

Atlantic Agro Holdings ApS

Ellegårdvej 19, 6400 Sønderborg

CVR no. 29 44 87 79

Annual report 2017

Approved at the Company's annual general meeting on 22 June 2018

Chairman:

.....
Peter Erik Hansen

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Atlantic Agro Holdings ApS for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Sønderborg, 22 June 2018
Executive Board:

.....
David Donald Sweere

Board of Directors:

.....
Peter Erik Hansen
Chairman

.....
Daniel David Sweere

.....
Tamara Yuriy Sweere

.....
David Donald Sweere

.....
Hans Otto Ewers

.....
Claus Ewers

Independent auditor's report

To the shareholders of Atlantic Agro Holdings ApS

Disclaimer of opinion

We have been appointed to audit the financial statements of Atlantic Agro Holdings ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

We do not express any audit opinion on the financial statements. Because of the significance of the matter described in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion.

Basis for disclaimer of opinion

Due to severe financial difficulties in the company's Ukrainian Entities, no financial reporting has been prepared and management has not been able to prepare a Consolidated Financial Statements nor have we received any evidence on the valuation of shares in subsidiaries. Furthermore it was not possible to perform an audit of the Consolidated Financial Statements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark and to issue an audit opinion.

However, because of the matter described in the "Basis for disclaimer of opinion" paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements.

As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

As appears from the "Basis for disclaimer of opinion" paragraph above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements. Accordingly, we make no statement on the Management's review.

Sønderborg, 22 June 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian S. Christiansen
State Authorised Public Accountant
MNE no.: mne32171

Management's review

Business review

The Company invests in feed manufacturing and plant extraction through Ukrainian subsidiaries.

Financial review

The income statement for 2017 shows a loss of DKK 658,316 against a loss of DKK 20,308,641 last year, and the balance sheet at 31 December 2017 shows a negative equity of DKK 2,747,131.

The Company is subject to the rules on loss of share capital under section 119 of the Danish Companies Act, as the Company had lost its entire share capital at 31 December 2017. The Company's Management has observed the provisions of the Danish Companies Act on loss of share capital. Management expects that the share capital can be re-established through future earnings.

The Company's shares in the Ukrainian subsidiaries have been for sale throughout the year, and a sales agreement are expected to be entered into after the balance sheet date. The sale is expected to be completed during the summer 2018. The sale will affect equity significantly as the shares are recognised at nil today.

The Company conducts most of its operations in the Ukraine. While deemed to be of market status, the Ukrainian economy 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, high inflation and significant imbalances in the public finance and foreign trade.

Special risks

Carrying on activities in the Ukraine is subject to special risks due to the political situation in Eastern Ukraine where the Russian intervention in the country makes the situation unstable.

The Company's subsidiaries in the Ukraine have experienced financial difficulties. For some time, a sales process has been ongoing that will ensure that the subsidiaries have the financial strength necessary, including liquidity, going forward.

Due to the financial situation in the Ukrainian subsidiaries, no reporting has been prepared regarding the subsidiaries for Denmark, and consequently, it has not been possible to prepare consolidated financial statements.

The subsidiaries have been recognised at DKK 0 in the parent company financial statements.

Events after the balance sheet date

The Ukrainian subsidiaries are expected to be sold during 2018. This is a complex and long process, but if a sale is completed, a gain will be recognised in the Company, and the share capital will be re-established. It is Management's opinion that the probability of a sale is very high.

Outlook

It is expected that a sale of shares in the Ukrainian subsidiaries will be completed during the summer 2018. This sale will have a significant positive effect on equity.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2017	2016
	Other external expenses	-14,563	-340,194
	Gross margin	-14,563	-340,194
	Income from investments in group entities	0	-19,826,269
2	Financial income	1,152,830	504,845
3	Financial expenses	-1,796,583	-647,023
	Profit/loss before tax	-658,316	-20,308,641
	Tax for the year	0	0
	Profit/loss for the year	-658,316	-20,308,641
	 Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-658,316	-20,308,641
		-658,316	-20,308,641

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	ASSETS		
	Fixed assets		
4	Investments		
	Investments in group entities, net asset value	0	0
		0	0
	Total fixed assets	0	0
	Non-fixed assets		
	Receivables		
	Trade receivables	800,696	753,369
	Receivables from group entities	6,236,498	5,556,850
		7,037,194	6,310,219
	Cash	1,209	1,910
	Total non-fixed assets	7,038,403	6,312,129
	TOTAL ASSETS	7,038,403	6,312,129
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,000,000	1,000,000
	Retained earnings	-3,747,131	-3,088,815
	Total equity	-2,747,131	-2,088,815
	Provisions		
4	Provision, investments in group entities	7,847,987	6,322,810
	Total provisions	7,847,987	6,322,810
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	0	69,313
	Payables to group entities	1,444,370	1,529,757
	Income taxes payable	373,174	372,924
	Other payables	120,003	106,140
		1,937,547	2,078,134
	Total liabilities other than provisions	1,937,547	2,078,134
	TOTAL EQUITY AND LIABILITIES	7,038,403	6,312,129

1 Accounting policies

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	1,000,000	-3,088,815	-2,088,815
Transfer through appropriation of loss	0	-658,316	-658,316
Equity at 31 December 2017	<u>1,000,000</u>	<u>-3,747,131</u>	<u>-2,747,131</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Atlantic Agro Holdings ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Income statement

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Balance sheet

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	<u>2017</u>	<u>2016</u>
2 Financial income		
Interest income from affiliated companies	109,332	107,773
Other financial income	<u>1,043,498</u>	<u>397,072</u>
	<u>1,152,830</u>	<u>504,845</u>
3 Financial expenses		
Interest expense to affiliated companies	189,739	192,359
Other financial expenses	<u>1,606,844</u>	<u>454,664</u>
	<u>1,796,583</u>	<u>647,023</u>
4 Investments		
DKK		Investments in group entities, net asset value
Cost at 1 January 2017		<u>47,501,473</u>
Cost at 31 December 2017		<u>47,501,473</u>
Value adjustments at 1 January 2017		<u>-47,501,473</u>
Value adjustments at 31 December 2017		<u>-47,501,473</u>
Carrying amount at 31 December 2017		<u>0</u>

Due to severe financial difficulties in the company's Ukrainian Entities, no financial reporting has been prepared and management has not been able to prepare a Consolidated Financial Statements nor have we received any evidence on the valuation of shares in subsidiaries.