to 70% of the territory and 16% of the Ukraine's population, which cannot freely dispose of their farmland plots.). The current draft law assumes that the maximum land lot will be 10,000 hectares and foreigners will not be allowed to buy Ukrainian land until a special referendum. New land market reform can boost economic growth by as much as 3% and substantially increase the value of the economy if introduced.

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.

After the disposal of assets, completed in early 2020, all farming subsidiaries of the Group are located 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 already. As of December 31, 2019, the carrying value of the Group's assets located in the Kharkiv oblast is €53.3 m. Sowings of the Group in 2019 in Kharkiv oblast represented around 56 000 ha.

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 –2019 hryvnia continued its decline till 25,63 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, 2019, 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 € 317k higher/lower (December 31, 2018– €612k)).

#### **Foreign currency exchange rate sensitivity analysis**

The Group's foreign currency denominated monetary assets and liabilities as of December 31, 2019 consist of US dollar denominated loans and other debts. Other monetary assets and liabilities are not significant.

At December 31, 2019, 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 € 1 313k 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 \$13.5m (taking into account reduced scope of the Group after disposal of farms (more details in Note 2.1) 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, 2019, would have been by 10% better/lower, then the fair value of the biological assets and gross margin would increase/decrease by around € 1 422 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, 2019.

#### **5. Correction of errors**

During preparation first half year 2019 financial statements and review of the period performance, the Group became aware of misstatements in the FY18 financial statements, related to the estimation of the net asset value of the disposal group accounted for under IFRS 5: the group erroneously did not take into account a post-closing adjusting event that was modifying the perimeter of assets disposed of, and therefore the impairment of related allocated goodwill.

Having a €2.1m impact on the goodwill impairment, this should have been considered as an adjusting event for the Financial Statements as of 31 December 2018. As a consequence, the amount of liabilities classified as held for sale has been overstated and the amount of depreciation of Goodwill allocated to the disposal groups together with the net loss for the period has been understated.

There is no impact on the total operating, investing and financing cash flow for the year ended December 31, 2018.

The tables below summarize the total impact on the Group's consolidated financial statements as December 31, 2018.



## Consolidated statement of financial position:

(in thousands of Euros)

December 31, 2018	As previously reported	Adjustments	As restated
<b>Total assets</b>	<b>132 463</b>	<b>(2 114)</b>	<b>130 349</b>
Total assets of disposal group classified as held for sale	25 522	(2 114)	23 408
Others	106 941	-	106 941
<b>Total equity and liabilities</b>	<b>132 463</b>	<b>(2 114)</b>	<b>130 349</b>
Net Income for the period	(8 521)	(2 114)	(10 635)
Total liabilities of disposal group classified as held for sale	6 836	(2 447)	4 389
Trade and other payables	15 654	2 447	18 101
Others	118 494	-	118 494

## Consolidated statement of profit and loss and OCI:

For the year ended December 31, 2018

(in thousands of Euros)

	As previously reported	Adjustments	As restated
<b>Profit / (loss) from continued operations</b>	<b>(6 256)</b>	<b>-</b>	<b>(6 256)</b>
<b>Profit after tax from discontinued operations (attributable to the Group)</b>	<b>(2 265)</b>	<b>(2 114)</b>	<b>(4 379)</b>
<b>Profit / (loss) for the period</b>	<b>(8 521)</b>	<b>(2 114)</b>	<b>(10 635)</b>
<b>Total comprehensive income</b>	<b>(7 501)</b>	<b>(2 114)</b>	<b>(9 615)</b>

## 6. Events after the balance sheet date

### 6.1. Impact of COVID-19 on the Group's operations

In December 2019, an outbreak of a new strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread worldwide. On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. In addition, Ukraine declared a state of emergency on March 25, 2020. Examples of the actions taken so far are the closing of schools, malls and public transportation, restrictions on access to public areas and stay at home orders. It is anticipated that these impacts will continue for some time.

In accordance with the national regulations and the best practices recommendations, the company has put in place sanitary measures in its operations to ensure employees safety, including observing social distancing, providing proper sanitizing, etc. Administrative employees are working from home as much as possible. Travel has been virtually eliminated so that employees may observe stay-in-place orders and quarantines, with those in field operations observing all sanitary norms during the crisis.

There has been no immediate negative impact to AgroGeneration's operations, although this could change depending on the future impact of the virus. At the moment, crop prices have declined with the decline in



oil prices, but that could change if and when the oil market stabilizes. Future potential impacts may include disruptions or restrictions on our employees' ability to work, especially when it is time to collect crops in the fields, logistical issues of transporting the crops to silos and then on to ports/points of export, ability to receive key inputs, and potential disruptions imposed by governing bodies to contain the virus or protect its citizens. Although, as of the date of issuance of the Financial Statements, there has been no change nor impact on the company's profitability position and management does not see any immediate material change to the company's business operations, This situation may evolve as the course of the pandemic unfolds.

Should the situation worsen, in consideration of the risks listed above, the Covid-19 pandemic may also have future impacts on the financial statements; the company could potentially see an impact on future revenues, costs of inputs, timing of inputs (and thus a change in yields), lower world crop prices, and storage costs. These and other factors could influence the cash flow of the company and the balance sheet. A prolonged outbreak could strain the financing to the company that is currently in place.

Despite the outbreak, the company continues to meet all its obligations. Management will continue to closely monitor the situation and assess the need for any future additional measures as the situation develops.

## **7. Summary of significant accounting policies**

The principal accounting policies applied are summarized below.

### **7.1. 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, 2019. 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, 2019. 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, 2019 are the same as for 2018 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, 2019*

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures





- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Annual improvements to IFRS standards 2015-2017 Cycle
- IFRIC Interpretation 23 – Uncertainty over Income Tax treatment

These standards did not have material effect on the Group's financial statements.

(b) Standards and Interpretations published by the IASB but not yet endorsed by the EU and not applied by AgroGeneration

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to References to Conceptual Framework in IFRS standards
- IFRS 17 : insurance contracts
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Definition of a Business

## 7.2. Consolidation

### (a) Subsidiaries

All the subsidiaries in which the Group exercises control are fully consolidated. Control 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, 2019.

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.

### **7.3. 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, 2019) 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:

Monetary unit per € 1	December 31, 2019		December 31, 2018	
	Average	Closing	Average	Closing
Ukrainian Hryvnia (UAH)	28,6641	26,4220	32,1289	31,7141
American Dollar (USD)	1,1178	1,1155	1,1809	1,1454

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.

#### 7.4. 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.

#### 7.5. 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.

## **7.6. 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.



## 7.7. 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, 2019, 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 15).

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.

## **7.8. Leases, Right-of-use assets and lease liabilities**

Leases are recognized, measured and presented in line with IFRS 16 *Leases*. The Group recognizes a right-of-use assets and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time.

The right-of-use asset is 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 is 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.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (leases with lease term of 12 months or less, without any purchase option). The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### Amounts recognized in profit or loss (for continued operations)

(in thousands of Euros)	2019
Interest on lease liabilities	2 705
Additional lease payments not contractual and not included in the measurement of lease liabilities*	2 052
Income from sub-leasing right-of-use assets	95
Expenses relating to short-term leases	341

\*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 177k€ on lease debt for continued operations as at December 31, 2019.

#### 7.9. 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.



## 7.10. 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 7.7 (c) – Agriculture.

### (c) Work in progress

Cf. note 7.7 (d) – Agriculture.

## 7.11. 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.

## 7.12. 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, 2019 are 31% 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:

- For financial years opened as from 1 January 2019, the standard rate of corporate income tax is 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 13 legal entities that the Group controls in Ukraine as of December 31, 2019, 6 are involved in agricultural production and are eligible for the special tax regime for agricultural companies in Ukraine in 2019.

### **7.13. 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.

### **7.14. 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.

### **7.15. 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.

#### **7.16. 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.

### **8. Segment reporting**

The Group has one operating segment in Ukraine, which is composed of 12 legal entities operating around 58 000 hectares of farmland.



## 9. Intangible fixed assets and land leases

(in thousands of Euros)	Gross value				Depreciation				Net value			
	Goodwill (1)	Leasehold rights (2)	Others (3)	Total	Goodwill	Leasehold rights	Others	Total	Goodwill	Leasehold rights	Others	Total
<b>December 31, 2017</b>	<b>35 644</b>	<b>4 929</b>	<b>563</b>	<b>41 136</b>	<b>-</b>	<b>(3 050)</b>	<b>(322)</b>	<b>(3 372)</b>	<b>35 644</b>	<b>1 879</b>	<b>241</b>	<b>37 764</b>
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 (as restated (Note 5))	-	-	-	-	(2 457)	-	(55)	(2 512)	(2 457)	-	(55)	(2 512)
Exchange rate differences	149	-	21	170	-	-	(11)	(11)	149	-	10	159
Disposals of assets	-	-	(2)	(2)	-	-	2	2	-	-	-	-
Transfer toward assets held for sale – as restated (Note 5)	(9 895)	-	(73)	(9 968)	2 457	-	42	2 499	(7 438)	-	(31)	(7 469)
<b>December 31, 2018 – as restated (Note 5)</b>	<b>25 898</b>	<b>-</b>	<b>550</b>	<b>26 448</b>	<b>-</b>	<b>-</b>	<b>(344)</b>	<b>(344)</b>	<b>25 898</b>	<b>-</b>	<b>206</b>	<b>26 104</b>
Change in scope	(7 025)	-	(12)	(7 037)	-	-	9	9	(7 025)	-	(3)	(7 027)
Purchases of assets	-	-	11	11	-	-	-	-	-	-	11	11
Depreciation	-	-	-	-	(7 738)	-	(55)	(7 793)	(7 738)	-	(55)	(7 793)
Exchange rate differences	562	-	75	637	-	-	(36)	(36)	562	-	39	601
Disposals of assets	-	-	(1)	(1)	-	-	1	1	-	-	-	-
<b>December 31, 2019</b>	<b>19 435</b>	<b>-</b>	<b>623</b>	<b>20 058</b>	<b>(7 738)</b>	<b>-</b>	<b>(425)</b>	<b>(8 163)</b>	<b>11 697</b>	<b>-</b>	<b>198</b>	<b>11 896</b>

### 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 8).

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 2020 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 14,02%, 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, 2024. 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.

Based on the analysis performed for the year ended December 31, 2019 the Group recognised €7.7 m of goodwill impairment. The impairment is caused by negative impact on the economies of scale and synergies following the decrease of scope of operations in 2019.

## (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.

## 10. Right of use assets (Land)

(in thousands of Euros)	Gross value	Depreciation	Net value
<b>January 1, 2018</b>	15 421	-	15 421
IFRS 16, opening adjustment for leasehold rights	1 879	-	1 879
Additions	1 056	-	1 056
Depreciation	-	(2 766)	(2 766)
Exchange rate differences	989	(36)	953
Other changes	167	-	167
Transfer towards assets held for sale	(4 629)	805	(3 824)
<b>December 31, 2018</b>	<b>14 883</b>	<b>(1 997)</b>	<b>12 886</b>
Additions	694	-	694
Disposals	(100)	58	(42)
Depreciation	-	(2 181)	(2 181)
Exchange rate differences	2 728	(512)	2 216
Other changes	839	189	1 028
Change in scope	(4 517)	635	(3 882)
<b>December 31, 2019</b>	<b>14 527</b>	<b>(3 808)</b>	<b>10 719</b>



## 11. Property, plant and equipment

(in thousands of Euros)	Gross value					Depreciation				Net Book Value				
	Buildings	Agricultural machinery and others	Right-of-use Assets	Construction in progress and prepayments	Total	Buildings	Agricultural machinery and others	Right-of-use Assets	Total	Buildings	Agricultural machinery and others	Right-of-use Assets	Construction in progress and prepayments	Total
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	(3 054)	(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
Change in scope	(2 916)	(3 453)	(38)	(33)	(6 441)	333	880	22	1 235	(2 583)	(2 573)	(16)	(33)	(5 206)
Purchases of assets	576	561	14	81	1 232	-	-	-	-	576	561	14	81	1 232
Depreciation	-	-	-	-	-	(778)	(4 361)	(970)	(6 109)	(778)	(4 361)	(970)	-	(6 109)
Exchange rate differences	1 946	3 585	817	16	6 364	(237)	(1 265)	(144)	(1 626)	1 709	2 320	673	16	4 718
Disposals of assets	(52)	(3 931)	-	(39)	(4 022)	41	1 749	-	1 790	(11)	(2 182)	-	(39)	(2 232)
Other movements	3	412	(921)	(19)	(525)	-	(95)	95	-	3	317	(826)	(19)	(525)
December 31, 2019	9 317	16 226	4 465	26	30 034	(1 507)	(8 238)	(1 862)	(11 607)	7 810	7 988	2 603	26	18 426

Property plant and equipment comprise owned and leased assets.

(in thousands of Euros)	December 31, 2019
Property plant and equipment owned	15 823
Right-of-use assets	2 603
<b>Total Property plant and equipment</b>	<b>18 426</b>

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)	December 31, 2019
<b>Group of property, plant and equipment</b>	
Buildings	2 759
Machinery and equipment and others	3 296
Leased agricultural machinery classified as ROU assets	1 952
Tangible assets in progress	45
<b>Total</b>	<b>8 052</b>

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
<b>Balance as of January 01, 2018</b>	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)
<b>Balance as of December 31, 2018</b>	<b>12 886</b>	<b>1 492</b>	<b>2 236</b>	<b>16 614</b>
Transfer to property plant and equipment owned	-	-	(294)	(294)
Additions	694	-	14	708
Disposals	(42)	-	-	(42)
Depreciation charge for the year	(2 181)	(566)	(404)	(3 151)
Exchange rate differences	2 217	191	390	2 798
Other changes	1 027	(442)	-	585
Change in scope	(3 882)	(14)	-	(3 896)
<b>Balance as of December 31, 2019</b>	<b>10 719</b>	<b>661</b>	<b>1 942</b>	<b>13 322</b>

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, 2019 amounts to €4 958k (€1 946k pledge on buildings, and €3 012k pledge on agricultural machinery and other tangible fixed assets).





## 12. Financial assets

### Non-current

(in thousands of Euros)

	<u>Non-consolidated subsidiaries (1)</u>	<u>Other financial assets (2)</u>	<u>Term deposit (3)</u>	<u>Total</u>
<b>December 31, 2017</b>	<b>60</b>	<b>170</b>	<b>-</b>	<b>230</b>
Purchases of financial assets	-	364	1 653	<b>2 017</b>
Disposals of financial assets	(28)	(479)	(720)	<b>(1 227)</b>
Other transactions	-	-	4	<b>4</b>
Exchange rate difference	2	-	-	<b>2</b>
Depreciation	22	-	-	<b>22</b>
Transfer towards assets held for sale	-	-	(31)	<b>(31)</b>
<b>December 31, 2018</b>	<b>56</b>	<b>55</b>	<b>906</b>	<b>1 017</b>
Change in scope	-	-	(799)	<b>(799)</b>
Acquisition of subsidiaries	-	-	-	<b>-</b>
Purchases of financial assets	-	173	1 416	<b>1 589</b>
Disposals of financial assets	(2)	(165)	(1 313)	<b>(1 480)</b>
Other transactions	-	(43)	(4)	<b>(47)</b>
Exchange rate difference	12	2	97	<b>111</b>
<b>December 31, 2019</b>	<b>66</b>	<b>22</b>	<b>303</b>	<b>391</b>

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

(2) The “Other financial assets” were mainly represented by 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.

The Group terminated this contract in December 2019. In 2019 till December 2019 in the application of the liquidity contract, 1 600 000 securities were purchased at the average price of € 0,108 and 1 700 000 securities were sold at the average price of € 0,107, 1 100 000 shares has been returned to the Group.

At the date of liquidity contract termination the Group the collected back 686 411 shares valued at € 40k (€ 0,058 / share) as of December 31, 2019 and accounted for it in “Other financial assets” and €21k of the cash.

(3) As of December 31, 2019 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		Total
	Non-current financial assets	Current financial assets	
<b>Balance as of December 31, 2018</b>	<b>111</b>	<b>906</b>	<b>1017</b>
Purchase/sale of treasury shares	(43)	-	(43)
Purchase of financial assets	173	1 416	1 589
Disposal of financial assets	(167)	(1 313)	(1 480)
Change in scope		(799)	(799)
Other transactions	-	(4)	(4)
Foreign exchange adjustments	14	95	109
<b>Balance as of December 31, 2019</b>	<b>88</b>	<b>302</b>	<b>391</b>

### 13. Corporate income tax

#### 13.1. Analysis of Income tax expense – Tax proof

Breakdown of income tax expense is presented below:

(in thousands of euros)	December 31, 2019	December 31, 2018
Current taxes	448	(73)
Deferred taxes	3	129
<b>Total income taxes from continued operations - expense/(gain)</b>	<b>451</b>	<b>56</b>

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

(in thousands of euros)	December 31, 2019	December 31, 2018
Accounting profit before tax	(28 801)	(8 577)
<b>Accounting profit before tax</b>	<b>(28 801)</b>	<b>(8 577)</b>
French corporate tax rate	25,00%*	28,00%*
<b>Theoretical income tax (expense) / gain</b>	<b>7 025</b>	<b>2 402</b>
<b>Impact from:</b>		
profit/(losses) of agricultural producers exempt from taxation in Ukraine (cf. Note 7.12)	(3 334)	(933)
unrecognised deferred tax assets and unused tax losses	(3 540)	(1 525)
permanent differences between accounting profit and taxable profit	(2 587)	1 148
used tax losses	1	497
difference between French and foreign tax rates	2 886	(1 533)
<b>Gain / (loss) out of effective taxation</b>	<b>451</b>	<b>56</b>
Income tax expense reported in the consolidated income statement	451	56

\* For more details refer to note 7.12



## 14. Inventories

(in thousands of Euros)	December 31, 2019			December 31, 2018		
	Gross Value	Depreciation	Net value	Gross Value	Depreciation	Net value
Raw materials and other supplies	1 055	(12)	1 043	1 908	(24)	1 884
Works in progress	5 244	-	5 244	5 983	-	5 983
Agricultural produce	9 257	(111)	9 146	17 850	(273)	17 577
<b>Total</b>	<b>15 556</b>	<b>(123)</b>	<b>15 433</b>	<b>25 741</b>	<b>(297)</b>	<b>25 444</b>

**Raw materials and other supplies** are inputs to be used in the agricultural campaign 2019/2020, including purchased seeds, fertilizers, fuel, spare parts and other suppliers. **Work in progress** includes costs accumulated before crop sowing.

As of December 31, 2019, **agricultural produce** representing €9 146 k, is substantially made up of 45 382 tons of crops mainly from the 2019 harvest (93 238 tons as of December 31, 2018) (cf. Note 15 Biological assets).

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

As of December 31, 2019, €7 477k (35 039tons) of finished goods has been pledged for the trade financing credit facility ((€14 611k (73 821 tons) of finished goods has been pledged as of December 31, 2018).





## 15. Biological assets

(in thousands of Euros)	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	Biological assets at cost	Adjustment to fair value	Fair value	Biological assets at cost	Adjustment to fair value	Fair value
<b>Non-current</b>						
Crops in fields	-	-	-	-	-	-
Livestock	168	(58)	110	146	(38)	108
<b>Total non-current biological assets</b>	<b>168</b>	<b>(58)</b>	<b>110</b>	<b>146</b>	<b>(38)</b>	<b>108</b>
<b>Current</b>						
Crops in fields	4 805	3 633	8 438	6 045	5 321	11 366
Livestock	251	(189)	62	245	(123)	122
<b>Total current biological assets</b>	<b>5 056</b>	<b>3 444</b>	<b>8 500</b>	<b>6 290</b>	<b>5 198</b>	<b>11 488</b>
<b>TOTAL BIOLOGICAL ASSETS</b>	<b>5 224</b>	<b>3 386</b>	<b>8 610</b>	<b>6 436</b>	<b>5 160</b>	<b>11 596</b>

The Group's biological assets are cereals that are planted as of December 31, 2019 for harvest in the second half of 2020 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 7.7). 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, 2019:

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

	<u>December 31, 2019</u>				<u>December 31, 2018</u>			
	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	26 080	4,2	146	8 381	31 296	4,7	137	9 926
Winter Barley					515	4,6	136	135
Winter Rapeseed					2302	3,0	347	1 282
<b>TOTAL</b>	<b>26 080</b>			<b>8 381</b>	<b>34 114</b>			<b>11 343</b>

If the management team's assumptions as of December 31, 2019, would have been different by 10% better/lower, then the fair value of the biological assets and gross margin would increase/decrease by around € 1 422k.

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, 2018 and December 31, 2019:



(in thousands of Euros)	Crops	Livestock	TOTAL
<b>Book value as of December 31, 2017</b>	<b>15 887</b>	<b>229</b>	<b>16 116</b>
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)
<b>Gain/loss due to change in fair value</b>	<b>11 965</b>	<b>(113)</b>	<b>11 852</b>
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
<b>Book value as of December 31, 2018</b>	<b>11 366</b>	<b>230</b>	<b>11 596</b>
Current Biological Assets	11 366	122	11 488
Non-current Biological Assets	-	108	108
Reclassification of work in progress to biological assets	5 424	-	5 424
Costs incurred over the period	29 662	319	29 981
Biological assets decrease due to harvest	(36 421)	(255)	(36 676)
<b>Gain/loss due to change in fair value</b>	<b>(1 811)</b>	<b>(161)</b>	<b>(1 972)</b>
Change in scope	(2 276)	-	(2 276)
Exchange rate differences	2 493	39	2 532
<b>Book value as of December 31, 2019</b>	<b>8 437</b>	<b>172</b>	<b>8 609</b>
Current Biological Assets	8 437	62	8 499
Non-current Biological Assets	-	110	110

As of December 31, 2019, €8 437k (26 332 ha) of biological assets have been pledged for the trade financing credit facility (€11 360k (34 613ha) as of December 31, 2018).



## 16. Trade and other receivables

(in thousands of Euros)	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade receivables	106	655
Prepayments to suppliers (1)	216	252
Other receivables (3)	937	112
Social and tax receivables (excl. VAT receivables)	590	777
VAT receivables (2)	530	430
Prepaid expenses	87	46
<b>Trade and other receivables</b>	<b>2 466</b>	<b>2 272</b>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Currency:</b>		
Denominated in EUR	126	192
Denominated in USD	142	510
Denominated in UAH	2 198	1 570
<b>Trade and other receivables</b>	<b>2 466</b>	<b>2 272</b>

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 as of December 31, 2019 correspond to prepayments to suppliers of inputs for the 2020 harvest.

(2) The VAT receivable as of December 31, 2019 mostly includes:

€423k represents input VAT of Ukrainian entities.

€107k related to the input VAT of AgroGeneration SA.

(3) Other receivables include €650k of receivable of the insurance reimbursement related to the harvest insurance.





## 17. Cash and cash equivalents

(in thousands of euros)	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash at bank and in hand	1 978	1 074
Investment securities	-	-
<b>Cash and cash equivalents</b>	<b>1 978</b>	<b>1 074</b>

The Cash and cash equivalents are denominated in the following currencies as of December 31, 2019:

(in thousands of euros)	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Currency :</b>		
Denominated in EUR	60	58
Denominated in USD	1 163	578
Denominated in UAH	755	438
<b>Total</b>	<b>1 978</b>	<b>1 074</b>



## 18. Assets and liabilities classified as held for sale

(in thousands of Euros)	<u>December 31, 2019</u>	<u>December 31, 2018</u> as restated (Note 5)
Intangible assets and lease rights	-	7 468
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
<b>Total assets of disposal group classified as held for sale</b>	<b>-</b>	<b>23 408</b>
Provisions	-	48
Lease liabilities for right-of-use assets	-	3 620
Non-current	-	3 226
Current	-	394
Trade and other payables- as restated (Note 5)	-	721
<b>Total liabilities of disposal group classified as held for sale</b>	<b>-</b>	<b>4 389</b>

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.

The assets and liabilities held for sales as of December 31, 2018 has been adjusted to account for correction of error in the amount of trade payables attributed to the disposal group and as a result depreciation of goodwill allocated to the disposal group. For more details refer to the Note 5.



## 19. Borrowings and Lease Liabilities for right-of-use assets

(in thousands of euros)	December 31, 2019					December 31, 2018				
	Non-current	Current			TOTAL	Non-current	Current			TOTAL
		Borrowings	Borrowings	Interest			Total	Borrowings	Borrowings	
OSRANE (1)	-	-	-	-	-	-	1 090	1 174	2 264	2 264
ORNANE (2)	-	367	-	367	367	-	1 840	-	1 840	1 840
Financial lease	(3) 863	318	-	318	1 181	528	773	-	773	1 301
Lease Liabilities for right-of-use assets (3)	10 801	1 950	3	1 953	12 754	12 359	1 742	10	1 752	14 111
Bank borrowings (4)	-	9 267	89	9 356	9 356	-	31 016	282	31 298	31 298
Other financial debt (5)	-	6 922	1 151	8 073	8 073	-	6 406	766	7 172	7 172
<b>Total borrowings</b>	<b>11 664</b>	<b>18 824</b>	<b>1 243</b>	<b>20 067</b>	<b>31 731</b>	<b>12 887</b>	<b>42 867</b>	<b>2 232</b>	<b>45 099</b>	<b>57 986</b>

(1) As of December 31, 2019, OSRANE has been fully converted into shares.

(2) ORNANE - refer to the Note 2.1 in the Consolidated financial statements as of December 31, 2018 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 (€8,9 m), The First Ukrainian International Bank (FUIB) (€0,37 m).

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 11), includes some pledges to FUIB
- Short-term deposits (cf. Note 12),
- Some of the biological assets (cf. Note 15),
- Shares in Ukrainian and Cyprus subsidiaries
- Some of the inventories (cf. Note 14),

All term deposits of the Ukrainian subsidiaries are pledged as security for liabilities under the loan contracts with Alfa-Bank (cf. Note 19). 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 BAR, DON, POD, AgroDom, LAN, UNA, AGG UA, Tornado, BUR 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 (€0,7 m) and related party Konkur (€6.2m).

#### 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
Date of contractual maturity		05/07/2019	02/08/2019	30/08/2018	01/11/2019	
Number of converted ORNANEs as of 31/12/2019	#	105	46	-	100	251
Number of related shares issued	#	3 315 257	1 530 107	-	3 333 331	8 178 695
Number of ORNANEs as of 31/12/2019	#	-	59	105	26	190
Nominal value of ORNANEs as of 31/12/2019	€'000	-	590	1 050	260	1900
Conversion Price	€	n/a	0	0	0	
Number of potential shares	#	-	1 966 667	3 500 000	866 667	6 333 333
Closing share price as of 31/12/2019	€	0,058	0,058	0,058	0,058	
<b>Fair Value of the debt</b>	<b>€'000</b>	<b>-</b>	<b>114</b>	<b>203</b>	<b>50</b>	<b>367</b>

#### Lease liabilities for Right-of-Use assets maturity analysis:

(in thousands of Euros)

December 31, 2019

#### Maturity analysis - contractual undiscounted cash flows

Less than one year	4 326
One to five years	13 571
More than five years	8 396
<b>Total undiscounted lease liabilities as of December 31, 2019</b>	<b>26 293</b>



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

(in thousands of euros)	2021	2022	2023	2024 and after	Total
ORNANE	367	-	-	-	367
Financial lease	318	311	266	286	1181
Bank borrowings	9 356	-	-	-	9356
Other financial debt	8 073	-	-	-	8 073
<b>Total borrowings</b>	<b>18 114</b>	<b>311</b>	<b>266</b>	<b>286</b>	<b>18 977</b>

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, 2019		December 31, 2018	
	Variable	Fixed	Variable	Fixed
OSRANE	-	-	-	1 091
ORNANE	-	367	-	1840
Bank borrowings	-	9 267	-	31 016
Financial lease	1 181	-	469	832
Lease liabilities for right-of-use assets	-	12 751	-	14 101
Other financial debt	-	6922	-	6 406
<b>Total borrowings</b>	<b>1 181</b>	<b>29 307</b>	<b>469</b>	<b>55 285</b>

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, 2019	December 31, 2018
<b>Currency:</b>		
EUR	7 889	10 664
USD	11 320	34 141
UAH	12 522	13 181
<b>Total borrowings</b>	<b>31 731</b>	<b>57 986</b>



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
<b>Balance as of December 31, 2018</b>	<b>2 264</b>	<b>1 840</b>	<b>1 301</b>	<b>14 111</b>	<b>38 470</b>	<b>57 986</b>
Proceeds from borrowings	-	-	2 031	-	9 510	11 541
Repayment of borrowings	-	-	(2 232)	-	(35 434)	(37 666)
Payment of lease liabilities (IFRS16)	-	-	-	(4 785)	-	(4 785)
Interest accrued	70	-	224	3 189	3 146	6 629
Interest repaid	(901)	-	(224)	-	(2 959)	(4 082)
Foreign exchange adjustments	-	-	82	2 446	3 261	5 788
Other non-cash movements	(1 433)	(1 473)	-	1 215	1 433	(258)
Change in scope	-	-	-	(3 422)	-	(3 422)
<b>Balance as of December 31, 2019</b>	<b>-</b>	<b>367</b>	<b>1 181</b>	<b>12 754</b>	<b>17 428</b>	<b>31 731</b>

The average interest rates of the Group by currency are:

Currency	December 31, 2019	December 31, 2018
EUR	11,17%	8,70%
USD	10,12%	11,02%
UAH	20,78%	20,93%

## 20. Share Capital

	Share capital in euros	Number of shares	Share premium in euros
<b>December 31, 2017</b>	<b>5 060 590</b>	<b>101 211 804</b>	<b>169 958 275</b>
Additional shares issued (OSRANE redemption)	27 525	550 492	252 575
Additional shares issued (ORNANE)	257 268	5 145 364	1 342 732
<b>December 31, 2018</b>	<b>5 345 383</b>	<b>106 907 660</b>	<b>171 553 582</b>
Additional shares issued (OSRANE full redemption)	5 582 270	111 645 396	52 729 830
Additional shares issued (ORNANE)	151 667	3 033 331	758 333
<b>December 31, 2019</b>	<b>11 079 319</b>	<b>221 586 387</b>	<b>225 041 745</b>



As of December 31, 2019, the financial instruments in circulation and the respective numbers of shares that could be issued by exercise of these instruments are presented below:

	<u>Number of instruments</u>	<u>Potential additional shares</u>
Stock-options	1 267 833	1 267 833
ORNANE	190	6 333 333
ORNANE BSA stock-warrants	4 123 781	4 123 781
Konkur warrants	1 379 487	2 519 544

## 21. Provisions

(in thousands of euros)	<u>Provisions for litigation</u>	<u>Provisions for liabilities and expenses</u>	<u>Total</u>
<b>December 31, 2017</b>	<b>8</b>	<b>-</b>	<b>8</b>
Additionnal	47	-	47
Reversal (used)	(8)	-	(8)
Reversal (unused)	-	-	-
Exchange rate differences	1	-	1
Transfer toward liabilities	(48)	-	(48)
<b>December 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
Additionnal	609	-	609
Reversal (used)	-	-	-
Reversal (unused)	-	-	-
Exchange rate differences	-	-	-
Change in perimeter	-	-	-
<b>December 31, 2019</b>	<b>609</b>	<b>-</b>	<b>609</b>

The management closely monitors legal and tax litigations and assesses the relating risks (see note 3.2 ). As of December 31, 2019, the Group is only exposed to litigation with EHGO (see note 2.3).





## 22. Trade and other payables

(in thousands of Euros)	<u>December 31, 2019</u>	<u>December 31, 2018</u> As restated (Note 5)
Trade payables	2 108	8 578
Advance payments received	3 541	5 427
Social & tax payables	1 360	1 653
VAT payables	512	474
Deferred income	11	1 238
Other payables	855	701
Payables on the purchase of fixed assets	86	30
<b>Trade and other payables</b>	<b>8 473</b>	<b>18 101</b>

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

(in thousands of Euros)	<u>December 31, 2019</u>	<u>December 31, 2018</u> As restated (Note 5)
<b>Currency:</b>		
Denominated in EUR	1 471	2 889
Denominated in USD	4 668	10 025
Denominated in UAH	2 334	5 187
<b>Trade and other payables</b>	<b>8 473</b>	<b>18 101</b>



### 23. 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, 2019

(in thousands of Euros)		Measured at amortised cost	Measured at fair value		Total carrying amount December 31, 2019	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 observable market data	Level 3: valuation based on unobservable market data
	<i>Note</i>								
<b>Assets</b>									
Financial assets (non-current)	12								
Shares in non-consolidated subsidiaries				66	66	66			
Other financial assets		14	7		21	14	7		
Financial assets (current)	12								
Term deposits			302		302		302		
Other financial assets									
Trade and other receivables	16	1 043			1 043	1 043			
Cash and cash equivalents	17		1 978		1 978		1 978		
<b>Liabilities</b>									
OSRANE	19	-			-	-			
ORNANE	19		(367)		(367)		(367)		
Non-current and current bank borrowings	19	(9 356)			(9 356)	(9 356)			
Non-current and current financial lease	19	(1 181)			(1 181)	(1 181)			
Lease liabilities for right-of-use assets	19	(12 754)			(12 754)	(12 754)			
Other financial debt	19	(8 073)			(8 073)	(8 073)			
Trade and other payables	22	(3 049)			(3 049)	(3 049)			



Financial assets and liabilities by category and fair value as of December 31, 2018 (as restated (Note 5))

(in thousands of Euros)		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		
			<u>through profit or loss</u>	<u>through share-holders' equity</u>			<u>Level 1: quoted prices and cash</u>	<u>Level 2: valuation based on observable market data</u>	<u>Level 3: valuation based on unobservable market data</u>
	<i>Note</i>								
<b>Assets</b>									
Financial assets (non-current)	12								
Shares in non-consolidated subsidiaries			56	56	56				
Other financial assets		12	43	55	12	43			
Financial assets (current)	12								
Term deposits			906	906		906			
Other financial assets									
Trade and other receivables	16	767		767	767				
Cash and cash equivalents	17		1074	1074		1074			
<b>Liabilities</b>									
OSRANE	19	(2 264)		(2 264)	(2 264)				
ORNANE			(1 840)				(1840)		
Non-current and current bank borrowings	19	(31 298)		(31 298)	(31 298)				
Non-current and current financial lease	19	(1 301)		(1 301)	(1 301)				
Lease liabilities for right-of-use assets	19	(14 111)		(14 111)	(14 111)				
Other financial debt	19	(7 172)		(7 172)	(7 172)				
Trade and other payables	22	(9 309)		(9 309)	(9 309)				



## 24. Revenues from operating activities

(in thousands of euros)	<u>2019</u>	<u>2018</u>
Sales of agricultural produce (1)	29 533	40 152
Services and others (2)	1 058	855
<b>Total revenue from operating activities</b>	<b>30 591</b>	<b>41 007</b>

(1) In 2019, AgroGeneration sold 160 821 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)	<u>2019</u>	<u>2018</u>
Ukraine	15 857	23 080
France	14 734	17 927
<b>Total revenue</b>	<b>30 591</b>	<b>41 007</b>

Detail of revenue by harvest:

(in thousands of Euros)	<u>2019</u>	<u>2018</u>
<b>Crops revenue</b>	<b>29 296</b>	<b>40 076</b>
Harvest 2017	-	11 413
Harvest 2018	9 121	28 663
Harvest 2019	20 175	-
<b>Livestock</b>	<b>237</b>	<b>76</b>
<b>Services &amp; Other</b>	<b>1 058</b>	<b>855</b>
<b>Total Revenue</b>	<b>30 591</b>	<b>41 007</b>

There are three significant clients to which the Group sold the goods for €16,2m in 2019 (two significant clients in 2018 with sales of €13,8m) which represent 53,04% (33,71% in 2018) of the total revenue. The revenue from other clients is individually less than 10%.





## 25. Functional costs / costs by nature

(in thousands of euros)	<u>2019</u>	<u>2018</u>
Cost of sales	(30 567)	(39 561)
Administrative & Selling expenses	(10 338)	(9 602)
<b>Costs by function</b>	<b>(40 905)</b>	<b>(49 163)</b>
Raw materials, purchases services and leasing	(24 024)	(28 579)
Personnel costs	(6 886)	(6 312)
Depreciation	(7 223)	(6 553)
Fair value and impairment adjustment (for goods sold)	(2 430)	(7 241)
Other expenses	(342)	(478)
<b>Costs by nature</b>	<b>(40 905)</b>	<b>(49 163)</b>

On average, in 2019 (without discontinued operations) the Group had 869 employees.

## 26. Other income and expense

(in thousands of euros)	<u>2019</u>	<u>2018</u>
Proceeds from fixed assets sold	844	81
Other income	840	317
<b>Other operating Income</b>	<b>1 684</b>	<b>398</b>
Depreciation of goodwill	(7 738)	-
Net book value of fixed assets sold	(2 271)	(471)
Provision for liabilities and expenses	(609)	-
Net result (loss) from sale of investment	5	(19)
Other expenses	(13)	(88)
<b>Other operating expenses</b>	<b>(10 626)</b>	<b>(578)</b>
<b>Other operating income and expenses</b>	<b>(8 942)</b>	<b>(180)</b>



## 27. Net financial income / (expenses)

(in thousands of euros)

		<b>2019</b>	<b>2018</b>
Cost of debt	(1)	(3 446)	(5 135)
Foreign exchange gains and losses		9 614	1 697
<i>realised foreign exchange gains/losses</i>	(2)	3 738	696
<i>unrealised foreign exchange gains/losses</i>	(3)	5 876	1 001
Other		(4 114)	(4 357)
<b>Net financial expense</b>		<b>2 054</b>	<b>(7 795)</b>

### Interest expense

Cost of debt is mostly composed of € 2,3m interest on bank loans and of €0.7m of interest to related party Konkur.

### Foreign exchange gains and losses

The Group's foreign currency denominated monetary assets and liabilities as of December 31, 2019 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 half year and as of reporting date changed from 27,69 UAH/USD on December 31, 2018 to 23,69 UAH/USD on December 31, 2019.

(2) Realised foreign exchange gains and losses (net amount €3 738k gain) generated by the Group in 2019 due to the change in foreign exchange rate between the dates when the liability/asset was recognised and when it was settled. Out of it, €2491k of net realised exchange gain occurred on the repayment of bank loans, and €675k on occurred on the repayment of ICO loans and sales and purchases transactions.

(3) Unrealised foreign exchange gains and losses generated by the Group in 2019 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 gain generated included:

- **€1040k** gain mostly related to the bank loans and other debt;
- **€2 375k** gain related to the inter-company loans, interest on loans and other ICO debt between Ukrainian, Cyprus and French entities.
- **€2 479k** gain related to the capitalised ICO loans and written-off ICO debt as a result on sales of the farms and intra-group restructuring which took place in 2019.

Note that certain intercompany loans are classified as net investments (cf Note 7.4 (b)), therefore, corresponding unrealised foreign exchange gain (€ 3 113) is recognised directly in equity.

Other financial income/(expenses) in 2019 includes €3 136k of the interest expenses related to the implementation of the IFRS 16 standard (€2 896k in 2018)



## 28. Discontinued operations

In February-March 2019, the Group finalised sales of AJU, VZL (Knyazhi and Zborivski Lany), AFT, VLY and AGZ and in December 2019 the sale of VKD. The results from discontinued operations for 2018 and 2019 are presented below.

As of December 31, 2018 the Group assessed that the selling price of disposal groups was lower than their net assets (including Group's goodwill attributed), as a result a provision of €2,45 m was recognised in the "Profit/(loss) from discontinued operations" (as restated, refer to Note 5 for more details).

	<u>2019</u>	<u>2018</u> (as restated Note 5)
<b>Revenue</b>	<b>15 007</b>	<b>18 963</b>
Change in fair value of biological assets and finished goods	(1 271)	2 033
Cost of sales	(16 616)	(19 116)
<b>Gross profit / (loss)</b>	<b>(2 880)</b>	<b>1 880</b>
Selling, general and administrative expenses	(1 394)	(2 011)
Other income and expenses	75	(2 514)
Net result on disposal of investments	(4 788)	-
<b>Profit before interest and tax</b>	<b>(8 987)</b>	<b>(2 645)</b>
Financial net income (expenses)	(1 301)	(1 734)
Income tax expense	-	-
<b>Profit / (loss) from discontinued operations</b>	<b>(10 288)</b>	<b>(4 379)</b>

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

	<u>2019</u>	<u>2018</u>
Net operating cash flow	927	1 541
Net investing cash flow	-	(171)
Net cash generated from financing activities	(838)	(1 494)
Effects of exchange rate changes on cash and cash equivalents	-	14
<b>Net movement in cash and cash equivalents</b>	<b>89</b>	<b>(110)</b>



## 29. 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)	<b>2019</b>	<b>2018</b> (as restated Note 5)
Net consolidated income / (loss) - group from continued activity (K€)	(17 362)	(6 256)
Net consolidated income / (loss) - group from discontinued activity (K€)	(10 288)	(4 379)
<b>Net consolidated income / (loss) - group share (K€)</b>	<b>(27 650)</b>	<b>(10 635)</b>
Dilution impact (K€)	-	-
<b>Net consolidated income / (loss) after dilution impact</b>	<b>(27 650)</b>	<b>(10 635)</b>
Weighted average number of ordinary shares	226 660 930	224 009 917
Potential dilution	-	-
<b>Weighted average number of shares after dilution impact</b>	<b>226 660 930</b>	<b>224 009 917</b>
<b>Net income / (loss) per share (Euros) - group share</b>	<b>(0,12)</b>	<b>(0,05)</b>
<b>Net income / (loss) per share (Euros) after dilution - group share</b>	<b>(0,12)</b>	<b>(0,05)</b>
<b>Net income/(loss) per share (Euro) – from continued operations</b>	<b>(0,08)</b>	<b>(0,03)</b>
<b>Net income/(loss) per share (Euro) after dilution – from continued operations</b>	<b>(0,08)</b>	<b>(0,03)</b>
<b>Net income/(loss) per share (Euro) – from discontinued operations</b>	<b>(0,04)</b>	<b>(0,02)</b>
<b>Net income/(loss) per share (Euro) after dilution – from discontinued operations</b>	<b>(0,04)</b>	<b>(0,02)</b>

In 2019, 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.





### 30. Share-based compensation

#### 30.1. 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, for twelve years as of the date of their issuance, 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. As of December 31, 2019, 500 of BSPCE warrants of this category of beneficiaries were expired.
- 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, 2019, 4827 of BSPCE warrants of this category were expired.

##### (b) Summary of the BSPCE warrant subscription plan

	2019	2018
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 expired during the period	(5 327)	
<b>Number of BSPCE that can be issued at the end of the period</b>	<b>-</b>	<b>5 327</b>

##### (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%



### **30.2. 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.

As of December 31, 2019, 50 000 of stock-options issued under this plan has been expired.

#### **(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, 2019 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, 2019 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, 2019 is 462 500.





**(e) Summary of the stock-options subscription plan**

	<b>2019</b>	<b>2018</b>
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 expired during the period	(50 000)	
Number of stock options converted during the period		
<b>Number of stock options at the end of the period</b>	<b>1 267 833</b>	<b>1 317 833</b>

**(f) Valuation model**

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

<u>Plans</u>	<u>Risk-free rate</u>	<u>Turnover</u>	<u>Volatility</u>	<u>Valuation model</u>
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.

**30.3. ORNANE stock warrants (BSA)**

**(a) BSA warrants**

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 shall 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
Maturity date		03/07/2021	31/07/2021	28/08/2021	30/10/2021	
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, 2019 the maximum number of BSA able to be exercised is 4 123 781.

#### (b) Summary of the BSA subscription plan

	2019	2018
Number of stock options at the beginning of the period	4 123 781	-
Number of stock options due to change in scope		
Number of stock options attributed during the period		4 123 781
Number of stock options replaced during the period		
Number of stock options expired during the period		
Number of stock options converted during the period		
<b>Number of stock options at the end of the period</b>	<b>4 123 781</b>	<b>4 123 781</b>

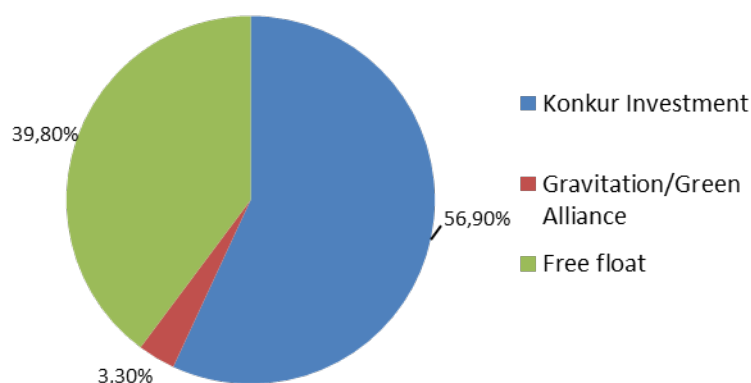


## 31. Related parties

### 31.1. Ownership and governance

#### (a) Ownership

As of December 31, 2019, the shareholding is divided as follows:



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

**Green Alliance/Gravitation:** holding company controlled by Charles Beigbeder

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

#### (b) Governance

On October 11<sup>th</sup>, 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. In July 2019 Pierre Danon, the Deputy Chairman left the Group. As of December 31, 2019 the Board of Directors is composed of 7 members, presided by Michael Bleyzer, the Chairman.

#### Board of Directors

- Chairman: Michael Bleyzer

#### 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

\*\*\* in March 2020 John Shmorhun resigned from his position of CEO of AgroGeneration

## Compensation of the members of the Board of Directors

In 2019 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, 2019 with parties that have significant influence over the Group are as follows:

kEURO	December 31, 2019		2019		December 31, 2018		2018	
	ASSETS	LIABILITIES	INCOME	EXPENSE	ASSETS	LIABILITIES	INCOME	EXPENSE
<b><i>SigmaBleyzer group : various entities under common control</i></b>								
Management Fees	-	(303)	-	(308)	-	(63)	-	(340)
Consulting services	-	-	-	(3)	-	-	-	(3)
Loans	-	(6 215)	-	-	-	(5 053)	-	-
Rent of premises*	-	(495)	5	(114)	1	(585)	6	(215)
Interest on loans	-	(836)	-	(727)	-	(560)	-	(459)
Others	-	-	-	-	-	-	-	(5)
<b><i>Safari Arms : controlled by a member of the Board of Directors</i></b>								
Security services	-	-	-	-	-	-	-	(956)
<b><i>John Shmorhun Key management</i></b>								
Consulting services	-	-	-	(321)	-	(87)	-	(402)
<b><i>Cordial Consulting : Controlled by a member of the Board of Directors **</i></b>								
Consulting services	-	-	-	(70)	-	(33)	-	(126)
<b>TOTAL</b>	<b>-</b>	<b>(7 849)</b>	<b>5</b>	<b>(1 544)</b>	<b>1</b>	<b>(6 381)</b>	<b>6</b>	<b>(2 506)</b>

\*The amount of expenses related to the rent of premises in 2018 has been corrected, compared to the information presented in the Consolidated Financial statements as of December 31, 2018. The information on the rent of premises (both liabilities and expenses) is presented after application of IFRS 16.



### 32. Fees paid to auditors

(in thousands of euros)	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Certification		
EY network	204	227
Finexsi Audit	46	46
Other services		
EY network	50	57
Finexsi Audit	5	15
<b>Total fees</b>	<b>305</b>	<b>345</b>





### 33. List of consolidated companies

All companies are fully consolidated.

#	Name	Conso name	Registered office	Activity	December 31, 2019	December 31, 2018
					% of interest	% 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 (5)	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 (5)	Agrofuel	Kiev - Ukraine	Trading company	100%	100%
10	AFT-Agro (4)	AFT	Kiev - Ukraine	Service operating company	0%	100%
11	Agroziom (1)	AGZ	Sumy - Ukraine	Agricultural producer	0%	100%
12	APK Agroziom LLC (1)	AGZ	Sumy - Ukraine	Service operating company	0%	100%
13	Vinal Agro (1)	VKD	Lviv - Ukraine	Agricultural producer	0%	100%
14	Knyazhi Lany (VKL) (1)	VZL	Lviv - Ukraine	Agricultural producer	0%	100%
15	Zborivski Lany (VZB) (1)	VZL	Ternopol - Ukraine	Agricultural producer	0%	100%
16	Agrodruzstvo Jevisovice Ukraine (1)	AJU	Ternopol - Ukraine	Agricultural producer	0%	100%
17	Lishchynske (1)	VLY	Zhitomir - Ukraine	Agricultural producer	0%	100%
18	Agro Fund Terestchenko (1)	AFT	Zhitomir - Ukraine	Agricultural producer	0%	100%
19	APK Novy Stil LLC (3)	NST	Kharkiv - Ukraine	Service operating company	0%	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 (3)	APK	Kharkiv - Ukraine	Service operating company	0%	100%
24	AF Podoljvskaja LLC	POD	Kharkiv - Ukraine	Agricultural producer	100%	100%
25	FG Podoljvskaja	POD	Kharkiv - Ukraine	Service operating company	0%	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	0%	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 February - March, 2019 the Group sold AJU, VZL, VLY and AFT, AGZ and in December 2019 – the Group sold VKD
- 2) Has been liquidated in January 2019.
- 3) In March 2019 APK Ukraina Nova LLC (APK) and APK Novy Stil LLC (NST) have been merged with AgroGeneration Ukraine LLC (AGG UA) and ceased to exist as separate legal entities.
- 4) Has been liquidated in October 2019.
- 5) In February-March 2020 UCD Ukraine (UCD UA) and Agrofuel Ukraine (Agrofuel) have been merged with AgroGeneration Ukraine LLC (AGG UA) and ceased to exist as separate legal entities.