

Agromino A/S  
Registration number: CVR no. 29801843  
Vester Farimagsgade 23, DK-1606 København Ø

01.01.2018-31.12.2018

GODKENDT OG BEHANDLET  
PÅ GENERALFORSAMLINGEN  
DEN 25. APRIL 2019

PETR KROGMAN  
DIRIGENT

agromino

**2018  
ANNUAL  
REPORT**

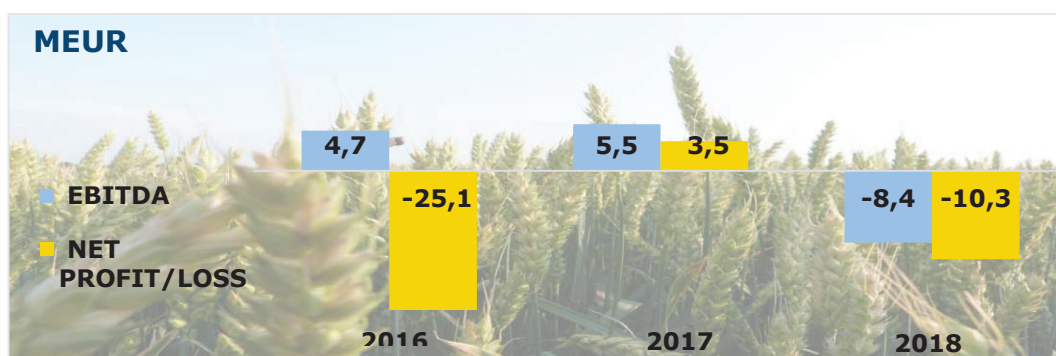
WE ARE  
FARMERS AND  
AGRIBUSINESS  
MANAGERS  
WITH  
OPERATIONS IN  
UKRAINE,  
RUSSIA AND  
ESTONIA.

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## BUSINESS HIGHLIGHTS

- Agromino finished the year 2018 with the lowest net yield in five years.
- 2018 net loss amounted to EUR 10.3 million (profit of EUR 3.5 million in 2017)
- EBITDA loss of EUR 8.4 million in 2018 compared to EBITDA profit of EUR 5.5 million in 2017
- Absence of regional diversification, namely location of Agromino farms predominantly in the eastern part of Ukraine seems to be one of the major weaknesses of Agromino group.
- Continental climate with high annual variation in temperatures and low precipitations limits Agromino operations.
- Being repeatedly hit by the weather effects Agromino seeks appropriate solution of its operation.
- Also political risks will have to be addressed when restructuring of Agromino assets is being considered.
- Transferring of powers to cluster managers was commenced in the second half of 2018 in order to achieve higher flexibility.
- Group controlling was strengthened in 2018
- Most of the 2018 losses resulted from the activities of previous top management, especially lossy disposals of subsidiaries and their reflection in line with IFRS
- Currency translation losses from disposal of subsidiaries amounting to EUR 10.0 million recycled from Other Comprehensive Income to Income Statement in the year 2018.
- Disposal of part of elevator business for USD 2.6 million, EUR 0.3 million gain from disposal recorded in the year 2018. The total storage capacity decreased to 85,000 tonnes (195,000 tonnes in 2017).
- Disposal of 10 thousand ha Russian land plots for EUR 171 thousand (17 EUR/ha). Total land under control as of December 31, 2018, declined to 47 thousand hectares (58 thousand hectares at December 31, 2017).
- Share of profit EUR 0.8 million from investments in shares of Trigon Dairy Farming Estonia Ltd. in comparison with a profit of EUR 1.5 million in 2017
- Impairment losses for property, plant and equipment in Russian segment were recognised in Income Statement for 2018 for EUR 0.8 million.





## OPERATIONS

Our business is divided into two segments: Cereal Production, Storage, and Trading in Central Eastern Ukraine and Milk Production in the St Petersburg region of Russia. Additionally, Agromino owns 39.24% shareholding in the Trigon Dairy Farming Estonia (TDFE) business, however, the Group only shows its share of profit/loss from this investment in one line and therefore revenue and EBITDA from this segment is not included in the segment report.

Our largest business segment by revenue and EBITDA is Ukraine as sales of this segment account for 88% of total Group's revenue. In Ukraine, the Group earns money mainly by growing and selling own crop. Trading third-party grain in year 2018 was at significantly less level in comparison with year 2017. There was also reduction of revenue from sales of elevators' services to third parties in 2018 in comparison with 2017. The main purpose for owning three elevators is to store our grain. The Group sells maximum amount of wheat, corn, rapeseed, and soya for exports and other crops on the domestic market.

In Russia, the Milk production segment produces more than eight thousand tonnes of milk per year, while sales of milk amount to 12% of total Group's revenue.

### TOTAL REVENUE

EUR 21,141,966 SALES OF  
OWN CROP

EUR 584,000 SALES OF  
THIRD PARTY CROP

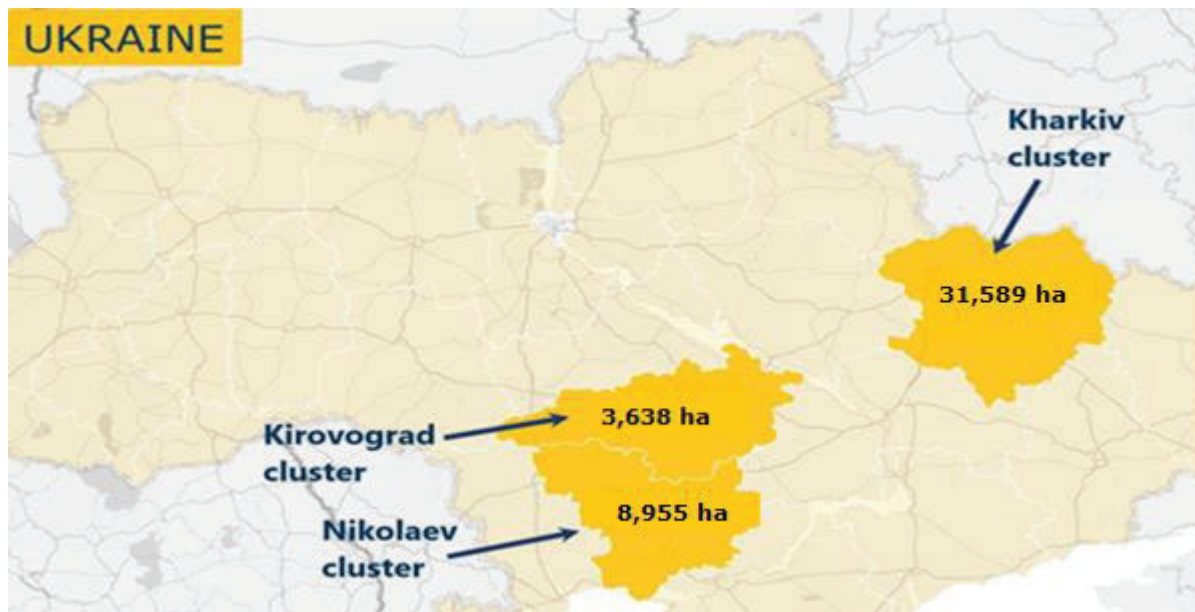
EUR 2,798,777 SALES OF  
MILK

EUR 552,410 SALES OF  
ELEVATOR SERVICES

EUR 208,828 OTHER SALES

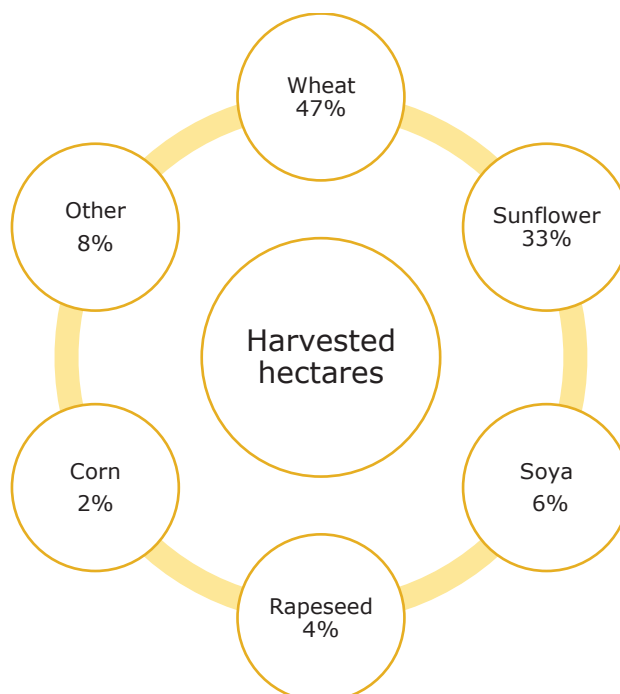


## UKRAINE OPERATIONS



In Ukraine, the Group operates a landbank of 44 thousand hectares, under medium to long-term rental agreements. 100% of the landbank is cropped annually. The core farming operations are organised into three production clusters: Kharkiv, Nikolaev, and

Kirovograd. To support its cereal operations and to supply storage services the group operates three elevators with a usable total capacity of 85 thousand tonnes.



## MILK PRODUCTION

The Group's managed milk production operations are located in the St Petersburg region of Russia. The Group also has a shareholding in Estonian milk production business through associate AS Trigon Dairy Farming Estonia (TDFE). As Agromino owns only 39.24% of shares in TDFE, TDFE is not consolidated into Agromino's accounts and only Agromino's share of TDFE profit/loss is shown on the Income statement.

In Russia, the Group has a Milk production farm in the St Petersburg region, around 250 kilometres South West of St Petersburg. The group operates a 1 190 milking cow business at Dobruchi, the herd is of Holstein breed. The facilities, which have a capacity of 1,200 cows, were built in 2008.

The key operations of the dairy farms include feed procurement, livestock supervision, raw milk storage and manure utilisation.

### KEY FIGURES

2,953 HECTARES OF LAND

1,190 MILKING COWS

YIELD 7.7  
TONNES/MILKING COW PER  
YEAR

8,487 TONNES OF MILK  
SOLD PER YEAR

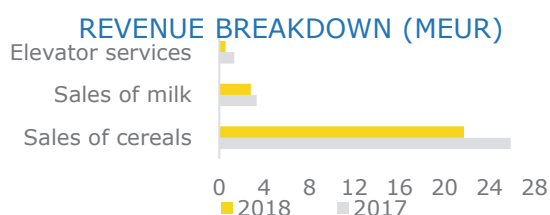


## FINANCIAL AND OPERATIONAL REVIEW

The Group's operations are divided into the following operational segments: Ukraine cereals production including storage and trading, and milk production in Russia. The Group also has a 39.24% shareholding in Trigon Dairy Farming Estonia Ltd. (TDFE), while reporting a share of profit/loss from this business in its financial statements.

### Revenues

Total revenue of the Group for 2018 at EUR 25.3 million represents 18% decrease compared to EUR 31.0 million for 2017. Such result is attributed to the combination of significantly lower sales of third-party cereals, reduction of revenue from sales of elevators' services to third parties and the decrease in sales of milk due to lower prices and devaluation of the ruble.



### Changes in biological assets/inventories

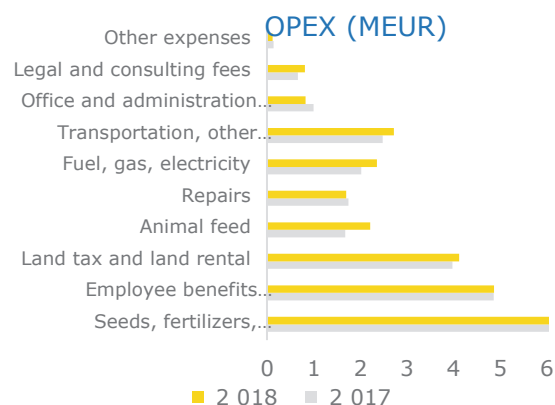
The current biological assets as of the year-end consist of winter crops sown for 2019 harvest. The fair value of these crops has been determined by the cost of sowing and preceding fieldworks. Additionally, the dairy herd in Russia was revalued and revaluation loss in the amount of EUR 0.03 million included in the Income Statement. Hence, the total change in biological assets stood at EUR 0.02 million for 2018 (EUR 1.2 million in 2017). Change in inventories decreased from EUR 4.3 million in 2017 to EUR 3.5 million in 2018.

### Expenses and other losses/gains

OPEX for 2018 increased by 5% in comparison with year 2017 mainly due to rise in animal feed and fuel, gas, electricity.

Other losses/gains for 2018 include loss from revaluation of land in Russia, totaling at EUR 0.15 million (revaluation loss of EUR 1.4 million in 2017), loss from revaluation of dairy herd, totaling at EUR 0.03 million (revaluation gain of

EUR 0.8 million in 2017) and impairment losses of non-current assets in Russia recognized in amount EUR 0.8 million.



### Net result

In 2018 the EBITDA stood at a loss of EUR 8.4 million compared to a profit of EUR 5.5 million in 2017.

The loss of EUR 10 million from exchange translation difference has recycled from Other Comprehensive Income to Income statement in 2018 in relation to the disposal of subsidiaries.

In 2018, the Group divested PrJSC "Novomirgorodskiy Elevator" and completed the disposal of assets held for sale in Russian Milk Production segment. The total net loss from disposal of part of the elevator business stands at EUR 8.0 million for 2018 including:

- EUR 0.3 million gain from disposal;
- EUR 8.3 million exchange translation loss from disposal.

It is interconnected with the fact, that the acquisition price of Novomirgorodsky elevator was 7.8 million EUR in 2008 (sold for 2.6 million USD in 2/2018), and 3.2 million EUR of Ljudmilovsky elevator (sold for 1.2 million USD in 2/2017).

In 2018, Agromino completed the divestment of land held for sale in Russia. In conjunction with the disposal of the assets held for sale, the currency translation difference of EUR -1.7 million was recycled from the Other Reserves to the Income Statement in 2018. It is interconnected with the fact, that the acquisition price of this asset was EUR 7.8 million (sold for EUR 171 thousand).



## BALANCE SHEET ASSETS

### Assets

The year-end value of the consolidated assets of the Group decreased from EUR 46.8 million in 2017 to EUR 45.4 million in 2018.

### Fixed assets

Property, plant and equipment as of December 31, 2018, in the amount of EUR 12.6 million accounted for 28% of the total assets, comprising of land, buildings, machinery, equipment and construction in progress. Total land under control as at December 31, 2018, reduced due to the divestment of land held for sale in Russia and constitutes 47 thousand hectares (58 thousand hectares at December 31, 2017). The land in Russia was revalued to fair value while including the loss from revaluation in the amount of EUR 0.15 million (loss of EUR 1.4 million in 2017) in the Income Statement for 2018. In total, the Group owns 2.9 thousand hectares of land in Russia. Property, plant and equipment (excluding the land) in Russia were impaired for EUR 796 thousand as of December 31, 2018. In Ukraine, the land is mostly covered with medium to long-term land lease contracts. There is 568 hectares in ownership in Ukraine as of December 31, 2018.

### Inventories and biological assets

As of December 31, 2018, the inventories stood at EUR 12.3 million, 0.8 million increase compared to 2017 as the Group had more grain in stock.

Biological assets of EUR 4.4 million as of December 31, 2018, comprised of the dairy herd, grasslands and winter crops seeded for 2019 harvest.

The value of the biological assets as of December 31, 2018 decreased by EUR 0.2 million in comparison with December 31, 2017, which was caused mainly by decrease in dairy herd. It was related with revaluation of animals at fair value and devaluation of ruble against EUR.

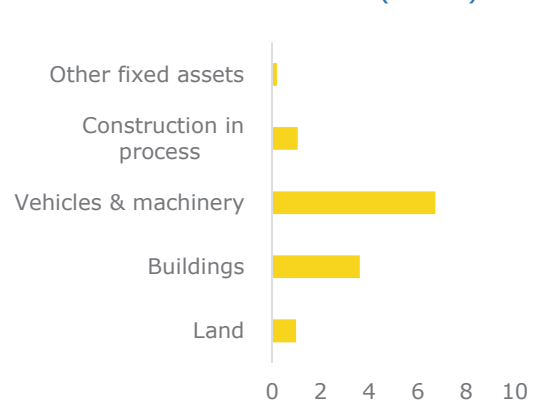
### Investments in associates

The Group has a shareholding in Estonian milk production business through associate AS Trigon Dairy Farming Estonia (TDFE). The Group's shareholding in TDFE amounted to 39.24% as of December 31, 2018. The value of investment rose on the back of the profit, out of which the Group's share stood at EUR 0.8 million (2017: EUR 1.5 million).

ASSETS BY SEGMENTS (MEUR)



FIXED ASSETS (MEUR)





## Liabilities and equity

### Borrowings

The total borrowings of the Group as at December 31, 2018, amounted to EUR 11.3 million (EUR 12.2 million as at December 31, 2017). During 2018 the Group received new long-term finance leases in Ukraine as part of the investment plan to replace outdated machinery with new and modern equipment.

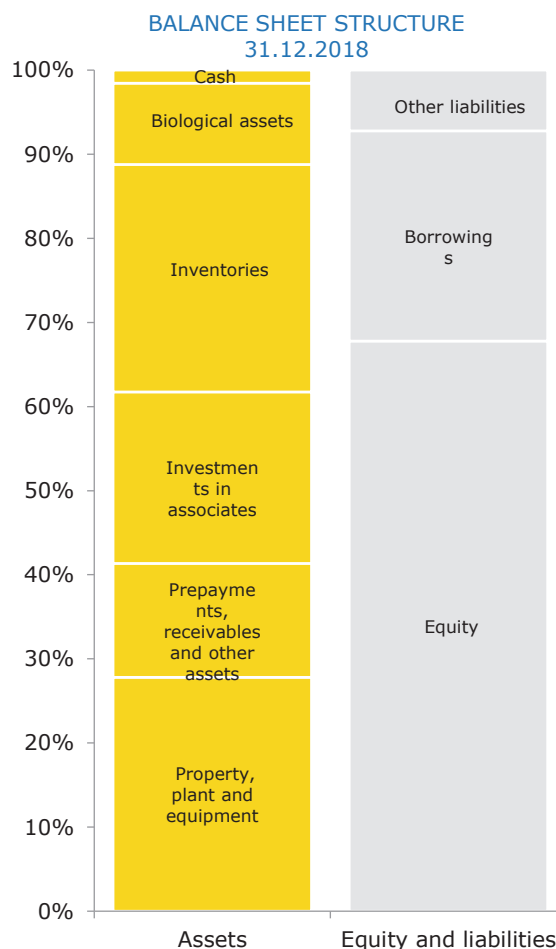
### Equity

There were no changes in ordinary shares and share premium as of December 31, 2018 in comparison with December 31, 2017. The total number of issued shares as of December 31, 2018, amounted to 17,421,313 with a par value of 1 EUR per share.

### Investments

In 2018, the Group invested in new machinery and equipment in Ukraine and Russia as a part of the plan to replace the outdated machinery with new and modern equipment. In total, the additions of fixed assets amounted to EUR 2.5 million in 2018 (4.7 million in 2017).

In 2018, the Group divested PrJSC "Novomirgorodskiy Elevator" for USD 2.6 million and completed the disposal of assets held for sale in Russian Milk Production segment for EUR 0.2 million.



## UKRAINE SEGMENT

The operations of the Group comprise cereal farming, storing and trading in the Black Earth region of Ukraine.

For cereal farming, Agromino focuses on previously cultivated land in the Black Earth region because of its highly fertile soil and the availability of fertile farmland at a relatively low cost compared to other farming regions in the world.

The Group's strategy is to secure sufficient elevator capacity to enable the Group to dry the in-house produced grain after it has been harvested. In the year 2018 management took a decision to stop providing elevator services to third parties.

The Group generates its main net revenues from the sales of own produced cereals. The company can sell its products on the local market or on export markets, where the goods are delivered to the Black Sea ports. Generally, the Group sells the maximum amount of wheat, corn, rapeseed, and soya to exports and sunflower on the local market.

### KEY FIGURES

EUR (6,099,811) EBITDA

EUR 22,347,328 REVENUE

118,306 TONNES TRADED

120,532 TONNES  
HARVESTED

44,551 HECTARES  
HARVESTED



## Operational review

Agromino finished the year with the lowest net yield in five years due to lack of precipitation.

<b>Ukraine</b>					
<b>Harvested hectares</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Wheat	20 756	23 218	19 536	21 399	20 987
Sunflower	11 934	12 222	16 529	9 413	14 745
Rapeseed	8 011	6 742	4 416	7 570	1 822
Corn	3 547	3 199	1 879	1 179	1 013
Barley	116	-	424	335	-
Soya	2 348	1 248	3 044	3 550	2 537
Other	176	-	330	1 862	3 447
<b>Total</b>	<b>46 888</b>	<b>46 629</b>	<b>46 157</b>	<b>45 308</b>	<b>44 551</b>

<b>Net production, t</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Wheat	98 733	92 302	74 788	85 328	65 940
Sunflower	24 038	30 319	37 619	17 216	34 747
Rapeseed	14 766	8 739	6 309	14 943	1 850
Corn	24 490	18 876	15 620	6 239	6 253
Barley	411	-	1 449	726	-
Soya	4 158	2 256	7 653	3 658	4 954
Other	1 165	-	5 693	3 751	6 788
<b>Total</b>	<b>167 759</b>	<b>152 493</b>	<b>149 130</b>	<b>131 861</b>	<b>120 532</b>

<b>Net yield, t/ha</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Wheat	4,76	3,98	3,83	3,99	3,14
Sunflower	2,01	2,48	2,28	1,83	2,36
Rapeseed	1,84	1,30	1,43	1,97	1,02
Corn	6,91	5,90	8,31	5,29	6,17
Barley	3,53	-	3,42	2,17	-
Soya	1,77	1,81	2,51	1,03	1,95
Other	6,62	-	17,28	2,01	1,97
<b>Total</b>	<b>3,58</b>	<b>3,27</b>	<b>3,23</b>	<b>2,91</b>	<b>2,70</b>



## Financial review

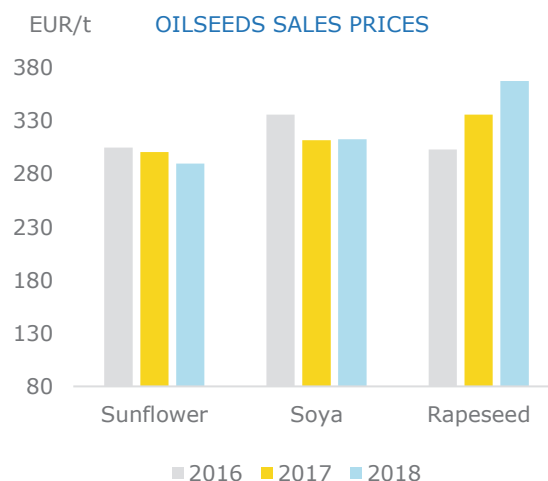
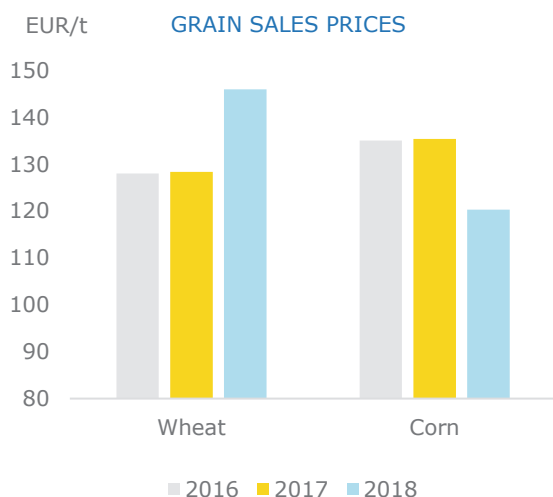
The segment's revenue is made up primarily from sales of own produced cereals. Revenue from sales of cereals for 2018 comprised of sales of our last and this year's harvest as well as sales of third party crop. A lower volume of sold crop recalculated into EUR 4.1 million decrease in grain sales in 2018 in comparison with 2017.

The sales of elevator services diminished by EUR 0.8 million as elevators handled less third party crop compared to 2017. It is interconnected with the divestment of the two biggest elevators. Besides in the year 2018 management took a decision to stop providing elevator services to third parties.

The sales of milk diminished by EUR 0.5 million due to lower prices for milk in 2018 in comparison with 2017 and devaluation of RUB against EUR (despite the increase of milk sales quantity by 2%).

Biological assets as of December 31, 2018, comprise of winter crops sown for 2019 harvest. Wheat on 16 thousand ha and oilseed rape on 4 thousand ha as of December 31, 2018 are in reasonable condition. The fair value of these crops has been determined by the cost of sowing and preceding fieldworks.

As of December 31, 2018, the Group had 37.3 thousand tonnes of grain available for sale in stock, out of which share of sunflower stood at 62 %, wheat – at 21 % and soya – at 12 % (32.5 thousand as of December 31, 2017). The Group revalued the grain for sale using the market or contracted prices. In total, the Change in inventories for 2018 stood at EUR 3.5 million (EUR 4.3 million in 2017).





Sales of grain and oilseeds (2017 and 2018 own crop and 3<sup>rd</sup> party production)

2018	Own produced,			Third party, EUR			Total Revenue, EUR		
	Tonnes	thousand	Price* EUR/t	Tonnes	thousand	Price EUR/t	Tonnes	thousand	Price EUR/t
Wheat	66 109	9 648	146	18	2	104	66 127	9 650	146
Barley	1	0	80	0	0	0	1	0	80
Sunflower	24 261	7 024	290	298	91	306	24 559	7 115	290
Corn	10 715	1 263	118	3 038	391	129	13 753	1 654	120
Rapeseed	1 830	663	362	0	0	0	1 830	663	362
Soya	3 018	947	314	314	95	301	3 332	1 042	313
Other	8 125	1 597	197	579	5	9	8 704	1 602	184
<b>Total</b>	<b>114 059</b>	<b>21 142</b>	<b>185</b>	<b>4 247</b>	<b>584</b>	<b>138</b>	<b>118 306</b>	<b>21 726</b>	<b>184</b>

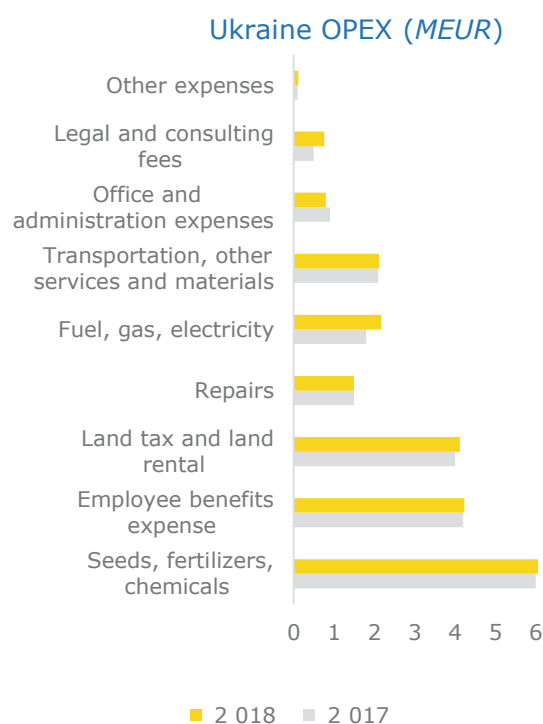
Sales of grain and oilseeds (2016 and 2017 own crop and 3<sup>rd</sup> party production)

2017	Own produced,			Third party, EUR			Total Revenue, EUR		
	Tonnes	thousand	Price EUR/t	Tonnes	thousand	Price EUR/t	Tonnes	thousand	Price EUR/t
Wheat	73 985	9 492	128	5 262	676	128	79 247	10 168	128
Barley	790	90	114	3 607	433	120	4 397	523	119
Sunflower	13 225	3 989	302	2 197	649	295	15 422	4 638	301
Corn	10 977	1 561	142	11 848	1 528	129	22 825	3 089	135
Rapeseed	14 734	4 929	335	2 129	735	345	16 863	5 664	336
Soya	1 599	522	326	3 226	983	305	4 825	1 505	312
Other	1 148	281	245	6	0	0	1 154	281	244
<b>Total</b>	<b>116 458</b>	<b>20 864</b>	<b>179</b>	<b>28 275</b>	<b>5 004</b>	<b>177</b>	<b>144 733</b>	<b>25 868</b>	<b>179</b>

All prices exclude VAT, Domestic sales are ex elevator and export sales are CPT

OPEX in Ukraine segment for 2018 increased by 5% in comparison with 2017 due to fuel, gas, electricity, seeds, fertilizers, chemicals, legal and consulting services.

Overall, the EBITDA in Ukrainian segment stood at loss of EUR 6.1 million in 2018 in comparison with EBITDA profit of EUR 5.9 million in 2017, that was significantly affected by the loss EUR 8.3 million from currency translation difference being recycled from Other Comprehensive Income to Income Statement in relation to the sale of the part of the elevator business.



## MILK PRODUCTION

The Group's managed milk production operations are located in the St Petersburg region of Russia. The Group also has a shareholding in Estonian milk production business through associate AS Trigon Dairy Farming Estonia (TDFE). The Group's shareholding in TDFE amounted to 39.24% as of December 31, 2018.

Agromino's share in TDFE's profit/loss is shown on the income statement line 'Share of profit of investments accounted for using the equity method'. The share of profit for 2018 from TDFE amounted to EUR 0.8 million (2017: EUR 1.5 million). The average sales price changed from EUR 0.40 per kg in 2017 to EUR 0.33 per kg in 2018.

Our Russian milk production: The number of milking cows has steadily increased from 1 099 as at December 31, 2017, to 1 190 milking cows as at December 31, 2018. The fair value of animals was determined by independent valuator. In 2018, the loss from revaluing 2 277 animals was recorded at EUR 0.03 million in the Income Statement in comparison with gain from revaluing 2 026 animals at EUR 0.8 million in 2017. In total, the fair value of the herd (2 227 animals), as of December 31, 2018, stood at EUR 2 192 thousand (2017: 2 026 animals at EUR 2 345 thousand).

### KEY FIGURES

EUR 2,939,565 REVENUE

EUR 0.33 PRICE PER KG

YIELD 7.7  
TONNES/MILKING COW PER  
YEAR

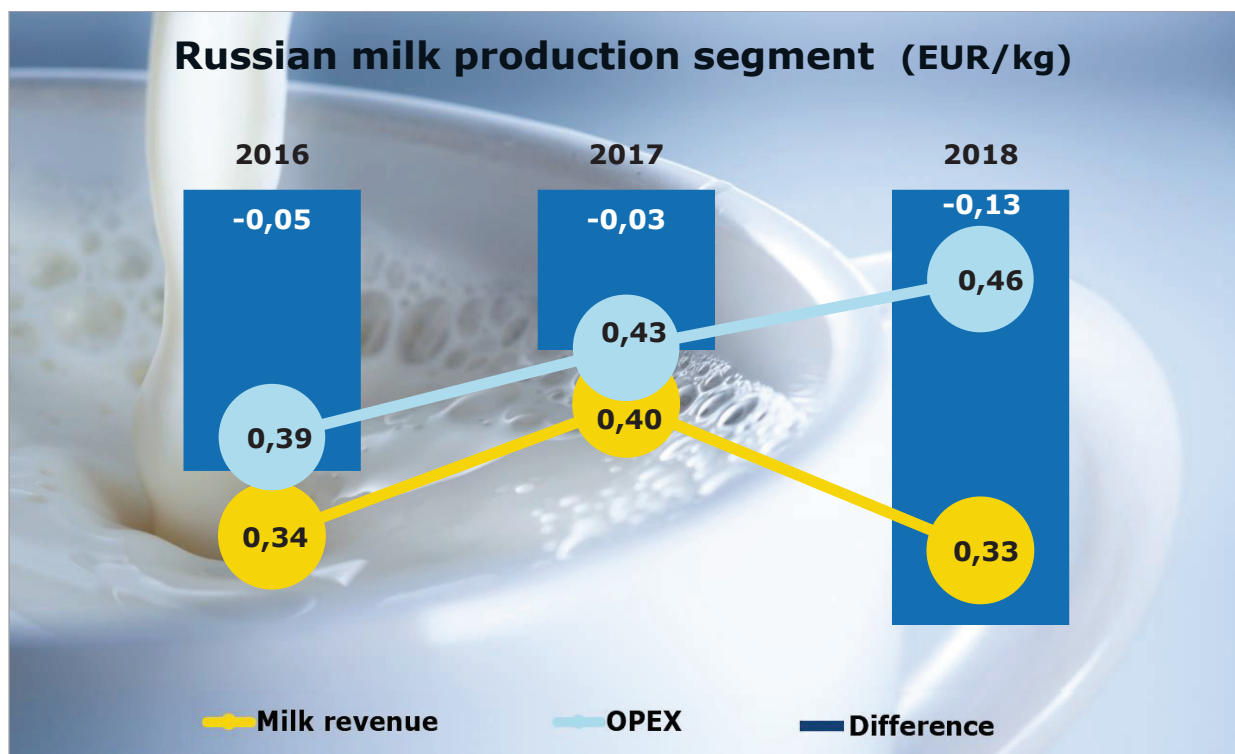
1,190 MILKING COWS



The EBITDA of Milk production segment in Russia amounted to a loss of EUR 2.3 million (loss of EUR 0.4 million in 2017). In conjunction with the disposal of the assets held for sale, the currency translation difference of EUR -1.7 million was recycled from the Other Reserves to the Income Statement in 2018. Milk price in EUR for 2018 declined compared to 2017 both due to the decrease in RUB milk prices and ruble depreciation. On the other hand, quantity of milk sales in 2018 increased by 2 % in

comparison with 2017. The Group had 1,190 cows as of December 31, 2018 (1,099 cows as of December 31, 2017).

Land plots revaluation loss of EUR 0.15 million negatively affected the Income Statement in 2018. Besides impairment losses in amount EUR 0.8 million were recognized the Income Statement for the year ended December 31, 2018 and thus decreased balance value of property plant and equipment in Russia.



# CORPORATE GOVERNANCE

## INTRODUCTION

The full Report on Corporate Governance during the period of 1 January 2018 - 31 December 2018 ("Report") is published at the same time with the Annual Report on the Company's web page

<http://www.agromino.com/wp-content/uploads/2019/03/Agromino-Report-on-Corporate-Governance-2018.pdf>

The following constitutes Agromino's statutory reporting on corporate governance in accordance with Section 107 b (1)(3) of the Danish Financial Statements Act.

Agromino A/S applies the recommendations issued by the Committee on Corporate Governance (the "Code", latest version of which is available at [www.corporategovernance.dk](http://www.corporategovernance.dk))

The principles of corporate governance in Agromino are described below and governed by the Articles of Association, applicable laws, the Code, Rules of Procedure for both of the Boards, exchange requirements, and market practice. Specific reference is made to any areas in which Agromino deviates from the Code, as is required by the 'comply or explain' principle in the Code.

It is Agromino's declared intention to secure that the standards and principles of good corporate governance will be adhered to at all times.

The governance of Agromino is attended to by:

- The General Meeting of Shareholders
- The Board of Directors
- The Executive Board

## GENERAL MEETING

The General Meeting of Shareholders has supreme authority in all matters and things pertaining to the Company subject to the limits set by statute and by the Articles of Association. Any share carries one vote in the General Meeting of Shareholders. The members of the Board of Directors and the

auditor are elected by the General Meeting of Shareholders.

## BOARD OF DIRECTORS

Between January 1, 2018 and February 26, 2018 the Board of Directors consisted of three members Johannes Bertorp (chairman), Jens Bruno and Martin Rosenmejer. As of February 26, 2018, the Board of Directors consisted of four members, Petr Krogman (chairman), Richard Warburton, Jens Bruno, Johannes Bertorp. As of April 26, 2018 the Board of Directors consisted of four members, Petr Krogman (chairman), Richard Warburton, Gustav Wetterling and Jan Urban. As of July 23, 2018 the Board of Directors consisted of three members, Petr Krogman (chairman), Jan Urban, Jiří Vyskočil. In accordance with the Code, at least half of the members must be independent of the company, management, and shareholders, and this requirement is fulfilled by Agromino having two independent members of the Board of Directors. Between January 1, 2018 and February 26, 2018 Jens Bruno and Martin Rosenmejer were independent members. As of February 26, 2018, Jens Bruno, Johannes Bertorp. As of April 26, 2018 Gustav Wetterling and Jan Urban were independent members. As of July 23, 2018 Jan Urban, Jiří Vyskočil are independent members.

In accordance with the Code, the elected members of the Board of Directors are appointed to hold office for one year and thus the election term expires at the Annual General Meeting following the election. The Board of Directors shall have a Chairman, which they shall elect from among their members.

More information for the Board of Directors has been presented in the following paragraphs. No member of the Board of Directors has management positions in any other Danish company.

Petr Krogman (born in 1973)

Chairman of the Board of Directors of Agromino since February 26, 2018.





Shareholding in Company (March 29, 2019): 11,026,544 shares and voting rights in Agromino A/S, corresponding to 63.3% of voting rights.

Other current active positions:

- Agromino Group companies in Estonia, Supervisory Board Member
- Statutory Director in Swardman, s.r.o.
- Statutory Director in the Czech investment funds Mabon investiční fond s proměnným základním kapitálem a.s. and ZSZ investiční fond s
- Member of the Supervisory Board of Resilient a.s.

Experience (highlights of former positions):

- Owner and CEO of Spojené farmy a.s

#### Jan Urban (born in 1972)

Vice-Chairman of the Board of Directors of Agromino since April 26.2018.

Shareholding in the Company (March 29.2019)

306,184

Associate with the US law firm White & Case (Prague office), management consultant with McKinsey & Co., took part in the restructuring of several Czech industrial and banking conglomerates. Mr. Urban is qualified Czech and US attorney

#### Jiří Vyskočil (born in 1973)

Member of the Board of Directors of Agromino since July 23, 2018.

Shareholding in Company (29.03.2019): 0

Experience (highlights of former positions):

Top management positions in Erste Bank and KBC Bank in the Czech Republic. CEO and Chairman of the BoD of Patria Finance (member of CSOB/KBC group).

All the members of Board of Directors are at the age below 80 which is the retirement age for Board of Directors set by Articles of Association.

A Board of Directors meeting shall constitute a quorum when more than half the directors are present. Resolutions by the Board of Directors shall be passed by a simple majority of votes.

The Board of Directors has held twenty meetings during 2018 partially physical meetings and partially via electronic means.

The Board of Directors is the highest level of the management structure, which primary functions are to be responsible for the overall and strategic management as well as decision outside of the day-to-day management, i.e. decisions of unusual nature or of major importance. The Board of Directors will arrange for the proper organisation of the activities of Agromino and will ensure that the keeping of accounts and the administration of property are carried out in a satisfactory way.

The Board of Directors has drawn up rules of procedure governing the performance of its duties.

Fees paid to Board of Directors are resolved by General Meeting and are disclosed under the section 'Related Party Transactions'.

#### EXECUTIVE BOARD

The Board of Directors has appointed an Executive Board consisting of two members to be responsible for the day-to-day operations of the company. As of February 27, 2018, the Board of Directors recalled Executive Board member K. Kotivnenko. As of March 27, 2018, the Board of Directors has appointed Petr Toman as member of the Executive Board and CEO with immediate effect, replacing Simon Boughton. As of July 3, 2018, the Board of Directors appointed Executive Board member Rastislav Pagac and therefore going forward the Executive Board consists of two members.

List of management positions of Executive Board members in other companies is presented in the following paragraphs. No member of the Executive Board has management positions in any other Danish company.

#### Petr Toman (born in 1973)

CEO and Member of the Executive Board of Agromino since March 27, 2018.

Shareholding in Company (29.03.2019): 0

Other current active positions:



- Member of the Board/director of Agromino Group Companies in Estonia and Cyprus
- Manager of Agromino A/S branch in Estonia
- CEO of Resilient Group
- CEO of Czech investment fund Mabon investiční fond s proměnným základním kapitálem a.s.

Experience (highlights of former positions):

- EPIC, various top management positions in EPIC group and in its daughter companies Velcourt Ltd, Director for Business Development Overseas

Rastislav Pagáč (born in 1986)

Member of the Executive Board of Agromino since July 3, 2018

Shareholding in Company (29.03.2019): 0

Experience (highlights of former positions):

Active in legal consultancy business as well as an in-house counsel in major Central European listed bank and international energy company. Mr. Pagáč has practical experience in the area of investment banking regulations, international contracting and company law

The Executive Board shall be accountable to the Board of Directors for managing the company in accordance with applicable law in force, the company's Articles of Association, the Rules of Procedure of the Board of Directors and the Guidelines for Segregation of Duties between the Board of Directors and Executive Board.

The Board of Directors has drawn up guidelines to segregation of duties between the Board of Directors and the Executive Board.

Fees paid to Executive Board are disclosed under the section 'Related Party Transactions'.

The management structure of the Group as at the date of publication of the current report is shown in the following graph.



The average number of employees in 2018 stood at 784 (2017: 879).

Amendments to the Group's Articles of Association may be proposed either by the shareholders or the Board of Directors.

#### RULES FOR AMENDMENT OF THE ARTICLES OF ASSOCIATION

As a general rule, proposed resolutions to amend the Articles of Association shall be passed at a general meeting by the shareholders. The resolution to amend the Articles of Association shall generally be passed

by a majority of at least two-thirds of the votes cast as well as of the share capital represented at the general meeting, cf. Section 106(1) of the Danish Companies Act (the "DCA").

For the sake of good order, please note that pursuant to Section 107(2) of the DCA, certain proposals to amend the Articles of Association shall be passed by at least nine-tenths of the votes cast as well as of the share capital represented at the general meeting. Finally, certain decisions which favor certain shareholders to the detriment of other shareholders may contravene with the principle of equal treatment of shares in Section 45 of the DCA and as such requires unanimity.

However, pursuant to the DCA the shareholders may by passing a resolution at a general meeting authorise the Board of Directors to amend the Articles of Association in certain respects e.g. by an increase or decrease of the share capital of the Group. The authorisation is subject to a number of requirements.

Except for the authorisations mentioned under 'Authorisations to Board of Directors' below, the Group's general meeting has not passed resolutions with respect to such authorisations.

#### AUTHORISATIONS TO THE BOARD OF DIRECTORS

The board of directors is in the period until 20 April 2022 authorized to issue in one or more rounds up to 1,014,695 warrants which shall entitle the recipients to subscribe for ordinary shares in the Company for a total aggregate nominal amount of up to EUR 1,014,695. The warrants may be issued to members of the Company's executive management and to key employees. Partial payment of the share capital which is subscribed for in connection with the exercise of warrants shall not be allowed. The existing shareholders shall neither have pre-emptive rights in connection with the issuance of warrants nor in connection with the subscription of shares by exercise of the warrants. The warrants are subject to transfer restrictions and may only be transferred in accordance with the warrant terms as determined by the board of directors. The new ordinary shares which are subscribed for on the basis of the warrants shall be negotiable instruments and shall be registered in the name of the holder. The remaining terms and conditions for the warrants shall be determined

by the board of directors in connection with the board's utilization of the authority.

The board of directors is at the same time authorized in the period until 20 April 2022 to increase the share capital of the company with a total aggregate nominal amount of up to EUR 1,014,695 (or such other amount which results from any adjustment of the number of warrants due to changes in the share capital of the company in the period between issuance and exercise of the warrants) in connection with the exercise of the issued warrants.

The board of directors is authorized in the period until 20 April 2022 to increase the share capital of the Company by way of a cash contribution or by way of conversion of debt in one or more rounds with a maximum nominal amount of EUR 2,000,000 at market price without pre-emptive rights for the existing shareholders.

The board of directors is authorized in the period until 20 April 2022 to increase the share capital of the Company by way of cash contribution in one or more rounds with a maximum nominal amount of EUR 2,000,000 at market price with pre-emptive rights for the existing shareholders.

The board of directors is authorized in the period until 20 April 2022 to increase the share capital of the Company by way of a cash contribution or by way of conversion of debt in one or more rounds with a maximum nominal amount of EUR 2,000,000 at a price below market price with pre-emptive rights for the existing shareholders.

#### COMMITTEES

In the autumn of 2010, the Board of Directors established three committees: the Audit Committee, the Nomination Committee, and the Remuneration Committee.

##### Audit committee

The responsibilities of the Audit Committee include: (i) notifying the board of directors of the result of the statutory audit, including the

reporting process, (ii) monitoring the reporting process and present recommendations or proposals to ensure the integrity, (iii) monitoring whether the Group's internal control system, the internal audit function (if

any) and risk management systems function efficiently with regard to the reporting in the Group without violating its independence, (iv) monitoring the statutory audit of the annual report etc. taking into account the result of the most recent quality control of the audit company, (v) controlling and monitoring the independence of the auditor pursuant to sections 24-24(c) and article 6 of regulation (EU) 537/2014 of the European Parliament and the Council dated 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and approving the auditor's provision of services other than auditing, ref. article 5 of this regulation, and (vi) being responsible for the procedure for selection and recommendation of the auditor for election in accordance with article 16 regulation (EU) 537/2014 of the European Parliament and the Council dated 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. The members of the Audit Committee are appointed by the Board of Directors and among its members. Between January 1, 2018 and February 26, 2018 Agromino's Audit Committee consisted of Jens Bruno (Chairman), Johannes Bertorp and Martin Rosenmejer. As of February 26, 2018, the Audit Committee consisted of Jens Bruno (Chairman), Richard Warburton and Petr Krogman. As of July 23, 2018 the Audit Committee consists of Jan Urban (Chairman), Petr Krogman and Jiří Vyskočil.

The Audit Committee shall meet as frequently as the Chairman of the Audit Committee deems necessary, but it should be at least twice a year.

In 2018, the Audit Committee held 4 physical meetings and 4 via electronic means.

#### Nomination Committee

The Nomination Committee's duties include: (i) identifying and recommending members of the Board of Directors and Executive Board to the Board of Directors; (ii) evaluating the structure, size, composition and performance of the Board of Directors and Executive Board and to propose any changes in this respect to the Board of Directors; and (iii) considering proposals submitted by relevant persons for candidates for executive positions.

The Nomination Committee shall consist of two to four persons and at least half of its members shall be independent of Agromino and its

subsidiaries. The members of the Nomination Committee shall be appointed by the Board of Directors and among its members. Between January 1, 2018 and February 26, 2018 the Nomination Committee consisted of Martin Rosenmejer (Chairman), Jens Bruno and Johannes Bertorp. As of February 26, 2018, the Nomination Committee consisted of Petr Krogman (Chairman), Richard Warburton and Jens Bruno. As of April 26, 2018 the Nomination Committee consisted of Petr Krogman (Chairman), Richard Warburton and Jan Urban. As of July 23, 2018 the Nomination Committee consists of Petr Krogman (Chairman), Jan Urban and Jiří Vyskočil.

In 2018, the Nomination Committee held 4 meetings via electronic means.

#### Remuneration Committee

The Remuneration Committee's duties include to make proposals to the Board of Directors, prior to approval at the general meeting, on the remuneration policy and the principles of the incentive pay schemes for the Board of Directors and the Executive Board and to ensure that the remuneration is consistent with Agromino's remuneration policy and the evaluation of the performance of the persons concerned.

The members of the Remuneration Committee shall be appointed by the Board of Directors and among its members. The Remuneration Committee shall consist of two to three members and the Chairman of the Board of Directors shall always be the Chairman of the Remuneration Committee. At least half of the members shall be independent in relation to Agromino and its subsidiaries. Between January 1, 2018 and February 26, 2018 Agromino's Remuneration Committee consisted of Johannes Bertorp (Chairman), Jens Bruno and Martin Rosenmejer. As of February 26, 2018, the Remuneration Committee consisted of Petr Krogman (Chairman), Jens Bruno and Richard Warburton. As of April 26, 2018 the Nomination Committee consisted of Petr Krogman (Chairman), Richard Warburton and Jan Urban. As of July 23, 2018 the Nomination Committee consists of Petr Krogman (Chairman), Jan Urban and Jiří Vyskočil. The Remuneration Committee shall convene as often as considered necessary by the Chairman of the Committee and at least once a year.



In 2018, the Remuneration Committee held 2 meeting via electronic means.

#### INTERNAL CONTROL

The Executive Board is responsible for the organisation and administration of the Group, which includes establishing an effective system of internal control. Internal control in this context refers to those measures taken by the Executive Board, the senior executives and other personnel to ensure that the bookkeeping and the Group's financial condition, in general, are controlled and reported upon in a reliable fashion and in compliance with relevant legislation, applicable accounting standards and other requirements related to the Group's listing on the Stock exchange.

In order to ensure that the organisational structure, chain of command and authority are well defined and clearly communicated, the Group has prepared written instructions and formal routines for the division of labour between the Executive Board, the Board of Directors, the management and other personnel. The Executive Board has established general guidelines for the Group's activities in internal policies, manuals, and codes. Controls have also been carried out to ensure that the IT-/computer systems involved in the reporting process support a sufficiently high dependability for its task. The Group has established fixed routines and invested in reliable technical applications to guarantee a fast and reliable way of sharing information throughout the organisation. Internal policies and general guidelines for financial reporting are communicated between the Executive Board, senior executives and other personnel

through regular meetings and via an electronic form.

The internal control system followed in 2018 consisted of risk assessment, reporting instructions, control procedures and monitoring.

The Executive Board and also the Audit Committee assess risks related to financial reporting that the Group is exposed to. The main risks have been identified as a risk of fraud and misconduct.

Several control procedures have been integrated into the accounting and reporting systems such as financing policy, payment policy, internal reporting guidelines, and certain internal accounting control routines.

The Executive Board follows up to ensure that any internal control weaknesses are addressed and that potential errors are detected and reported and corrected in timely and orderly fashion.

The policies, guidelines, and routines are updated on an on-going basis and are introduced to employees regularly via electronic form or internal training events.

Monitoring over accounting and financial reporting are conducted by the Executive Board and Audit Committee on a regular basis. Monitoring procedures are designed to identify risks, detect errors and correct any weaknesses. The Executive Board receives monthly internal financial reporting and the Audit Committee receives quarterly interim reports.

## SUMMARY OF CODE RECOMMENDATIONS NOT FOLLOWED AND REASONS WHY NOT FOLLOWED

The following table is a summary of the Report and outlines the Code recommendations the Group did not follow as well as an explanation why the Group did not comply with the recommendation. Regardless, the Group is satisfied with its Code adherence discipline.

Recommendation	The reason why the Group complied only partially
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.	The Company follows good market practice and continuously releases information on its activities and news and keeps contact with the key investors.  The process of evaluation, formalization, and formal adoption of the policies which the Company currently abides by is continuing.
1.3.1. The Committee <b>recommends</b> that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	In the past the need for contingency procedures in the event of a takeover bid has been deemed very little and no formal contingency procedures were adopted. In its efforts to fully comply with the Code, the Board of Directors, however, intends to evaluate the form and scope of such formalized contingency procedures during 2019.
4.1.1. The Danish Committee on Corporate Governance (hereinafter the "Committee") <b>recommends</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> The remuneration policy should be approved by the general meeting and published on the company's website.	The remuneration of the Board of Directors and the Executive Board members is based on the principle of transparency - each member's remuneration constitutes a flat annual fee which is resolved at the AGM and the remuneration amount is included in the AGM Agenda available for review by each shareholder prior the AGM.
5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	The board of directors continues to evaluate the current arrangements that relate to the wrongdoing reporting. Until the evaluation is completed, the communication lines were set up which shall ensure that wrongdoings may be communicated directly to Company's top management.



## CORPORATE SOCIAL RESPONSIBILITY

### **Statutory statement on social responsibility in accordance with section 99a of the Danish Financial Statements Act**

Agromino is a leading Agribusiness manager involved in the full farming chain from land acquisition, land operation, crop production, to crop storage, marketing, and trading. We operate today in Ukraine, Russia, and Estonia. Agromino is committed to operating the agricultural businesses under its control utilizing environmentally and agronomically sustainable production methods. Agromino will continue to ensure that all its employees are fully conversant with the aims set out in this policy statement in order that all its activities are compliant and represent best practice. The number of employees as at December 31, 2018, stood at 735 out of which 650 were employed in Ukraine, 81 in Russia, 2 in Estonia, and 2 were employed by parent company. In 2018, the expenses of employee training totaled at EUR 14 thousand (2017: EUR 14 thousand), excluding the costs of internal training as our top management also conducts internal training courses for local specialists. The Group management has a policy on social responsibility with the following focus areas:

#### Anti-corruption and bribery

It is the policy of Agromino not to engage in bribery or corruption and comply with applicable anti-corruption laws. We support the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. We adhere to the UN Global Compact principle 10: We shall work against corruption in all its forms, including extortion and bribery. Making, promising or offering any payments, gifts or inducements with the purpose of influencing someone (incl. government officials, suppliers, clients, etc.) to act improperly is strictly forbidden; the same applies to accepting payments, gifts or inducements. All payments should be reasonable and fall within the acceptable commercial practice. All such expenses have to be properly recorded in the accounts. We do not tolerate so-called facilitating payments (for example small unofficial payments to officials in order to speed up processes). Agromino does not make political contributions. When

engaging in business relationships Agromino chooses its partners with the same zero tolerance approach to corruption and bribery. The Group appreciates the risk of corruption and bribery in the countries it operates and continues to take measures to minimize this risk. All funds received and paid by the Group and its subsidiaries during the course of business are strictly accounted and handled via bank transfers exclusively to minimize the possibilities of cash being taken in or out for the purposes of bribery. In 2018, the Group continued to ensure its adherence to such cash management.

#### Human rights

The Group operates in countries where businesses' exposure to human rights violations is limited. Consequently, the Group does not conduct any activities, liaise or contract with business partners or suppliers in countries considered high-risk in terms of human rights abuses. Therefore, there is no separate formal human rights policy. However, Agromino is respecting human rights and supports the UN Global Compact principles for human rights and labour. The rights include the rights covered in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. In 2018 there were no registrations of violations of human rights or incidents of discrimination reported.

#### Health and safety

The Group health and safety policy provides a brief overview of major principles in the field of health and safety. According to the health and safety policy, basic obligations of Agromino in the area of health and safety are to provide:

- safe and healthy systems of work;
- safe and healthy work environment;
- adequate amenities;
- safe and healthy premises of work;
- safe and well-maintained plant and machinery;
- safe methods of handling, storing and transporting materials;



- adequate instruction and training for employees;
- adequate supervision by competent and trained personnel;
- relevant and adequate information for all employees;
- responsible person.

According to the health and safety policy, each employee of the Group is encouraged to play a vital and responsible role in maintaining a safe and healthy workplace through:

- being involved in the workplace health and safety system;
- sticking to correct procedures and equipment;
- wearing appropriate clothing and equipment as and when required;
- ensuring all accidents and incidents are reported to direct superior and responsible staff member;
- helping new employees, trainees and visitors to the workplace understand the right safety procedures and their objective;
- telling your direct superior immediately of any health and safety concerns;
- keeping the workplace tidy to minimise the risk of any trips and falls.

As Agribusiness managers the Group is fully aware of the risks associated with grain production, transport, and storage processes. In 2018, there were no workplace accidents reported in Ukraine, Russia, and Estonia. The Group, however, continues to monitor and improve the workplace safety situation. In 2018, The Group continued to implement and follow strict work safety regulations and provide proper training and updates to employees in order to ensure safety and avoid accidents. The Group employs dedicated work safety officers to ensure compliance with the policy. General health and safety induction training are provided for all new employees.

#### Community involvement

Agromino contributes to making the communities in which it operates better places to live and do business. Agromino values mutually beneficial relationships with communities where it operates and strives to engage or consult with communities regarding business development plans that have a material impact on those communities. Agromino strives to support on a targeted basis local municipalities and organizations taking

into account the availability of resources. For example, the support can be in the form of organising local events, buying equipment for schools, helping with the renovation works of public facilities, etc. A record of contributions and donations is kept to monitor activities and progress.

In 2018, the Group's subsidiaries in Russia and Ukraine have supported local municipalities and organisations by

- making non-returnable charity and financial aid payments
- buying renovation materials or organizing small renovation works for schools, churches, kindergartens
- buying necessary equipment and furnishing for the various local organisations (incl. machinery and furnishing for schools and other local organisations)
- making gifts for children, students or veteran organisations
- supporting other local activities.

#### Environment and climate change

Agromino is committed to operating the agricultural businesses under its control utilising environmentally and agronomically sustainable production methods. We recognise the need to honour the responsibilities we have with respect to protecting the environment and to the consumer by ensuring that the food we produce is both safe and of a high standard. To achieve this commitment, we ensure that all our agronomists and managers are fully trained with the most up to date technical information, to ensure that there is the optimal use of seeds, fertilisers, and pesticides so as to keep a sound balance between production and the environment. The crop rotations adopted are carefully planned to ensure no build-up of pests, diseases or weeds. We are highly water conscious and at all times look to preserve this most precious resource. All waste materials are disposed of in an environmentally sensitive way so as to minimise pollution of our planet.

The Group appreciates the environment and climate situation as the technology evolves and production increases and reassesses its operational activities from this perspective regularly. Thus, our 2018 activities have been focused on the application of the following principles to our business:



- The continued development of the Telematics Management Department, which has been a crucial support service for the group for the past several years, providing a cross-Group platform to enable effective planning, monitoring and reporting of all production related operations
- Maintaining soil fertility is ensured by having in place a sustainable rotation, nutrient management plan, soil management plan and crop protection management plan. These are enforced by approving annual budgets where the utilization of hectares and application of nutrients and chemicals is detailed.
- Crop protection – chemicals are applied strictly adhering to label recommendations that specify which crops the chemical can be applied to, application rate per hectare, the permissible frequency of application and harvest interval – i.e. the minimum time period that has to be left between application and harvest to ensure food safety. Reduced application rates are used when they have internally been proven to be sufficient, which also assists to reduce our environmental footprint.
- Nutrient management – appropriate quantities and application practices are used to ensure optimum growing conditions, maintain soil fertility and prevent pollution that would be caused by over-application of nutrients.
- Fertilizer and Pesticide storage – national regulations are followed that specify maximum quantities permissible to store and the required distance from habitation.
- Fuel consumption is monitored using real-time GPS tracking of vehicles which enables Management, for example, to monitor and enforce optimum driving speeds and engine revolutions which optimises fuel consumption.

- Waste disposal – washed chemical, fertilizer and seed packaging are delivered to a special factory.
- Accident and emergency plan – in case of a chemical spill there is an action plan listing specific steps in each vehicle and all relevant operatives have been trained in the procedure.

The Group has acted in accordance with this policy for several years. No environmental incidents were reported in 2018. Agromino will continue to ensure that all its employees are fully conversant with the aims set out in this policy statement in order that all its activities are compliant and represent the best practice possible.

#### **Statutory statement on the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act**

The Group strives for gender equality and does not discriminate based on gender. Currently, the Board of Directors consists of men only. The Group rules of procedure state that the Board of Directors must assess every year whether men and women are equally represented on the Board of Director, or whether there is a requirement for the definition of a target ratio for the share of the underrepresented sex on the Board of Directors.

The Board did not progress toward this target in 2018 and feels strongly about the Company reaching the aforesaid proportion of female directors in 2019. The substantial changes in the shareholder's base and management structure did not enable the Board of Directors to progress towards this target in 2018. The operational management team consists of six key personnel, three of whom are female and three of whom are male.



## FINANCIAL HISTORY

<b>Income statement, EUR thousand</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Revenue from continuing operations	52 063	39 618	39 190	31 019	25 287
EBIT from continuing operations	12 345	7 754	3 192	3 821	-10 063
Net financials from continuing operations	-13 811	-11 785	-3 231	-1 754	-1 100
Net profit/loss	-13 301	-52 955	-25 079	3 479	-10 349
<b>Balance sheet, EUR thousand</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2018</b>
Total assets	149 591	67 848	45 140	46 765	45 370
incl Non-current assets	119 792	35 766	24 016	26 672	25 481
incl Property, plant and equipment	104 438	22 787	13 795	14 940	12 609
Investment in property, plant and equipment	24 180	4 478	657	4 710	2 502
Net debt (including accrued interest)	74 434	60 423	6 436	10 478	10 635
Total equity	61 906	541	30 421	31 197	30 756
<b>Cash flow statement, EUR thousand</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Cash flows from operating activities	7 942	9 127	5 952	-1 154	1 671
Cash flows from investing activities	-5 673	-1 130	11 213	466	271
Cash flows from financing activities	-2 006	-9 622	-15 347	-874	-2 942
Effects of exchange rate changes	-1 135	-599	-73	-404	21
Cash and cash equivalents at beginning of period	4 997	4 125	1 901	3 646	1 680
Cash and cash equivalents at end of period	4 125	1 901	3 646	1 680	701
<b>Key figures</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2018</b>
Number of shares, end of the period (adjusted for reversed share split)	1 296 275	1 296 275	17 283 575	17 421 313	17 421 313
Total number of employees	1 269	1 011	893	835	735
Land under control, hectares	144 103	123 544	58 835	57 867	47 134
<b>Ratios</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Earnings per share (EPS), EUR (adjusted for reversed share split)	-10.37	-40.60	-1.45	0.20	-0.59
Book value per share, EUR (adjusted for reversed share split)	47.76	0.42	1.74	1.77	1.75
Return on assets (ROA)	-8%	-48%	-44%	8%	-22%
Return on equity (ROE)	-18%	-99%	-166%	11%	-34%
Equity ratio, %	41%	1%	67%	67%	68%
Current ratio	0.48	1.16	1.52	1.46	1.48
Acid test	0.20	0.48	0.74	0.46	0.41

For definitions of the ratios please refer to page 95.





## THE SHARE

### Share information

Official listing: NASDAQ Stockholm  
Form of listing: Common stock  
Sector: Agricultural Products

Exchange ISIN: DK0060823516  
Short name: AGRO  
Reuters ticker: AGROM.ST  
Bloomberg ticker: AGRO: SS

Major nominee shareholders as at 31.12.2018	Country	No of shares (thousands)	Holdings in %
CLEARSTREAM BANKING S.A., W8IMY	LUXEMBURG	7 524	43,19%
GOMOBILE NU AKTIEBOLAG	SVERIGE	2 597	14,91%
HSBC BANK PLC, W8IMY	STORBRITANNIEN	1 030	5,91%
OTHER		6 270	35,99%
<b>Total number of shares</b>		<b>17 421</b>	<b>100,00%</b>

Note: On 11 February 2019 Mabon investiční fond s proměnným základním kapitálem a.s. published a press release that it has acquired 3,525,494 shares in Agromino A/S and as a result thereof holds 11,026,544 shares and voting rights in Agromino A/S, corresponding to 63.3% of the total share capital and of the total voting rights of Agromino A/S.

## FINANCIAL CALENDAR

Annual General Meeting	April 25, 2019
Interim Report 1Q 2019	May 31, 2019
Interim Report 1H 2019	August 30, 2019
Interim Report 9m 2019	November 29, 2019
Year-end Report 2019	February 28, 2020
Annual Report 2019 (via Agromino web)	March 31, 2020



## CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

in EUR thousand	Note	31.12.2018	31.12.2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,7	701	1 680
Trade and other receivables	6,7	4 771	4 632
Inventories	8	12 282	11 456
Biological assets	9	2 117	2 137
Assets held for sale		18	188
		<b>19 889</b>	<b>20 093</b>
<b>Non-current assets</b>			
Prepaid land rents and land usage rights	12	457	816
Other non-current prepayments and receivables	6,7	143	49
Biological assets	9	2 267	2 447
Intangible assets	10	761	8
Property, plant and equipment	11	12 609	14 940
Investments in associates	30	9 244	8 412
		<b>25 481</b>	<b>26 672</b>
<b>Total assets</b>		<b>45 370</b>	<b>46 765</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7,13	3 068	2 776
Borrowings	7,14	10 350	11 018
		<b>13 418</b>	<b>13 794</b>
<b>Non-current liabilities</b>			
Trade and other payables	7,13	23	29
Borrowings	7,14	986	1 140
Deferred tax liabilities	16	187	605
		<b>1 196</b>	<b>1 774</b>
<b>Total liabilities</b>		<b>14 614</b>	<b>15 568</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Group</b>			
Ordinary shares	17	17 421	17 421
Share premium	17	120 151	120 151
Other reserves	18	-39 005	-48 913
Accumulated deficit		-68 067	-57 826
		<b>30 500</b>	<b>30 833</b>
Non-controlling interest in equity		256	364
<b>Total equity</b>		<b>30 756</b>	<b>31 197</b>
<b>Total equity and liabilities</b>		<b>45 370</b>	<b>46 765</b>

The notes on pages 33 to 77 are an integral part of these consolidated financial statements.



# CONSOLIDATED INCOME STATEMENT

in EUR thousand	Note	2018	2017
<b>Continuing operations:</b>			
Revenue	19	25 287	31 019
Other income	19	271	607
Gain/loss of biological assets arising from changes in fair value less cost to sell	9	16	1 199
<b>Total revenue, other income and fair value adjustments</b>		<b>25 574</b>	<b>32 825</b>
 <b>Net changes in inventories of agricultural produce and work in process</b>	8	<b>3 483</b>	<b>4 277</b>
Cost of purchased goods for trading purposes		-575	-4 980
Raw materials and consumables used for production purposes	20	-19 625	-18 234
Employee benefits expense	21	-4 872	-4 863
Depreciation and amortization	10,11	-1 662	-1 629
Other administrative expenses	23	-1 763	-1 807
Revaluation of land	11	0	-1 391
Other (losses)/gains - net	24	-10 623	-377
		<b>-10 063</b>	<b>3 821</b>
 Gains/losses from exchange rate differences		-157	-564
Finance income	25	21	22
Finance costs	25	-964	-1 212
Share of profit/loss of investments accounted for using the equity method	30	832	1 487
<b>Profit/loss before income tax</b>		<b>-10 331</b>	<b>3 554</b>
Corporate income tax	15	-18	-75
<b>Profit/loss for the period</b>		<b>-10 349</b>	<b>3 479</b>
 <b>Attributable to:</b>			
Equity holders of the Company		-10 241	3 450
Non-controlling interest		-108	29
		<b>-10 349</b>	<b>3 479</b>
 <b>Profit/loss per share for profit/loss attributable to the equity holders of the Company during the period, both basic and diluted (expressed in Euros per share)</b>	26	<b>-0.59</b>	<b>0.20</b>

The notes on pages 33 to 77 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand		2018	2017
<b>Profit/Loss for the period</b>		<b>-10 349</b>	<b>3 479</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Gain/Loss from revaluation of land of continuing operations	11,18	- -85	283
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences	18	12	-3 260
Currency translation difference recycled from Other Comprehensive Income to Income Statement in relation to disposal of subsidiary	18	9 981	
<b>Other comprehensive expense/income for the period; net of tax</b>		<b>9 908</b>	<b>-2 977</b>
<b>Total comprehensive income/expense for the period</b>		<b>-441</b>	<b>502</b>
<b>Attributable to:</b>			
Equity holders of the Company		-333	473
Non-controlling interest		-108	29
<b>Total comprehensive income/expense for the period</b>		<b>-441</b>	<b>502</b>

The notes on pages 33 to 77 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total Equity
<b>Balance at 31.12.2016</b>	<b>17 284</b>	<b>120 013</b>	<b>-45 936</b>	<b>-61 276</b>	<b>30 085</b>	<b>336</b>	<b>30 421</b>
Profit/loss for the period	-	-	-	3 450	<b>3 450</b>	29	<b>3 479</b>
Other comprehensive expense	-	-	<b>-2 977</b>	-	<b>-2 977</b>	-	<b>-2 977</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-2 977</b>	<b>3 450</b>	<b>473</b>	<b>29</b>	<b>502</b>
Issuance of share capital (Note 16)	137	138	-	-	<b>275</b>	-	<b>275</b>
<b>Transactions with owners in their capacity as owners</b>	<b>137</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>275</b>	<b>-</b>	<b>275</b>
<b>Balance at 31.12.2017</b>	<b>17 421</b>	<b>120 151</b>	<b>-48 913</b>	<b>-57 826</b>	<b>30 833</b>	<b>364</b>	<b>31 197</b>
Profit/loss for the period	-	-	-	-10 241	<b>-10 241</b>	-108	<b>-10 349</b>
Other Comprehensive Income recycled to Income Statement in relation to disposal of subsidiary	-	-	9 981	-	<b>9 981</b>	-	<b>9 981</b>
Other comprehensive expense	-	-	-73	-	<b>-73</b>	-	<b>-73</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>9 908</b>	<b>-10 241</b>	<b>-333</b>	<b>-108</b>	<b>-441</b>
<b>Balance at 31.12.2018</b>	<b>17 421</b>	<b>120 151</b>	<b>-39 005</b>	<b>-68 067</b>	<b>30 500</b>	<b>256</b>	<b>30 756</b>

The notes on pages 33 to 77 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOW

in EUR thousands

**Cash flows from operating activities**

Cash receipts from customers

Cash paid to suppliers and employees

Income tax paid

Subsidies received

Interest received

**Net cash used in/generated from operating activities****Cash flows from investing activities**

Acquisition of subsidiary, net of cash acquired

Disposal of subsidiary, net of cash disposed of

Purchase of property, plant and equipment

Proceeds from sales of property, plant and equipment

**Net cash generated from investing activities****Cash flows from financing activities**

Proceeds from issues of shares

Proceeds from borrowings

Repayments of borrowings

Repayments of finance lease liabilities

Short-term loans received from related parties

Short-term loans repaid to related parties

Interest paid

**Net cash used in financing activities**

Net decrease/increase in cash and cash equivalents

Effects of exchange rate changes on cash and cash equivalents

Cash and cash equivalents at beginning of period

**Cash and cash equivalents at end of period**

Note	2018	2017
	26 381	32 565
	-24 844	-33 745
15	-78	-134
	193	138
25	19	22
	<b>1 671</b>	<b>-1 154</b>
	-	6
24	2 227	1 097
11	-2 028	-1 022
11	72	385
	<b>271</b>	<b>466</b>
17	0	275
14	2 442	5 333
14	-2 951	-2 909
14	-1 505	-2 267
32	0	1 386
32	0	-1 424
25	-928	-1 268
	<b>-2 942</b>	<b>-874</b>
	<b>-1 000</b>	<b>-1 562</b>
	21	-404
6	1 680	3 646
<b>6</b>	<b>701</b>	<b>1 680</b>

The notes on pages 33 to 77 are an integral part of these consolidated financial statements.





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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Agromino A/S (The Company) is an integrated soft commodities producer (operating commercial cereals and dairy farms), storage provider and trader with operations in Ukraine, Russia and Estonia.

The parent company is a limited liability company incorporated and domiciled in Denmark. The address of its registered office is c/o Advokatfirmaet Poul Schmith, Vester Farimagsgade 23, 1606 Copenhagen, Denmark. The company listed its shares on the Stockholm First North Stock Exchange on May 18, 2007. From December 8, 2010, the company's shares have been traded on the main market Small Cap segment on NASDAQ

Stockholm. The Group's owners are legal and physical persons. During November 2018 one of the major shareholders of Agromino A/S has acquired additional shares and increased the shareholding in company up to 43.05 %. Upon the completion of the mandatory takeover bid in the beginning of 2019, the holding of one of the major shareholders of Agromino A/S has increased up to 63.3 %.

These financial statements were authorised for issue by the Board of Directors on March 25, 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated.

### 2.1 BASIS OF PREPARATION

This consolidated financial information of Agromino A/S for 2018 ended December 31, 2018, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and further requirements in the Danish Financial Statements Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets and land.

The reporting period of the financial statements is the calendar year.

The Company prepares its separate financial statements in accordance with IFRS as adopted by the European Union and the further requirements in the Danish Financial Statements Act. Parent company financial

statements are presented after notes to the consolidated financial statements in the same set of financial statements.

The preparation of financial statements in conformity with IFRS 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 disclosed in Note 4.

### ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following amended standards that are relevant to the Group became effective from 1 January 2018.

#### Adoption of IFRS 9 "Financial Instruments"

The Group adopted IFRS 9 "Financial Instruments" from 1 January 2018. In accordance with the transitional provisions in IFRS 9, the Group elected not to restate comparative figures and recognised any



adjustments to the carrying amount of financial assets and financial liabilities in the opening retained earnings as of the date of initial application of the standard, 1 January 2018. The management of the Group estimated that the effect of transition to expected loss model to the opening retained earnings as of the date of initial application of the standards, 1 January 2018, is immaterial.

All the financial assets meet solely-payments-of-principal-and-interest ("SPPI") requirement and are held to collect, thus will continue to be measured using the amortized cost method.

Applying the expected loss model, including assessment of forward-looking information, did not cause material impairment losses as at 1 January 2018 because impairment of receivables has been historically not material and material cash and deposits are held in credit institutions with a high rating. There was no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and certain modification of debt and the group does not have any such liabilities or transactions.

#### Adoption of IFRS 15 "Revenue from Contracts with Customers"

Starting from 1 January 2018 the Group recognizes revenue from sale of goods and services when a performance obligation under contract with customer is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer, at the transaction price. The Group has reviewed a representative sample of sales contracts to identify changes in timing of revenue recognition. Under IFRS 15, revenue from sale of products is recognised at a point of time, when control over the goods is transferred to the customer.

The adoption of IFRS 15 did not have a material impact on the financial position or financial performance of the Group as of the date of initial application of the standards, 1 January 2018.

The following new or revised standards and interpretations became effective for the Group from 1 January 2019.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. All leases result in the

lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently. According to the assessments, the balance sheet and income statement of the Group will have a major impact from implementing the new standard of IFRS 16, especially the change in recognition of the land rental agreements in Ukraine. The Group would implement the new standard as of January 1, 2019, then the present value of operating leases would be recognized under Right of use asset from one side and under Lease liability from the other side of the Balance sheet in the total amount of EUR 31 875 thousand. For lease contracts where interest rate can be readily determined, lease payments would be discounted using interest rates implicit in the lease. If the rate cannot be readily determined, the discount rate similar to the Group's incremental borrowing rate would be used to calculate the present value of all leases (currently at 9%). During the first year of implementation of this new standard, the Group would record a financial cost from those leases in the amount of EUR 2 493 thousand and depreciation of EUR 2 231 thousand, instead of operating lease expense in the amount EUR 3 842 thousand. Consequently, the value of the assets and liabilities in the Balance sheet will increase, the EBITDA and EBIT of the Group for 2019 would improve as operating lease payments would no longer be recorded within OPEX, while financial costs for 2019 will increase. The timing of the expenses would also change as during the beginning of the lease term, the total sum of financial costs and depreciation is higher and net profit lower and during the end of the lease term, the costs are lower and net profit higher. Mandatory for financial years commencing on or after 1 January 2019. The group intends to apply the simplified transition approach and will not



restate comparative amounts for the year prior to the first adoption.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

## CONSOLIDATION

### a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Any difference between fair value and the carrying value of assets transferred is recognised in the income statement. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised profits on transactions between

Group companies are eliminated. Losses are also eliminated but considered whether they indicate an impairment that requires recognition in consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but the significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### c) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.1 d) below), after initially being recognised at cost.

### d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost



and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.5.

## 2.2 FOREIGN CURRENCY TRANSLATION

### a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currencies of group entities are the following: for Estonian subsidiaries the Euro, for Ukrainian subsidiaries the Ukrainian hryvna, for Russian subsidiaries the Russian rouble, for Cypriot subsidiaries the Euro and for Danish parent company the Euro. The consolidated financial statements are presented in Euro, which is the functional currency for the parent company and the presentation currency for the group.

### b) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash equivalents are presented in the income statement within 'Gains/losses from exchange rate differences'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net.

### c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates of a month or a longer period as appropriate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in Other comprehensive income are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as



assets and liabilities of the foreign entity and translated at the closing rate.

## 2.3 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment except for land is stated at historical cost less depreciation and impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings 25-40 years
- Machinery 7-20 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other gains/losses – net, in the income statement.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

## FAIR VALUE OF LAND

Land is carried using the revaluation method.

Under the revaluation method, an increase in an asset's carrying amount as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under other reserves. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in an asset's carrying amount as a result of a revaluation is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under other reserves (Note 19).

Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

## 2.4 INTANGIBLE ASSETS

### a) Licenses

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to ten years.

### b) Other intangible assets

Other intangible assets are presented by land-usage rights under emphyteusis agreements. Land-usage rights are amortised over their estimated useful lives to forty-nine years.

## 2.5 IMPAIRMENT ON NON-FINANCIAL ASSETS

Assets that are subject to depreciation and land are reviewed for impairment 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 of disposal 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.6 FINANCIAL ASSETS

### a) Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables" (see Note 6) and Cash and cash equivalents (see Note 5) in the balance sheet. See Note 2.10 for measurement of trade receivables.

### b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.10.

### c) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

## 2.7 AGRICULTURE AND BIOLOGICAL ASSETS

Agricultural activity is defined by the management as an activity of the biological transformation of biological assets for sale into agricultural produce or into additional biological assets. Agricultural produce is defined as the harvested product of the Group's biological assets and a biological asset is defined as a living animal or plant. The Group has determined the groups of its biological assets to be livestock and growing crops.

Biological assets are measured on initial recognition and at each balance sheet date at its fair value less cost to sell, except for the



case where the fair value cannot be measured reliably on initial recognition. Agricultural produce harvested from the Group's biological assets is measured at its fair value less cost to sell and is subsequently recorded as inventories and measured in accordance with the accounting principles of inventory (Note 2.9).

If an active market exists for a biological asset or agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist the most proximate market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the balance sheet date, is used in determining fair value. Cost is used as an approximation of fair value when little biological transformation has taken place since initial cost incurrence, e.g. within a short time after seeding the crop.

A gain or loss arising on initial recognition of a biological asset at fair value less cost to sell and from a subsequent change in fair value less cost to sell is included in profit or loss for the period in which it arises as "Gain/loss of biological assets arising from changes in fair value less cost to sell".

The biological assets are recorded as current and non-current biological assets based on the operational cycle of the respective biological assets. In general, biological assets of growing plants are recognised as current assets because the operational cycle is less than 12 months. Dairy herd is recorded as a non-current biological asset.

#### a) Livestock and dairy herd

Livestock is measured at their fair value less estimated point-of-sale costs. The fair value measurements are categorized under Level 2 in the fair value hierarchy, as defined by IFRS 13.

#### b) Crops – cereals and grassland

Crops are measured at their fair value less cost to sell. The fair value measurements are categorized under Level 2 in the fair value hierarchy, as defined by IFRS 13. At initial recognition (after seeding) the crops are measured at cost, which is used as an approximation of fair value when little biological transformation has taken place since initial cost incurrence. The cost includes direct

costs related to the management of the biological transformation of biological assets, like costs of seeds, fertilising, cultivation, labor costs of employees directly involved in the production process, fuel and energy and related production overheads (based on normal operating capacity). The crops are measured using discounted cash flow model once sufficient biological transformation has taken place, that normally takes place starting from the second quarter. This does not create a significant limitation in the valuation of crop balances at year-end, as the main increase in fair value is attributable to the same accounting period when the crop is harvested. As the main growth period of the crops is April to July, the change in the fair values is always the highest in the second quarter of the year. The biological assets are revalued using the latest information about actual harvesting results of the early crops, harvest-related cash outflows and cereal sales market prices. Yields for the late crops are estimated using the latest field surveys. The cereals sales prices used for revaluation include actual contracted prices and latest market prices.

The Group's grasslands qualify as bearer plants under the definition in IAS 41 Agriculture and are therefore accounted for under the rules for plant and equipment. The grasslands are carried at cost less depreciation. Grasslands are depreciated for a period of 3 years.

## 2.8 GOVERNMENT GRANTS

### a) Government grants related to agricultural activity

An unconditional government grant related to a biological asset measured at its fair value less cost to sell is recognised as income when the government grant becomes receivable (government grants for the dairy herd, general area-aid subsidies). If a government grant related to a biological asset measured at its fair value less cost to sell, is conditional, including whereby a government grant requires a Group company not to engage in specified agricultural activity, the Group recognises the government grant as income when the conditions attaching to the government grant are met (investment subsidies, area-aid environmental subsidies) and until then aid received is recognised as a liability.

### b) Government grants related to purchase of property, plant and equipment



Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are amortised to the income statement on a straight-line basis over the expected lives of the related assets.

- c) Ukraine VAT treatment for companies under the agricultural regime

In Ukraine there was a special VAT treatment for companies under the agricultural regime, however, this regime was canceled in 2017. In 2016 agricultural companies were obliged to pay 85% of the VAT to the State Budget of Ukraine and 15% of the VAT (the net of VAT receivable and payable) was recorded under Other Losses/Gains.

## 2.9 INVENTORIES

- a) Agricultural produce

- i. Milk

Milk is initially measured at its fair value less cost to sell at the time of milking and subsequently recorded as inventories and measured at the lower of cost and net realisable value. The fair value of milk is determined based on market prices in the local area.

- ii. Grain- own produced (harvested)

Grain and feeds produced by the Group are initially measured at its fair value less cost to sell at the time of harvest and recorded in inventories until sold to third parties or used internally for feeding animals or for seeds. Grains and feed produced by the Group are subsequently measured at net realisable value. The net realisable value of feed is determined based on market prices in the local area. The net realisable value of grain is determined based on quoted prices on the nearest market or if multiple markets are available, in the market where the Group's company expects to sell the produce.

- b) Grain – purchased from third parties

Purchased grain from third parties is initially recorded at the purchase price and

subsequently measured at a fair value less cost to sell. The fair value of grain is determined based on quoted prices on the nearest market or if multiple markets are available, on the most advantageous market.

- c) Work-in-progress related to field preparation

Cost of agricultural preparation on fields before seeding is recorded as work-in-progress in inventories. Work in progress comprises raw materials, direct labor costs and other direct costs (based on normal operating capacity). After seeding the cost of field preparation is reclassified as biological assets (Note 2.7 b)).

- d) Raw materials

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2.10 TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If the collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## 2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Deposits over three months are classified as cash and cash equivalents if they are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

## 2.12 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in



equity as a deduction, net of tax, from the proceeds. Warrants issued by the Company represent a written call contract to deliver a fixed number of own shares in exchange for a fixed amount of cash, in case the counterparty exercises the option. Therefore, warrants meet the definition of an equity instrument. As no cash has been received at the inception of the contract, no entries have been made at the inception of the contract. Also, no remeasurement is performed during the term of the contract. Share capital and share premium are increased by the amount of cash received when the counterparties exercise the option.

### 2.13 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.14 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Income statement as finance income or finance cost. Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to

extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the Income statement, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

### 2.15 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises a current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity, respectively.

#### a) Corporate income tax

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 Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Income tax rate in Ukraine is 18%, in Russia 20%, in Denmark 22% and in Cyprus 12.5%. Agricultural producers in both Ukraine and Russia are exempted from the ordinary corporate income tax system if they meet the requirements to be recognised as agricultural producers (Note 2.15 b)). The income tax in Estonia is calculated only on distributed earnings with the effective rate 20/80 (2017: 20/80) of the distributed amount. From 2019, a tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed at the tax rate of 20/80.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business



combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there are an intention and ability to settle the balances on a net basis.

#### b) Agricultural tax regimes in Ukraine and Russia

Both in Ukraine and Russia companies are exempt from ordinary corporate income tax regime if they meet criteria to be recognised as agricultural producers.

In Ukraine, a company is considered to be an agricultural producer if it derived at least 75% of its revenue in the previous tax year from the sales of the self-produced agricultural product. Simplified agricultural tax means that the agricultural producer pays tax based not on its profits, but on the total area used for agricultural production.

In Russia, a company can apply for the agricultural tax regime if it meets the criteria of an agricultural company. However, the companies on a general tax regime having the revenue from sales of self-produced agricultural produce have reduced tax rates.

## 2.16 EMPLOYEE BENEFITS

### a) Pension obligations and other post-employment obligations

The Group does not operate pension schemes and does not provide post-retirement benefits to their retirees. Pension obligations may arise due to a legal obligation to pay for the incapability to work because of an accident.

The Group has legal obligation to pay contributions to the state pension funds according to the local regulations of each country of location. The contributions to the local pension funds are treated as social security tax payments.

### 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.

## 2.17 PROVISIONS

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

## 2.18 REVENUE RECOGNITION

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer,





excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

Group's contracts with customers are fixed-price contracts and generally include both advance payment and deferred payment for the same contracts. Generally the sales are made with a credit term mainly to 2-5 business days, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognised when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due (Note 6). Contract assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer. Contract liabilities are included in trade and other payables line item as advances from customers (Note 13).

#### a) Sales of goods – agricultural produce

The Group's main revenue arises from the sales of agricultural produce – grain and milk. The agricultural produce is subject to quality control at the point of sale and the sales value is depending on the quality. Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

#### b) Sales of biological assets

The Group sells living animals for slaughter. The revenue from sales of living animals is recognised after the animals have been delivered to the slaughterhouse.

#### c) Sales of services

The Group occasionally sells services to other agricultural producers. Revenue from the services is recognised when the service has been provided.

#### d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### e) Dividend income

Dividend income is recognised when the right to receive payment is established.

### 2.19 LEASES

The Group as a lessee.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Land lease is considered to be operating lease unless the title of the land passes to the lessee at the end of the lease period.

Leases in which the risks and rewards incidental to the ownership of an asset are transferred substantially to the lessee are classified as finance leases. At the commencement of the lease term, the Group recognises the asset purchased on finance lease term on its balance sheet at the amount lower of the present value of future rent payments or fair value of the leased asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease





period using the effective interest method. The assets acquired under finance leases are depreciated over the shorter of their useful life or lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

## 2.20 DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

## 2.21 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Executive Board. The Executive Board considers the business from a geographical and operational perspective. Local production units, which are interlinked with each other in operational activities, are aggregated in the internal reporting in production clusters. Segments are presented to the management on the aggregated unit basis, indicating separately plant cultivation and animal husbandry if they are both materials for the clusters' revenue. The management considers two continuing business segments (Ukraine and Milk production). The Group uses the equity method to record the accounts of the Milk production segment in Estonia as the profit/loss on the Income Statement is shown under the line Share of profit of investments accounted for using the equity method. See Note 31 for further information on the Milk production segment. Ukraine segment includes cereals production, storage, and trading operations.

## 2.22 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying

amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell. A gain is recognised for any subsequent increases in fair value less cost to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.



### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, commodity price risk, cash flow interest rate risk, fair value interest rate risk), credit risk, liquidity risk and capital repatriation risk. The Group's overall risk management program acknowledges the unpredictability of financial markets and on the basis of the current business operations of the Group, the management is following financial risk management policies to minimise potential adverse effects on the Group's financial performance from unpredictable fluctuations in the financial markets. The Group's centralised controlling and risk management function carries out risk management activities on a day-to-day basis in close cooperation with the regional management members.

1. Market risk
  - (i) Foreign exchange risk

The Group operations in Ukraine and Russia are exposed to foreign exchange risk arising primarily from exposures to the US dollar, Russian rouble, and Ukrainian hryvna. Foreign exchange risks from US dollar, Russian rouble, and Ukrainian hryvna arise mainly from recognised assets and liabilities. Foreign exchange risk from Swedish krona seized to exist after the bond to equity conversion in December 5, 2016 (the average value of Swedish krona depreciated in 2016 by 1%). The Group has not implemented any formal currency risk management policies.

The average value of US dollar relative to euro depreciated by 5% in 2018 (depreciated in 2017 by 2%)

The average value of Ukrainian hryvna relative to euro depreciated by 7% in 2018 (depreciated in 2017 by 6%).

The average value of Russian rouble relative to euro depreciated by 12% in 2018 (appreciated in 2017 by 12%).

The average change in the exchange rate of Russian rouble has been unfavorable (favorable in 2017) and change in Ukrainian hryvna has

been also unfavorable to the Group's business in 2018 (unfavorable in 2017). There was no effect from the change in the exchange rate of Swedish krona for 2018. The changes in exchange rates of rouble decreased (increased in 2017) and hryvna decreased the value of the net investment in 2018 (decreased in 2017).

The total recognised decrease in equity from currency translation differences amounted to EUR 39 203 thousand at December 31, 2018 (EUR 49 196 thousand at December 31, 2017) (Note 18). Currency translation losses from disposal of subsidiaries amounting to EUR 9 981 thousand recycled from Other comprehensive Income to Income Statement in the year 2018.

	Reasonably possible change	Impact on Equity
2018		
UAH	+/- 30%	+/-625
RUB	+/- 30%	-/+122
USD	+/- 5%	-/+394

	Reasonably possible change	Impact on Equity
2017		
UAH	+/- 30%	+/-2
RUB	+/- 30%	-/+259
USD	+/- 5%	-/+458

- (ii) Commodity price risk

The Group is exposed to commodities price risk because of the significant size of its business operations in the production of cereals. In case cereals produced by the Group are primarily exported, a significant share of the Group's revenues will be exposed to global fluctuations in agricultural commodity prices. The milk production operations of the Group are to a lesser extent affected by global commodity prices since the raw milk is sold regionally and cannot be exported over long distances.

The Group's strategy is not to hedge against any commodity price movements in order to provide its shareholders a direct exposure to the fluctuation in the market. Unlike traditional large-scale farming enterprises that have



typically used a financial hedging strategy to protect against adverse price fluctuations or the risks inherent in a highly seasonal business, the Group does not engage in any commodity hedging. The Group believes that its diversified crop rotation system and its combination of cereal production and dairy farming provide its business with sufficient operational stability while enabling investors to pursue their own individual hedging strategies.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant floating interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Cash (see Note 5) is invested in short-term deposits and no material interest rate risk arises from these assets.

The breakdown between floating and fixed interest rates for the existing borrowings of the Group is shown below:

**in EUR thousand**

**Borrowings and finance leases (outstanding amount)**

Floating rate

incl. related to bank's base interest rate

incl. related to LIBOR

Fixed rate

	31.12.2018	31.12.2017
	5 132	4 768
	36	619
	5 096	4 149
	6 204	7 390
	<b>11 336</b>	<b>12 158</b>

2. Credit risk and counterparty business risk

Credit risk for the Group arises from cash and cash equivalents, deposits with banks and financial institutions and customers, including outstanding receivables and committed transactions. Credit limits are not normally set for individual companies, as all balances are closely monitored specifically (see also Note 6 for details). In respect of banks and financial institutions, the Group's policy is to work with institutions, which have an internationally reputable strategic shareholder as the majority investor. (See also Note 5 for details).

3. Liquidity risk

The Group's main liquidity risks derive from the cyclical nature of agricultural production. Field-works in spring and harvest in autumn entails concentration of costs and working capital need in the spring season and concentration of revenues in the autumn season. The cyclicity is stronger in cereals production and much

The Group's interest rate risk arises from borrowings (Note 14). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

At 31 December 2018, if interest rates on floating interest rate borrowings at that date had been 0.5% higher with all other variables held constant, net loss for the year would have been EUR 26 thousand higher (2017: EUR 24 thousand higher), as a result of higher interest expense on floating rate borrowings.

lower in dairy production, as dairy production revenues accrue evenly throughout the whole operating year. The Group has been lowering the cyclicity also in cereals production by acquiring its own warehousing infrastructure to store grain for longer time periods and to be able to sell cereal products more evenly throughout the year. The management monitors the liquidity risk by following the main key performance indicators on a continuous basis, including cash flows.

The undiscounted gross payments of all borrowings and trade payables are presented in the included tables. The amounts include interest payments. Majority of Group's bank borrowings as at December 31, 2018, are short-term working capital loans in Ukraine. Based on the positive results from operations in Ukraine in the past and also expected going forward, Management does not expect any issues regarding renewal of the loans as they fall due.



in EUR thousand	Total 31.12.2018	Less than 6 months	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	Maturity	Interest rate
Borrowings and finance leases (Note 14)	12 144	1 834	9 137	924	250		
<i>incl. related to LIBOR</i>	<b>5 629</b>	<b>432</b>	<b>4 153</b>	<b>794</b>	<b>250</b>	<b>2019- 2023</b>	<b>1mLIBOR+3.5%- 9,4%</b>
<i>incl bank's base rate</i>	<b>36</b>	<b>36</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>2019</b>	<b>15,5%</b>
<i>inc.with fixed interest rate</i>	<b>6 479</b>	<b>1 366</b>	<b>4 984</b>	<b>130</b>	<b>-</b>	<b>2019- 2021</b>	<b>5%-25,8%</b>
Trade payables (Note 13)	2 025	670	1 332	23	0	2019-2021	no interest rate
<b>Total</b>	<b>14 169</b>	<b>2 504</b>	<b>10 469</b>	<b>947</b>	<b>250</b>		

in EUR thousand	Total 31.12.2017	Less than 6 months	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	Maturity	Interest rate
Borrowings and finance leases (Note 14)	12 968	5 388	6 268	1 273	39		
<i>incl. related to LIBOR</i>	<b>4 565</b>	<b>321</b>	<b>3 230</b>	<b>1 014</b>	<b>-</b>	<b>2018- 2020</b>	<b>LIBOR+3.9%- 14.8%</b>
<i>incl bank's base rate</i>	<b>641</b>	<b>413</b>	<b>228</b>	<b>-</b>	<b>-</b>	<b>2018</b>	<b>CBR+3%</b>
<i>inc.with fixed interest rate</i>	<b>7 762</b>	<b>4 654</b>	<b>2 810</b>	<b>259</b>	<b>39</b>	<b>2018- 2021</b>	<b>5%-26.9%</b>
Trade payables (Note 13)	1 180	1 142	9	23	6	2018-2021	no interest rate
<b>Total</b>	<b>14 148</b>	<b>6 530</b>	<b>6 277</b>	<b>1 296</b>	<b>45</b>		

### 3.2 CAPITAL MANAGEMENT

The Group considers as capital its equity and borrowings.

in EUR thousand	31.12.2018	31.12.2017
Borrowings (Note 14)	11 336	12 158
Total shareholders' equity	30 756	31 197

The Group was financed in addition to the owners' equity and bank borrowings by bond from 2011 until December 5, 2016, when the Group completed the conversion of the bond to equity. In 2016 the bondholders and shareholders agreed to convert the bond into new shares of the Agromino. Following the conversion, share capital increased by EUR 15,987 thousand, share premium increased by EUR 20,072 thousand.

#### Capital repatriation risk

The capital repatriation risk derives from the Group's investments into Ukrainian and Russian subsidiaries. Potential changes in the political environment in Ukraine or Russia may impose restrictions on repatriating capital invested as it was historically.

### 3.3 FAIR VALUE ESTIMATION

The different levels for assets carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

See Note 11 for disclosures of the land that is measured at fair value, Note 8 for inventories, Note 9 for biological assets and Note 14 for borrowings.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### a) Fair value of biological assets

The Group's biological assets are measured at fair value less cost to sell at each balance sheet date (value at December 31, 2018, was EUR 4 384 thousand and value at December 31, 2017, was EUR 4 584 thousand) (Note 9). Due to the specifics of the agricultural production, the fair value of some crops cannot be determined reliably in their present status. The biological assets in the countries where the Group operates (Ukraine, Russia) are mostly not traded on the active market. Therefore, the fair value is determined using the alternative methods described in Note 2.7. The use of alternative methods of fair value estimation requires the Group to refer to latest transactions and use price averages or to use cost as an approximation of fair value in case when little biological transformation has taken place since initial cost incurrence, e.g. within a short time after seeding the crop. Because the carrying value of the biological assets in the plant cultivation is based on cost upon initial recognition, no variability analysis is relevant. Were the actual prices for the biological assets in animal husbandry higher by 10% from management's estimates, the net loss would

decrease by EUR 219 thousand (net profit would increase by EUR 235 thousand in 2017), if the prices were lower by 10%, the net profit would decrease by the same amount.

#### b) Useful lives of property, plant, and equipment

The depreciable items of property, plant, and equipment amounted to EUR 10 560 thousand as at December 31, 2018 (EUR 12 736 thousand as at December 31, 2017) (Note 11). The remaining balance includes land, which does not depreciate; and construction in process. Management has estimated useful lifetimes for depreciable property, plant, and equipment. However, the actual useful lifetimes can be different than those estimated by the management. If the average useful lifetime would be 10% longer (shorter) than estimated by the management, it would decrease (increase) the depreciation charge by EUR 153 thousand (decrease/increase by EUR 149 thousand in 2017).

#### c) Net realisable value and fair value less cost to sell of inventories

The Group has its agricultural produce in inventory as of the year-end (Note 8). The agricultural produce and inventories for commodities trading have been valued to fair value less cost to sell. The fair value of the grain is determined based on the market statistics published by APK-Inform or in case the Group had sold or had sales contracts for its inventory then those actual prices were used. Would the prices be lower (higher) than estimated by 10%, the value of the inventories would be EUR 880 thousand less (more) and the equity smaller (bigger) by the equal amount (in 2017: EUR 679 thousand).



## d) Recoverable values of property, plant, and equipment

No impairment indicators were identified for assets in Ukraine as of December 31, 2018 (no impairment test was necessary for 2017 for the assets in Ukraine).

For the assets in milk production in Russia impairment test was carried out in 2018 and 2017. The value-in-use method was applied to determine the recoverable values of non-current assets. The total value of the non-current assets and net working capital in milk production in Russia on December 31, 2018, amounted to EUR 6 698 thousand (2017: EUR 8 408 thousand). Cash flows were projected, including revenues, operating expenses, investment requirements and working capital needs. The Group used in the model its target yields and prices for milk based on forecasts. The Group applied 4% long-term growth rate (2017: 4%) that has been aggregated from the long-term growth perspective in Russia and estimation of the growth in food prices in relation to other inputs. The discount rate applied was 14.8% (2017: 15.6%). In 2018 impairment losses for property, plant and equipment were recognised in Income Statement for EUR 796 thousand. In 2017, the test demonstrated that the segment's assets value in use is higher than the carrying amount of these assets.

In 2018 and 2017, the following reasonable changes in major sensitive inputs would have caused the decrease of the recoverable amount below the carrying amount:

## Major sensitive inputs 2018:

EUR thousand	Change	Impairment
Increase in discount rate	2pp	-1 100
Decrease in milk price from 2019 onwards	5%	-33
Decrease in terminal growth rate	1pp	-418

## Major sensitive inputs 2017:

EUR thousand	Change	Impairment
Increase in discount rate	2pp	-2 106
Decrease in milk price from 2019 onwards	5%	-1 609
Decrease in terminal growth rate	1pp	-424

## e) Fair value of land

The fair value of land is reliant on significant assumptions and unobservable inputs. See Note 11.1 for the measurement of fair value of land and financial impact of a potential change in the value per hectare.

## 4.2 OTHER RISK FACTORS

## RISKS RELATED TO UKRAINIAN LAND RENTAL

There is a blanket moratorium against selling freeholds of agricultural land until the adoption of the particular legal act on the land market and land cadaster in Ukraine.

The Group owns the buildings and structures of its Ukrainian farms and controls the Ukrainian land through registered long-term leases supplemented with a right of first refusal to acquire the freehold, or through signed, but not yet registered, leases. In the event that the Group's title to any of its land is challenged, and the Group is unable to defend such a claim, the Group risks losing its rights to such land which could materially affect the Group's business, financial condition, and operational results.

## RISKS RELATED TO LAND OWNERSHIP IN RUSSIA

Russian law does not allow a foreign entity nor a foreign controlled Russian entity to own agricultural land in Russia. A Russian entity is considered a foreign-controlled entity when more than 50 percent of its share capital is owned by a foreign entity.

The Russian agricultural land (Note 11) of the Group is currently owned by Russian operating companies, which are wholly-owned subsidiaries of the relevant holding companies incorporated in Russia. The Russian parent holding companies are, in turn, owned (depending on the Company, directly or indirectly) by the parent company. While this structure technically complies with the Russian law restriction on the foreign ownership of Russian agricultural land, no assurances can be given that the ownership structure could not be challenged on the basis that they possibly violate the spirit of the law. The Russian courts and legal system generally tend to adopt a formal approach to legislative interpretation. However, no assurance can be given as to how a Russian court would treat each particular





situation brought to its consideration or as to future developments in the Russian legal system which may give greater weight to substance over form.

If the Russian agricultural land holding structure of the Group is found to breach the above mentioned Russian law restriction, the Group could be forced to either sell its land, or return the land to the previous owner (in which case it will be entitled to require the purchase price back from the previous owner), or introduce Russian shareholders to its subsidiaries, which may have a material adverse effect on the Group's business, financial condition and operational results.

#### 4.3 SITUATION IN UKRAINE AND RUSSIA AND POTENTIAL IMPACT ON THE GROUPS' S OPERATIONS

##### Ukraine

The ongoing political and economic instability in Ukraine has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies has continued in 2018. The inflation rate in Ukraine during 2018 amounted to 9.8% (as compared to 13.7% in 2017). As at March 18, 2018, the official exchange rate of Hryvnia against euro was UAH 30.55 per EUR 1, compared to UAH 31.71 per EUR 1 as at 31 December 2018 (31 December 2017: UAH 33.50 per EUR 1). The National Bank of Ukraine ("NBU") made certain steps to ease the currency control restrictions introduced previously. In particular, the required share of foreign currency for mandatory sale was decreased to 30% since the beginning of March 2019 and the settlement period for export-import transactions in foreign currency was increased from 180 to 365 days starting from February 2019.

IMF continued to support Ukrainian government. In December 2018, IMF Board of Directors agreed on Stand-By Arrangement (SBA) program for Ukraine for 14 months totaling USD 3.9 billion. Continued cooperation with IMF also opened up access to related financing for Ukraine. On December 18, IMF Board of Directors also made a decision to provide Ukraine with a guarantee of USD 750 million to support state policy, which in turn will help the government raise capital in international markets in 2019.

The banking system remains fragile due to its: weak level of capital; its weakening asset quality caused by the economic situation; currency depreciation; and other factors.

The conflict in the parts of Eastern Ukraine which started in spring 2014 has not been resolved to date. However, there was no substantial escalation of the conflict since the signing of ceasefire agreements in September 2014. The relationships between Ukraine and the Russian Federation remained strained. On January 1, 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products. The final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

##### Russia

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. In 2018 inflation equaled to 3.9 % (a record-low level of inflation was observed in December 2017, at just 2.5%, well below the central bank's target of 4%). However, considering the sensitivity of the economy to oil and gas prices, the economic situation in the future is difficult to predict and management's current expectations and estimates could differ from actual results. Management is taking necessary measures to ensure sustainability of the Group's operations.



## 5. CASH AND CASH EQUIVALENTS

### in EUR thousand

Cash on hand  
Short-term bank deposits

31.12.2018	31.12.2017
1	1
700	1 679
<b>701</b>	<b>1 680</b>

Short-term bank deposits bear interest of 0%-5% on annualised base (in 2017 0.0% – 11%)

The credit quality of cash at bank according to banks external credit rating (Moody's) is given in the following table:

### in EUR thousand

A1\*\*  
Aa2\*\*  
Aa3\*\*  
Baa3\*\*  
Ba1  
Ba2  
B1  
B3  
Caa1  
Caa3  
Other\*

31.12.2018	31.12.2017
14	6
136	-
-	495
334	223
6	-
-	90
0	1
90	-
11	-
0	160
109	704
<b>700</b>	<b>1 679</b>

\*As at December 31, 2018, Other includes cash in UkrSibbank (Ukraine) - not rated (in 2017: cash in UkrSibbank (Ukraine), Energomashbank (Russia), Megabank (Ukraine), First Ukrainian International Bank (Ukraine)).

\*\* As at December 31, 2018, the parent company ratings were used for the money at AS SEB Pank (Estonia), AS Swedbank (Estonia), PJSC OTP Bank (Ukraine) and PJSC Credit Agricole Bank (Ukraine) (the same in 2017).

### The split of cash between currencies:

#### in EUR thousand

Ukrainian hryvna  
US dollar  
Euro  
Russian rouble  
Other currencies

31.12.2018	31.12.2017
353	1 040
321	492
10	33
7	104
10	11
<b>701</b>	<b>1 680</b>



## 6. TRADE AND OTHER RECEIVABLES

### in EUR thousand

Trade receivables
Other receivables
Prepayments for taxes
Prepayments to suppliers
<b>Total receivables and prepayments</b>
Less non-current portion:
Prepayments for non-current assets
Other receivables
<b>Total non-current portion</b>
<b>Current portion</b>

31.12.2018	31.12.2017
452	615
915	658
3 167	2 990
380	418
<b>4 914</b>	<b>4 681</b>
-39	-39
-104	-10
<b>143</b>	<b>49</b>
<b>4 771</b>	<b>4 632</b>

The fair values of trade and other receivables are not materially different from the carrying values based on the expected discounted cash flows. All non-current receivables are due within more than one year from the balance sheet date. Non-current prepayments will realize in non-current assets, like property, plant, and equipment. As

of December 31, 2018 VAT receivable in amount of EUR 104 thousand is presented in non-current portion of total trade and other receivables. Current VAT receivable in amount of EUR 162 thousand was refunded after balance sheet date. For a breakdown of trade and other receivables by category please refer to Note 7.

The ageing of trade receivables is as follows:

### in EUR thousand

including receivables not due
including receivables overdue up to 3 months
including receivables overdue up 3 to 6 months
including receivables overdue over 6 months

31.12.2018	31.12.2017
433	575
10	1
1	-
8	39

The ageing of other receivables is as follows:

### in EUR thousand

including receivables not due
including receivables overdue up to 3 months
including receivables overdue over 6 months

31.12.2018	31.12.2017
377	658
0	-
538	-

Overdue trade receivables are not considered impaired based on the individual assessment of each significant receivable.

The credit quality of trade receivables that are not overdue can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### in EUR thousand

Group 1
Group 2
Group 3
<b>Total unimpaired trade receivable</b>

31.12.2018	31.12.2017
17	327
415	209
1	39
<b>433</b>	<b>575</b>

Group 1 – new customers/related parties (less than 6 months).  
 Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.  
 Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.



As at December 31, 2018, Other receivables not due are from counterparties with no or some defaults in the past (no or some defaults in the past in as at December 31, 2017).

Impairment losses in amount EUR 100 thousand and EUR 8 thousand relating to other receivables and prepayments correspondingly were

recognized in 2018. In 2018, the Group wrote off prepayments in the amount of EUR 12 thousand, taxes receivable in amount EUR 64 thousand and other receivable in amount EUR 8 thousand (2017: prepayments (including prepayment for fertilizers) in amount of EUR 1 389 thousand) (Note 24).

**in EUR thousand**

**At January 1**

Provision for receivables impairment  
Receivables written off during the year as uncollectible  
Currency translation differences

**At December 31**

2018	2017
-	-1
-108	-
-	1
-	-
<b>108</b>	<b>-</b>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

**in EUR thousand**

US dollar  
Russian rouble  
Ukrainian hryvna  
Euro

31.12.2018	31.12.2017
835	35
101	169
429	911
2	158
<b>1 367</b>	<b>1 273</b>

The maximum exposure to credit risk arising from trade and other receivables at the reporting date is the carrying amount of each class of

receivable mentioned above. The Group does not hold any collateral as security for the trade receivable

## 7. FINANCIAL INSTRUMENTS BY CATEGORY

**In EUR thousand**

**Assets as per balance sheet**

Cash and cash equivalents (Note 5)  
Trade and other receivables excluding prepayments (Note 6)

31.12.2018	31.12.2017
Loans and receivables	Loans and receivables
701	1 680
1 367	1 273
<b>2 068</b>	<b>2 953</b>

**Liabilities as per balance sheet**

Trade and other payables excluding social security, other taxes and prepayments from clients (Note 13)  
Borrowings excluding finance lease liabilities (Note 14)  
Finance lease liabilities (Note 14)

31.12.2018	31.12.2017
Financial liabilities at amortised cost	Financial liabilities at amortised cost
2 025	1 180
9 061	10 121
2 275	2 037
<b>13 361</b>	<b>13 338</b>

Prepayments are excluded as this analysis is required only for financial assets.



## 8. INVENTORIES

### Inventory breakdown, EUR thousand

Grain for sale  
Raw materials, supplies  
Fieldworks in process

#### Total

#### Incl. own produced inventory

31.12.2018	31.12.2017
8 802	6 785
2 251	3 912
1 229	759
<b>12 282</b>	<b>11 456</b>
<b>10 072</b>	<b>7 832</b>

Grain for sale as at December 31, 2018, includes grain from third parties in the amount of EUR 3 thousand (EUR 259 thousand as at December 31, 2017). Raw materials, supplies include materials and supplies purchased from third parties in the amount of EUR 1 918 thousand as at December 31, 2018 (EUR 3 365 thousand as at December 31, 2017).

### in EUR thousand

#### At 1 January

Changes in balances of finished product stocks:  
- Agricultural production recognised at the fair value (Note 9)  
- Dairy production recognised at the fair value  
- Capitalization of costs to fieldworks in process  
- Reclassification from fieldworks in process to biological assets at the moment of seeding  
- Cost of own production on realization to third parties  
- Inventory revaluation  
For internal use\*

Currency translation differences

#### At 31 December

2018	2017
<b>7 832</b>	<b>6 010</b>
3 483	4 277
23 450	23 878
2 951	3 483
1 515	1 158
-1 086	-796
-22 774	-23 911
-573	465
-1 668	-1 100
425	-1 355
<b>10 072</b>	<b>7 832</b>

\*Own produced inventory for internal use includes seeds, fertilizer and animal feed, which are presented in the Income statement on the line Raw materials and consumables used for production purposes (Note 20).

Inventories that are measured at fair value are categorized under Level 2 in the fair value hierarchy, as defined by IFRS 13.

Grain for sale is revalued by the Group on each balance sheet date using contracted and market prices. Market prices were retrieved from APK-Inform as at the end of January for both years as the year-end prices do not reflect the real market situation due to the long holiday season in Ukraine and therefore the very low volume of trades. The Group uses market prices from the moment when trading volumes are restored and the market becomes active. The judgment as to whether a market is active includes the consideration of the availability of prices for

different grains, and the volatility of prices over a period – the prices tend to be less volatile the more frequent the trading activity becomes. Own produced inventories are measured at net realizable value. In determining the NRV (net realizable value), the Group also considers existing sales agreements at balance sheet date, and actual sales transactions by the Group shortly after the balance sheet date.

As at December 31, 2018, inventories in the amount of EUR 1 308 thousand were pledged at a carrying value for the benefit of the bank (2017: EUR 294 thousand).



**Breakdown of the grain for sale, agricultural produce inventory, 31.12.2018**

Wheat  
Barley  
Sunflower  
Corn  
Rapeseed  
Soya  
Other  
**Total**

Grain for sale, agricultural produce, EUR thousand	Tonnes	Average price used, EUR/t
1 243	7 769	160
10	59	170
6 128	23 322	263
37	317	117
54	164	329
1 177	4 571	257
153	1 131	135
<b>8 802</b>	<b>37 333</b>	<b>236</b>

**Breakdown of the grain for sale, agricultural produce inventory, 31.12.2017**

Wheat  
Barley  
Sunflower  
Corn  
Rapeseed  
Soya  
Other  
**Total**

Grain for sale, agricultural produce, EUR thousand	Tonnes	Average price used, EUR/t
1 309	9 911	132
1	7	132
3 684	12 875	286
572	4 782	120
23	73	318
894	2 964	302
302	1 878	161
<b>6 785</b>	<b>32 490</b>	<b>209</b>

## 9. BIOLOGICAL ASSETS

in EUR thousand

**Carrying amount at 31.12.2017**

Non-current biological assets  
Current biological assets

**2018**

Gain/loss of biological assets arising from changes in fair value less cost to sell:

- **Increases due to new plantations/birth**
- **Harvest (Note 8)**
- **Decreases due to written-off biol.assets**
- **Other changes in fair value**

Currency translation differences

**Carrying amount at 31.12.2018**

Non-current biological assets  
Current biological assets

Plant cultivation	Animal husbandry	Total
<b>2 239</b>	<b>2 345</b>	<b>4 584</b>
102	2 345	2 447
2 137	-	2 137
-147	163	16
<b>23 467</b>	<b>178</b>	<b>23 645</b>
<b>-23 450</b>	<b>-</b>	<b>-23 450</b>
<b>-164</b>	<b>-373</b>	<b>-537</b>
	<b>358</b>	<b>358</b>
100	-316	-216
<b>2 192</b>	<b>2 192</b>	<b>4 384</b>
75	2 192	2 267
2 117	-	2 117





in EUR thousand

**Carrying amount at 31.12.2016**

Non-current biological assets

Current biological assets

**2017**

Decrease due to sales

Gain/loss of biological assets arising from changes in fair value less cost to sell:

**- Increases due to new plantations/birth****- Harvest (Note 8)****- Decreases due to written-off biol.assets****- Other changes in fair value**

Currency translation differences

**Carrying amount at 31.12.2017**

Non-current biological assets

Current biological assets

Plant cultivation	Animal husbandry	Total
<b>2 027</b>	<b>1 881</b>	<b>3 908</b>
113	1 881	1 994
1 914	-	1 914
-	-1	-1
565	634	1 199
<b>24 465</b>	<b>182</b>	<b>24 647</b>
<b>-23 878</b>	<b>-</b>	<b>-23 878</b>
<b>-22</b>	<b>-331</b>	<b>-353</b>
<b>0</b>	<b>783</b>	<b>783</b>
-353	-169	-522
<b>2 239</b>	<b>2 345</b>	<b>4 584</b>
102	2 345	2 447
2 137	-	2 137

Animals, pcs	Winter crops, hectares
2 277	20 457
2 026	27 112

Physical quantities at 31.12.2018

Physical quantities at 31.12.2017

As at the balance sheet date, Current biological assets in plant cultivation include winter crops seeded for the next harvest. The fair value of these crops is measured at cost, which is used as an approximation of fair value as little biological transformation has taken place. Non-current biological assets in plant cultivation include grasslands, which are used for harvesting animal feed. Non-current assets in animal husbandry include dairy herd, both mature and immature. Animal husbandry is measured at fair value less cost to sell.

The gain arising from changes in fair value includes changes in both physical quantities due to the growth of plants/animals and changes in market prices of the biological assets.

The fair value of the livestock is based on the valuation from the independent valuator. The valuator used the market prices of livestock of similar age, breed and genetic merit based on the relevant market, taking into account transaction prices on the most advantageous market, and the market situation in the dairy

sector. The fair value measurements are categorized under Level 2 in the fair value hierarchy, as defined by IFRS 13. In 2018, the loss from revaluing 2 277 animals was recorded at EUR 34 thousand in the Income Statement (in 2017 the gain from revaluing 2 026 animals in amount EUR 783 thousand in the Income Statement). In total, the fair value of the herd (2 277 animals), as of December 31, 2018, stood at EUR 2 192 thousand (EUR 2 345 thousand as at December 31, 2017).

As at December 31, 2018, biological assets in Ukraine were pledged at a value of EUR 1 188 thousand (2017: EUR 839 thousand) for the benefit of the bank.

In the year 2018 harvest of cereals was at the level of 123 955 brutto tonnes or 120 532 net tonnes (2017: 136 998 brutto tonnes or 131 861 net tonnes). Milk production for the year 2018 was 8 824 tonnes (8 668 tonnes for the year 2017).



## 10. INTANGIBLE ASSETS

in EUR thousand

### 31.12.2017

Cost

Accumulated depreciation

**Net book amount**

### 2018

Additions

Amortization charge

Currency translation differences

**Closing net book amount**

### 31.12.2018

Cost

Accumulated depreciation

**Net book amount**

Software	Other intangible assets	Total
80	0	80
-72	0	-72
<b>8</b>	<b>0</b>	<b>8</b>
0	752	752
-7	-4	-11
2	10	12
<b>3</b>	<b>758</b>	<b>761</b>
85	762	847
-82	-4	-86
<b>3</b>	<b>758</b>	<b>761</b>

Other intangible assets as of December 31, 2018 are presented by land-usage rights under emphyteusis agreements. In 2018 the Group

concluded emphyteusis contracts for 1 146.81 hectares of land.

## 11. PROPERTY, PLANT AND EQUIPMENT

The Group's acquisitions of property, plant and equipment during 2018 stood at EUR 2 502 thousand (EUR 4 710 thousand in 2017).

The total amount of owned land as of December 31, 2018, stood at 3.5 thousand hectares (2017: 14 thousand hectares out of which 10 thousand hectares were classified as land held for sale).

Land in Milk production segment used for production was revalued to fair value based on fair value assessments performed by independent valuers. The valuers used market approach. A revaluation loss in respect of the land was recognized in the Income

Statement amounting to EUR 148 thousand in 2018 (loss of EUR 56 thousand in 2017).

In Ukraine, the Group has a total of 568 hectares of land in ownership at a carrying value at EUR 340 thousand (2017: 483 hectares at a carrying value 347 thousand). The land was revalued using the market approach and revaluation loss in the amount of EUR 85 thousand recorded through Other Comprehensive Income (2017: revaluation gain in amount EUR 283 thousand) (Note 18).

The disposals in 2018 mostly comprise of the net assets of the disposed part of the non-core elevator business.

in EUR thousand	Land	Buildings	Vehicles & machinery	Furniture, fittings & equipment	Construction in process	Total
<b>31.12.2017</b>						
Cost	1 176	10 369	18 502	900	1 028	31 975
Accumulated depreciation	-	-3 350	-12 905	-780	-	-17 035
<b>Net book amount</b>	<b>1 176</b>	<b>7 019</b>	<b>5 597</b>	<b>120</b>	<b>1 028</b>	<b>14 940</b>
<b>2018</b>						
Additions	59	17	2 310	134	-18	2 502
Revaluation through Other Comprehensive Income	-85	-	-	-	-	-85
Revaluation through Income statement	-148	-	-	-	-	-148
Disposals	0	-2 162	-12	-17	-	-2 191
Reclassification balance sheet items/between groups	-	-2	-	2	-1	-1
Depreciation charge	-	-281	-1 214	-39	-	-1 534
Impairment	-	-660	-132	-	-5	-797
Currency translation differences	-9	-314	188	6	52	-77
<b>Closing net book amount</b>	<b>993</b>	<b>3 617</b>	<b>6 737</b>	<b>206</b>	<b>1 056</b>	<b>12 609</b>
<b>31.12.2018</b>						
Cost	993	6 594	20 720	981	1 056	30 344
Accumulated depreciation	-	-2 977	-13 983	-775	-	-17 735
<b>Net book amount</b>	<b>993</b>	<b>3 617</b>	<b>6 737</b>	<b>206</b>	<b>1 056</b>	<b>12 609</b>

in EUR thousand	Land	Buildings	Vehicles & machinery	Furniture, fittings & equipment	Construction in process	Total
<b>31.12.2016</b>						
Cost	913	11 640	15 359	836	1 420	30 168
Accumulated depreciation	-	-3 106	-12 506	-761	-	-16 373
<b>Net book amount</b>	<b>913</b>	<b>8 534</b>	<b>2 853</b>	<b>75</b>	<b>1 420</b>	<b>13 795</b>
<b>2017</b>						
Additions	67	44	4 146	101	352	4 710
Revaluation through Other Comprehensive Income	283	-	-	-	-	283
Revaluation through Income statement	-56	-	-	-	-	-56
Disposals	-	-261	-129	-2	-43	-435
Reclassification balance sheet items/between groups	-	35	474	-	-509	-
Depreciation charge	-	-422	-1 028	-40	-	-1 490
Currency translation differences	-31	-911	-719	-14	-192	-1 867
<b>Closing net book amount</b>	<b>1 176</b>	<b>7 019</b>	<b>5 597</b>	<b>120</b>	<b>1 028</b>	<b>14 940</b>
<b>31.12.2017</b>						
Cost	1 176	10 369	18 502	900	1 028	31 975
Accumulated depreciation	-	-3 350	-12 905	-780	-	-17 035
<b>Net book amount</b>	<b>1 176</b>	<b>7 019</b>	<b>5 597</b>	<b>120</b>	<b>1 028</b>	<b>14 940</b>



No impairment indicators were identified for property, plant and equipment in Ukraine as of December 31, 2018 (no impairment test was necessary for 2017 for the assets in Ukraine).

For the assets in milk production in Russia impairment test was carried out in 2018. The value-in-use method was applied to determine the recoverable values of non-current assets. Cash flows were projected, including revenues, operating expenses, investment requirements and working capital needs. The Group applied 4% long-term growth rate. The discount rate applied was 14.8%. In 2018 impairment losses for property, plant and equipment were recognised in Income Statement for EUR 796 thousand. In 2017, the test demonstrated that the segment's assets value in use was higher than the carrying amount of these assets.

The change in total property, plant and equipment carrying value was also influenced

by the change in the exchange rate of Russian rouble and Ukrainian hryvna. Ukrainian hryvna in 2018 decreased its value in relation to the euro by 7% (decreased in 2017 by 6%). Russian rouble in 2018 decreased in relation to the euro by 12% (increased in 2016 by 11%). Please see Note 3.1 for further information.

Land in Russian Milk production was not mortgaged in 2018 and 2017. Machinery in Russia were pledged at a carrying value of EUR 83 thousand (2017: EUR 281 thousand). Buildings, machinery and equipment in Ukraine were pledged at a carrying value of EUR 1 152 thousand (2017: EUR 3 675 thousand).

The net book value of assets leased under finance lease (vehicles and machinery) as at December 31, 2018, stood at EUR 4 009 thousand (as at December 31, 2017, EUR 3 196 thousand).

## 11.1 FAIR VALUE OF LAND

The fair value of freehold land as at December 31, 2018, is EUR 993 thousand (EUR 1 176 thousand as at December 31, 2017). Had the assets been carried under the cost model, the balance as at December 31, 2018, would have been EUR 837 thousand (EUR 946 thousand as at December 31, 2017). In 2018, revaluation loss through Income Statement stood at 148 thousand and revaluation loss through Other Comprehensive Income amounted to EUR 85 thousand. In 2017, a revaluation loss of land shown in the Income Statement amounted to EUR 56 thousand, a revaluation gain in the amount of EUR 283 thousand was recorded through Other Comprehensive Income.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The valuation as at December 31, 2018, was performed by Company "Price Consulting" LLC for the land in Russian Dairy cluster (2017: Pskovskaja Fondovaja Kompania). The land in Ukraine was revalued using the market approach

### RUSSIAN MILK PRODUCTION SEGMENT

#### **Gdov (land carried using the revaluation method as at December 31, 2018)**

#### **Information about fair value measurements using significant unobservable inputs (Level 3)**

	<b>Fair value at 31.12.2018 (EUR thousand)</b>	<b>Unobservable inputs</b>	<b>Range</b>	<b>Weighted average</b>
Agricultural land				
Sales comparison approach				
<b>Russian dairy cluster</b>	653	Rate per hectare (EUR)	204-254	221
		Adjustments applied to comparison data:		
		Size adjustment	-0%-20%	
		Location adjustment	0%	
		Bargaining discount	-10%	

**Gdov (land carried using the revaluation method as at December 31, 2017)**

**Information about fair value measurements using significant unobservable inputs (Level 3)**

	Fair value at 31.12.2017 (EUR thousand)	Unobservable inputs	Range	Weighted average
Agricultural land				
Sales comparison approach				
<b>Russian dairy cluster</b>	829	Rate per hectare (EUR)	230-346	288
		Adjustments applied to comparison data:		
		Size adjustment	0%	
		Location adjustment	0%	
		Bargaining discount	-20%	

**UKRAINE SEGMENT**

**Ukraine (land carried using the revaluation method as at December 31, 2018)**

**Information about fair value measurements using significant unobservable inputs (Level 3)**

	Fair value at 31.12.2018 (EUR thousand)	Unobservable inputs	Rate per hectare (EUR)
Agricultural land			
Market approach			
<b>Ukraine cluster</b>	340	Rate per hectare (EUR)	599

**Ukraine (land carried using the revaluation method as at December 31, 2017)**

**Information about fair value measurements using significant unobservable inputs (Level 3)**

	Fair value at 31.12.2017 (EUR thousand)	Unobservable inputs	Rate per hectare (EUR)
Agricultural land			
Income approach			
<b>Ukraine cluster</b>	347	Rate per hectare (EUR)	718
		Fair value calculation inputs:	
		Land usage right initial payment	500
		Annual land rent	61
		Discount rate	22%
		Terminal growth	2%

Sales comparison approach was applied for the land in Russia. It is a valuation methodology whereby the subject property is compared to recently sold or to sales quotes of properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.

Unobservable inputs within the sales comparison approach:

Size adjustment – the valuer’s assessment of the price differential between the valued property and compared property attributable to their size difference.

Location adjustment – the valuer’s assessment of the price differential between the valued property and compared property attributable to differences in their location.

Bargaining discount – the valuer’s assessment of the average price discount generally obtained compared to quoted asking prices of property.

Relationship of unobservable inputs to fair value: The fair value measurements listed above are all sensitive to a significant increase (decrease) in the unobservable inputs. The higher the rate per hectare, the higher the fair value. If the value per hectare had been 10% higher/lower, the fair value as at December 31, 2018, would have been EUR 67 thousand higher/lower (EUR 118 thousand as at December 31, 2017). If a bargaining discount of 20% were used for Gdov instead of 10% then the fair value would have been EUR 74 thousand lower.

## 12. PREPAID LAND RENTS AND LAND USAGE RIGHTS

The Group's land in Ukraine is used mainly based on lease agreements. There were 43.6 thousand hectares of land under medium to long-term lease agreements as of December 31, 2018 (as of December 31, 2017: 43 thousand hectares). The Group has made

prepayments or has recognised land usage rights in business combinations to get access to that land. These prepayments and land usage rights are amortised during the period of the lease (Note 24).

### in EUR thousand

#### Balance at the beginning of the period

Additional prepayments made  
Amortization recognised  
Unrealised exchange rate differences  
**Balance at the end of the period**

31.12.2018	31.12.2017
<b>816</b>	<b>1 045</b>
-	-
-387	-125
28	-104
<b>457</b>	<b>816</b>

## 13. TRADE AND OTHER PAYABLES

### in EUR thousand

Trade payables  
Prepayments from clients  
Social security and other taxes  
Accrued expenses  
Amounts due to related parties (Note 32)  
Other payables

Less: non-current portion

31.12.2018	31.12.2017
290	333
9	484
618	675
1 346	928
22	22
806	363
<b>3 091</b>	<b>2 805</b>
-23	-29
<b>3 068</b>	<b>2 776</b>

Fair values of trade and other payables are not materially different from book values due to short maturities.

The carrying amounts of the Group's financial liabilities (trade and other payables, excluding prepayments, tax liabilities and payables to employees) are denominated in the following currencies:

### in EUR thousand

US dollar  
Russian rouble  
Ukrainian hryvna  
Euro

31.12.2018	31.12.2017
4	8
221	214
856	286
944	672
<b>2 025</b>	<b>1 180</b>



## 14. BORROWINGS

The total borrowings of the Group as at December 31, 2018, amounted to EUR 11,336 thousand (EUR 12,158 thousand as at December 31, 2017).

Details of the borrowings' currencies, interest rates, and maturities are shown in the included tables. Total finance costs in 2018 amounted to EUR 964 thousand (EUR 1 212 thousand in 2017) (Note 25).

The Group has transferred its trade receivables (current and future) for milk sales to the factor.

The Group retains credit risk related to trade receivables thus the arrangement is accounted for as borrowing that is secured by the trade receivable. The amount of this factoring as at December 31, 2018, stood at EUR 36 thousand including the accrued interest (2017: EUR 619 thousand). The amount of the trade receivable related to the borrowing as at December 31, 2018, is EUR 12 thousand (2017: EUR 26 thousand). In February 2019 borrowings under factoring agreement were fully settled.

### in EUR thousand

Current

Bank borrowings

Finance lease payables

Non-current

Finance lease payables

### Total borrowings

31.12.2018	31.12.2017
9 061	10 121
1 289	897
<b>10 350</b>	<b>11 018</b>
986	1 140
<b>986</b>	<b>1 140</b>
<b>11 336</b>	<b>12 158</b>

### 31.12.2018, in EUR thousand

RUB-nominated

RUB-nominated

USD-nominated

USD-nominated

UAH-nominated

Less: non-current portion

Less accrued interest

Current portion excl accrued interest

31.12.2018	Maturity	Interest rate
258	2019-2021	5%-25.8%
36	2019	15.5%
5 946	2019-2020	5.1%-7%
3 088	2019	1mLIBOR+3,5%
2 008	2020-2023	1mLIBOR + 4,4%-9,4%
<b>11 336</b>		
986		
<b>10 350</b>		
-50		
<b>10 300</b>		

### 31.12.2017, in EUR thousand

RUB-nominated

RUB-nominated

USD-nominated

USD-nominated

UAH-nominated

Less: non-current portion

Less accrued interest

Current portion excl accrued interest

31.12.2017	Maturity	Interest rate
304	2018-2021	5%-26.9%
619	2018	CBR base rate+3%
7 086	2018-2020	5.1%-6.5%
2 492	2018	LIBOR+5.05%
1 657	2020	LIBOR+ 3.9%-14.8%
<b>12 158</b>		
1 140		
<b>11 018</b>		
-66		
<b>10 952</b>		



Floating rate:

- Expiring within one year
- Expiring beyond one year

Fixed rate:

- Expiring within one year
- Expiring beyond one year

31.12.2018		31.12.2017	
Bank borrowings	Finance lease payables	Bank borrowings	Finance lease payables
3 124	1 134	3 111	761
-	875	-	896
5 937	155	7 010	136
-	111	-	244
<b>9 061</b>	<b>2 275</b>	<b>10 121</b>	<b>2 037</b>

in EUR thousand

US dollar  
Russian rouble  
Ukrainian hryvna

31.12.2018		31.12.2017	
Bank borrowings	Finance lease payables	Bank borrowings	Finance lease payables
8 874	159	9 318	260
187	107	803	120
-	2 009	-	1 657
<b>9 061</b>	<b>2 275</b>	<b>10 121</b>	<b>2 037</b>

in EUR thousand

Net debt as at 31 December 2017\*

Cash flows  
Acquisition of finance leases  
Foreign exchange adjustments  
Other non-cash movements\*\*

Net debt as at 31 December 2018\*

Cash	Finance leases due within 1 year	Finance leases due after 1 year	Borrow. due within 1 year	Borrow. due after 1 year	Total
<b>1 680</b>	<b>-896</b>	<b>-1 140</b>	<b>-10 055</b>	-	<b>-10 411</b>
-1 000	1 505	-	509	-	1 014
-	-880	-1 038	-	-	-1 918
21	-39	-44	-167	-	-229
-	-979	1 236	701	-	958
<b>701</b>	<b>-1 289</b>	<b>-986</b>	<b>-9 012</b>	-	<b>-10 586</b>

\* Net debt reconciliation is shown excluding the interest liability

in EUR thousand

Net debt as at 31 December 2016\*

Cash flows  
Acquisition of finance leases  
Foreign exchange adjustments  
Other non-cash movements\*\*

Net debt as at 31 December 2017\*

Cash	Finance leases due within 1 year	Finance leases due after 1 year	Borrow. due within 1 year	Borrow. due after 1 year	Total
<b>3 646</b>	<b>-18</b>	<b>-10</b>	<b>-9 964</b>	-	<b>-6 346</b>
-1 562	2 267	-	-2 424	-	-1 719
-	-3 188	-1 264	-	-	-4 452
-404	101	124	1 434	-	1 255
-	-59	10	899	-	850
<b>1 680</b>	<b>-897</b>	<b>-1 140</b>	<b>-10 055</b>	-	<b>-10 412</b>

\* Net debt reconciliation is shown excluding the interest liability

\*\* Most of the amount is related to the factoring



**Total future minimum payments  
in EUR thousand**

up to 12 months

1-5 years

Future interests

Present value of the lease

<b>31.12.2018</b>	<b>31.12.2017</b>
1 515	1 090
1 173	1 312
<b>2 688</b>	<b>2 402</b>
414	365
2 274	2 037

All the loan and lease arrangements have been concluded under regular terms in the respective country. Lease agreements are related to the purchase of buildings, machinery and equipment in the Group's production clusters of Ukraine and Russia. All these leases are classified as finance lease because the ownership of leased assets passes to the Group at the end of lease term. The Group has an operating lease of land, office premises, and

machinery in several locations (for further details on operating lease payments please refer to Note 22). The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant or market rates are not significantly different from actual borrowing rates. The borrowings are classified as Level 3 under the fair value hierarchy, as defined by IFRS 13.

## 15. INCOME TAX

**in EUR thousand**

Current tax:

Current tax on profits for the year

Adjustments in respect of prior years

**Total current tax**

Deferred tax (Note 16):

Impact of change in tax rate (Ukraine)

**Total deferred tax****Income tax expense**

<b>2018</b>	<b>2017</b>
12	108
19	2
<b>31</b>	<b>110</b>
-13	-35
<b>-13</b>	<b>-35</b>
<b>18</b>	<b>75</b>

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

**in EUR thousand****Profit/loss before tax**

Loss before tax from entities not subject to Income tax by statutory legislation

**Profit/loss before tax from entities subject to income tax**

Tax calculated at domestic tax rates applicable to profits in the respective countries

Tax effects of:

Income not subject to tax

Expenses not deductible for tax purposes

Utilisation of previously unrecognised tax losses

Tax losses for which no deferred income tax asset was recognised

Adjustments in respect of prior years

**Tax charge**

<b>2018</b>	<b>2017</b>
<b>-10 331</b>	<b>3 555</b>
11 390	7 862
<b>-21 721</b>	<b>-4 307</b>
-3 997	-6 296
-	-
-366	-11 205
4 229	17 599
-2	-288
135	263
19	2
<b>18</b>	<b>75</b>



The Group does not have material deferred tax assets or liabilities in companies, which are active in agricultural production. This is due to the following reasons:

1) The Group companies in Estonia are subject to income tax only when the profits are distributed. No corporate income tax is imposed on earnings; therefore, there are no temporary differences between the tax and accounting bases of assets and liabilities.

2) All of the Group companies in Ukraine that are producing agricultural produce are not subject to income tax but to the unified agricultural tax. The agricultural tax is based on

hectares of arable land the company uses, not on its earnings and therefore no deferred tax arises. All other companies in Ukraine (companies that are related to sales and trading and storage elevators) are under regular tax regime and subject to income tax.

3) The Group companies in Russia, except for sub-holding companies, are subjects of the agricultural tax and not income tax. Agricultural tax regime means that the agricultural producer pays tax only from non-agricultural profits. Major income not subject to tax relates to currency translation differences. Major expenses not deductible for tax purposes related to interests on intra-group borrowings.

## 16. DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

### in EUR thousand

#### Deferred tax assets:

- Deferred tax assets to be recovered after more than 12 months
- Deferred tax asset to be recovered within 12 months

#### Deferred tax liabilities:

- Deferred tax liability to be recovered after more than 12 months
- Deferred tax liability to be recovered within 12 months

### Deferred tax liabilities (net)

2018	2017
-	-
-	-
-	-
187	605
-	-
<b>187</b>	<b>605</b>
<b>187</b>	<b>605</b>

The gross movement on the deferred income tax account is as follows:

### in EUR thousand

#### At 1 January

#### Currency translation differences

#### Income statement charge related to change in deferred tax assets/ liability (Note 15)

#### Tax charge /(credit) relating to components of other comprehensive income

#### At 31 December

2018	2017
605	750
28	-110
-446	-35
-	-
<b>187</b>	<b>605</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of EUR 135 thousand (EUR 263 thousand in 2017) in respect of losses amounting to EUR 685 thousand (EUR 1 485 thousand in 2017) that can be carried forward against future taxable

The movement in deferred income tax assets and liabilities during the year is as follows:

income. The accumulated amount of tax losses where tax asset was not recognized as at 31.12.2018 was 28 747 EUR thousand (2017: EUR 29 119 thousand) that can be carried forward against future taxable income. Losses amounting to EUR 28 737 thousand (EUR 28 963 thousand 2017) have unlimited usage, rest of losses will expire during 4 to 10 years.

**Deferred tax liabilities****At 31 December 2016**

Charged/(credited) to the income statement

Currency translation differences

**At 31 December 2017**

Charged/(credited) to the income statement

Currency translation differences

**At 31 December 2018**

Accelerated tax depreciation	Other	Total
<b>722</b>	<b>28</b>	<b>750</b>
-35	-	-35
-110	-	-110
<b>577</b>	<b>28</b>	<b>605</b>
-446	0	-446
28	0	28
<b>159</b>	<b>28</b>	<b>187</b>

**Deferred tax assets****At 31 December 2016**

Charged/(credited) to the income statement

Currency translation differences

**At 31 December 2017**

Charged/(credited) to the income statement

Currency translation differences

**At 31 December 2018**

Other	Total
-	-
-	-
-	-
-	-
-	-
-	-

## 17. SHARE CAPITAL

in EUR thousand	Number of shares	Incl. ordinary shares	Share capital	Share premium	Total
<b>31.12.2016</b>	<b>1 728 357 479</b>	<b>1 728 357 479</b>	<b>17 284</b>	<b>120 013</b>	<b>137 297</b>
<b>Issuance of share capital</b>	13 773 821	13 773 821	137	138	275
<b>Purchase of treasury shares</b>	-4 221	-4 221	-	-	-
<b>Reverse share split</b>	-1 724 709 987	-1 724 709 987	-	-	-
<b>31.12.2017</b>	<b>17 421 313</b>	<b>17 421 313</b>	<b>17 421</b>	<b>120 151</b>	<b>137 572</b>
<b>31.12.2018</b>	<b>17 421 313</b>	<b>17 421 313</b>	<b>17 421</b>	<b>120 151</b>	<b>137 572</b>
<b>Including treasury shares</b>	42	42	-	-	-

As at December 31, 2018, the total number of issued shares was 17,421,313 including 42 treasury shares with a par value of 1 EUR per share. All shares have been fully paid. The shares of Agromino A/S are listed on the main market of Small Cap segment on NASDAQ Stockholm.

In 2017, the share capital increased firstly, by the issuance of 13,773,792 shares each of nominal value EUR 0.01 due to warrants being exercised and secondly, by issuing 29 new shares (par value of 0.01 per share) to J. Bertorp.

In May 2017, the reverse share split took place by the consolidation of 100 shares of a nominal value of EUR 0.01 each into one share of a nominal value of EUR 1.00 each. Agromino A/S had to redeem the 4,221 Remaining Fractional Shares at a price EUR 0.02 per 1 share with a nominal value EUR 0.01 each, following the reverse share split the number of treasury shares stood at 42 shares of a nominal value of EUR 1.00 each.

The total number of issued shares as of December 31, 2017 amounted to 17,421,313 shares of nominal value EUR 1 each, including 42 treasury shares.

**Warrants**

On November 30, 2016, Agromino A/S issued 209,398,236 warrants, out of which 199,563,420 (95.30%) warrants were subscribed by the end of subscription period (December 30, 2016). As per the warrants' terms, the warrants were exercisable during two predefined periods, first of which started on February 1, 2017, and ended February 28, 2017, and the second period which was scheduled between January 1, 2020, and January 31, 2020. Aside from that the warrants were exercisable during the extraordinary exercise period in connection with extraordinary events as defined in the warrants' terms. During the exercise periods, the warrant holders could subscribe for shares in Agromino A/S. From January 31, 2017, the warrants have



been admitted to trading on NASDAQ FIRST NORTH.

The first period for the exercise of warrants commenced on February 1, 2017, and ended on February 28, 2017, allowing warrant holder to subscribe for one new share at a price of EUR 0.02 per share. During the first period, 6.9% of the warrants were exercised for a total cash consideration of EUR 275 thousand and Agromino A/S issued 13,773,792 new shares

each of nominal value EUR 0.01. In total, the share capital increased by EUR 137 thousand and share premium was recorded in the amount of EUR 138 thousand.

As a consequence of the share consolidation in May 2017, the terms of the warrants were amended to the effect that a warrant holder will be required to hold 100 warrants to subscribe for one (1) share of nominal value EUR 1.00 to reflect the 100:1 reverse share split.

## 18. OTHER RESERVES

in EUR thousand	Revaluation of land*	Translation differences	Total
<b>31.12.2016</b>	-	<b>-45 936</b>	<b>-45 936</b>
Currency translation differences	-	-3 260	-3 260
Revaluation of land (Note 11)	283	-	283
<b>31.12.2017</b>	<b>283</b>	<b>-49 196</b>	<b>-48 913</b>
Currency translation differences	-	12	12
Currency translation difference recycled from Other Comprehensive Income to Income Statement in relation to disposal of subsidiary		9 981	9 981
Revaluation of land (Note 11)	-85	-	-85
<b>31.12.2018</b>	<b>198</b>	<b>-39 203</b>	<b>-39 005</b>

As at December 31, 2018, land reserve amounts to EUR 198 thousand (December 31, 2017: EUR 283 thousand) included in Other reserves attributable to the holders of the parent.

## 19. REVENUE AND OTHER INCOME

in EUR thousand	2018	2017
Sales of cereals	21 727	25 868
Sales of milk	2 799	3 321
Revenue from elevator services	552	1 315
Other revenue	209	515
<b>TOTAL revenue</b>	<b>25 287</b>	<b>31 019</b>
Subsidies	194	132
Other income	77	475
<b>Total other income</b>	<b>271</b>	<b>607</b>

Government grants recognized as income include subsidies for both plant cultivation and animal husbandry. Government grants have been received within the framework of the Russian government. Revenues of EUR 5 419 thousand (2017: EUR 7 089 thousand) are derived from one external customer, revenues of EUR 5 405 thousand (2017: EUR 5 577

thousand) are derived from the second external customer and revenues of EUR 2 393 thousand (2017: 3 036 thousand) are derived from the third external customer. Revenue from the first two customers is attributable to the Ukraine segment and revenue from the third customer is attributable to the Milk production segment.





## 20. RAW MATERIALS AND CONSUMABLES USED FOR PRODUCTION PURPOSES

### in EUR thousand

Seeds, fertilizers, chemicals  
Animal feed  
Repairs  
Fuel, gas, electricity  
Land tax and land rental  
Other services and materials

2018	2017
6 508	6 326
2 214	1 682
1 701	1 746
2 360	2 021
4 123	3 983
2 719	2 476
<b>19 625</b>	<b>18 234</b>

Increase in raw materials costs in total was at the level of 7,6 %. In the context of

components – all increased despite of costs of repairs.

## 21. EMPLOYEE BENEFITS EXPENSE

### in EUR thousand

Wages and salaries  
Social security costs

2018	2017
4 140	4 085
732	778
<b>4 872</b>	<b>4 863</b>

The average number of employees in 2018 stood at 784 (2017: 879). Remuneration to the

Board of Directors and Executive Board is disclosed in Note 32.

## 22. OPERATING LEASE PAYMENTS

In 2018, operating lease payments amounted to EUR 3 810 thousand (in 2017 EUR 3 682 thousand). Lease expense is included in Raw material and consumables used (Note 20), in Other administrative expenses (Note 23) in the Income statement.

Lease agreements have been concluded under regular terms, there are no renewal or purchase options for the underlying assets.

Calculating future land lease payments in Ukraine include uncertainties as the land rental

cost per hectare is not fixed but depends on a number of variables. For example, the land rental cost is calculated as a certain percentage of the value of the land, land rent might be dependent on the financial results and position of the lessee, land rent should be adjusted with the inflation and depends on other matters regulated in the rental agreements.

The future aggregate estimated operating lease payments under non-cancellable operating lease agreements include mainly land lease agreements and are as follows:

### in EUR thousand

up to 12 months  
1-5 years  
Over 5 years

2018	2017
3 884	3 648
14 961	13 443
39 237	32 845
<b>58 082</b>	<b>49 936</b>



## 23. OTHER ADMINISTRATIVE EXPENSES

### in EUR thousand

Legal and consulting fees  
Office and administration expenses  
Other expenses

2018	2017
814	664
827	1 000
122	143
<b>1 763</b>	<b>1 807</b>

## 24. OTHER (LOSSES)/GAINS-NET

### in EUR thousand

Write down of doubtful receivables and prepayments (Note 6)  
Foreign exchange losses/gains net  
Gain on disposal of a part of non-core elevator business  
Currency translation difference recycled from Other Comprehensive Income to Income Statement in relation to disposal of subsidiary  
Other losses / gains net

2018	2017
-16	-1 389
377	767
288	642
-9 981	-
-1 291	-397
<b>-10 623</b>	<b>-377</b>

In 2018, the Gain on disposal of a part of non-core elevator business was recorded at EUR 288 thousand (2017: EUR 642 thousand).

Impairment losses in amount EUR 100 thousand and EUR 8 thousand relating to other receivables and prepayments correspondingly were recognized in 2018 (2017: no impairment loss). In 2018, the Group wrote off prepayments in the amount of EUR 12 thousand, taxes receivable in amount EUR 64 thousand and other receivable in amount EUR 8 thousand.

The Group wrote off the prepayment for the undelivered fertilizers in 2017 amounting to EUR 1,337 thousand. In 2018 the amount of EUR 175 thousand was recovered. The Company continues process of recovering the prepayment for fertilizer in the Ukrainian courts, although significant uncertainty exists in this respect.

An impairment loss in amount of EUR 797 thousand regarding property, plant and equipment in Milk segment was recognized in 2018 in other losses

## 25. FINANCE INCOME AND FINANCE COST

### in EUR thousand

Interest income  
Gain from debt to equity conversion (Note 17)  
Other finance income

2018	2017
21	22
-	-
-	-
<b>21</b>	<b>22</b>

Interest expense at effective interest rate:

Finance lease liabilities  
Bank borrowings

-355	-160
-609	-934

Bond interests  
Related parties (Note 32)  
Other finance costs

-	-
0	-114
0	-4
<b>-964</b>	<b>-1 212</b>



## 26. PROFIT/LOSS PER SHARE

Basic earnings/loss per share is calculated by dividing the profit attributable to the equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. As at December 31, 2018 and as at

December 31, 2017, the diluted number of shares includes the possible conversion of warrants into shares totaling 1 857 896 new shares (Note 17).

### in EUR thousand

Profit/Loss attributable to equity holders of the parent (EUR thousand)

Weighted average number of ordinary shares outstanding (thousands)

### Basic profit/loss per share (EUR per share)

2018	2017
-10 241	3 450
17 421	17 398
<b>-0.59</b>	<b>0.20</b>

### Earnings per share for profit attributable to the ordinary equity holders of the company: (EUR per share)

Basic earnings per share

Diluted earnings per share

2018	2017
-0.59	0.20
-0.53	0.18

## 27. SEGMENT REPORTING

Primary measures monitored by the Executive Board are a segment's OPEX (which is defined as operating expenses less Depreciation and amortization) and a segment's EBITDA (which is defined as a Total segment revenue, other income and fair value adjustments adjusted with Changes in inventories of agricultural produce and work in process less operating expenses before Depreciation and amortization). OPEX comprises of Raw materials and consumables used for production purposes (Note 20), Other administrative expenses (Note 23) and Employee benefits expense (Note 21).

The management considers two business segments (Ukraine and Milk production). The Group uses the equity method to record the accounts of the Milk production segment in Estonia as the profit/loss on the Income Statement is shown under the line Share of loss/profit of investments accounted for using the equity method. Ukraine segment includes cereals production, storage, and trading

operations, while Milk production segment comprises of dairy business in Russia. In Russia, the Group has a Milk production farm in the St Petersburg region, around 250 kilometres South West of St Petersburg. The facilities, which have a capacity of 1,200 cows, were built in 2008.

The Group's business is seasonal by its nature. The largest increase in fair value of biological assets occurs during the plant growth season from March to September and consequently, the largest gains are recognized in the second quarter. The harvest starts in the last days of June and usually lasts until the end of October but subject to weather conditions can continue also to November. During the harvest time, the prices for the cereals are usually lowest and the Group may use its storage capacities to keep the crops until the price increases.

The income from milk sales has no significant seasonal nature.



**2018, in EUR thousand**

Revenue from external customers

**Total segment revenue**

Subsidies

Other income

Gain/loss of biological assets arising from changes in fair value less cost to sell

**Total revenue, other income and fair value adjustments**

Net changes in inventories of agricultural produce and work in process

Cost of purchased goods

OPEX

Other (losses)/gains - net

**EBITDA**

Depreciation and amortization

Finance income/costs

Share of profit of investments accounted for using the equity method

Profit before income tax

**Additions of Property, plant and equipment**

	Ukraine	Milk production	Total
Revenue from external customers	22 347	2 940	25 287
<b>Total segment revenue</b>	<b>22 347</b>	<b>2 940</b>	<b>25 287</b>
Subsidies	-	194	194
Other income	76	1	77
Gain/loss of biological assets arising from changes in fair value less cost to sell	-132	148	16
<b>Total revenue, other income and fair value adjustments</b>	<b>22 291</b>	<b>3 283</b>	<b>25 574</b>
Net changes in inventories of agricultural produce and work in process	2 381	1 102	3 483
Cost of purchased goods	-575	-	-575
OPEX	-22 214	-4 046	-26 260
Other (losses)/gains - net	-7 983	-2 640	-10 623
<b>EBITDA</b>	<b>-6 100</b>	<b>-2 301</b>	<b>-8 401</b>
Depreciation and amortization			-1 662
Finance income/costs			-1 100
Share of profit of investments accounted for using the equity method		832	832
Profit before income tax			-10 331
<b>Additions of Property, plant and equipment</b>	<b>2 442</b>	<b>60</b>	<b>2 502</b>

**2017, in EUR thousand**

Revenue from external customers

**Total segment revenue**

Subsidies

Other income

Gain/loss of biological assets arising from changes in fair value less cost to sell

**Total revenue, other income and fair value adjustments**

Net changes in inventories of agricultural produce and work in process

Cost of purchased goods

OPEX

Revaluation of land

Other (losses)/gains - net

**EBITDA**

Depreciation and amortization

Finance income/costs

Share of loss of investments accounted for using the equity method

Profit before income tax

**Additions of Property, plant and equipment**

	Ukraine	Milk production	Total
Revenue from external customers	27 544	3 475	31 019
<b>Total segment revenue</b>	<b>27 544</b>	<b>3 475</b>	<b>31 019</b>
Subsidies	-	132	132
Other income	472	3	475
Gain/loss of biological assets arising from changes in fair value less cost to sell	565	634	1 199
<b>Total revenue, other income and fair value adjustments</b>	<b>28 581</b>	<b>4 244</b>	<b>32 825</b>
Net changes in inventories of agricultural produce and work in process	3 788	489	4 277
Cost of purchased goods	-4 980	-	-4 980
OPEX	-21 204	-3 700	-24 904
Revaluation of land	-	-1 391	-1 391
Other (losses)/gains - net	-302	-75	-377
<b>EBITDA</b>	<b>5 883</b>	<b>-433</b>	<b>5 450</b>
Depreciation and amortization			-1 629
Finance income/costs			-1 754
Share of loss of investments accounted for using the equity method		1 487	1 487
Profit before income tax			3 554
<b>Additions of Property, plant and equipment</b>	<b>4 506</b>	<b>204</b>	<b>4 710</b>



## 28. CONTINGENCIES

### TAXES

#### UKRAINE:

Tax legislation. Ukrainian tax, currency, and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities in Ukraine may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties, and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

The tax consequence of transactions for Ukrainian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Ukrainian GAAP.

#### RUSSIA:

Tax legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be

challenged. As a result, significant additional taxes, penalties, and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, the list of which is established by the Russian Tax Code.

Controllable transactions include transactions with interdependent parties, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice has not yet taken shape.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

#### ESTONIA:

The tax authorities may at any time inspect the books and records within three to five years subsequent to the reported tax year and may impose additional tax assessments and penalties in Estonian subsidiaries of the Group. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect



## 29. COMMITMENTS

The Group leases land under non-cancellable operating lease agreements. Future rent payments from non-cancellable lease

agreements are disclosed in Note 22. The Group has no other commitments.

## 30. INTEREST IN ASSOCIATE

The Group's interest in Trigon Dairy Farming Estonia is carried using the equity method. In 2018, Group's share in the profit of the

associate stood at EUR 832 thousand (2017: Group's share in the profit totaled EUR 1 487 thousand).

### Summarised balance sheet in EUR thousand

Current
Assets
Liabilities
Total current net assets
Non-current
Assets
Liabilities
Total non-current net assets
Net assets

### As at 31 December

2018	2017
10 790	9 935
-4 035	-2 736
<b>6 755</b>	<b>7 199</b>
41 802	38 093
-15 829	-14 627
<b>25 973</b>	<b>23 466</b>
<b>32 728</b>	<b>30 665</b>

### Summarised income statement

#### in EUR thousand

Revenue
Profit/(loss) before income tax
Income tax expense/income
Post-tax profit/loss
Other comprehensive income/expense
Total comprehensive income/expense
Total comprehensive income allocated to non-controlling interests

### For the period ended 31 December

2018	2017
15 411	14 039
2 045	3 904
-	-
2 045	3 904
0	119
<b>2 045</b>	<b>4 023</b>
-	-

### Reconciliation to carrying amounts:

#### As at December 31

#### in EUR thousand

Opening net assets
Sales of intra-company PPE
Profit/(loss) for the period
Other comprehensive income/expense
New capital invested
Closing net assets

#### Group's share in %

#### Group's share in EUR thousand

Adjustment to equity value

#### Carrying amount

2018	2017
30 665	26 642
18	-
2 045	3 904
-	119
0	-
<b>32 728</b>	<b>30 665</b>
39.24%	39.24%
12 842	12 033
-3 598	-3 621
<b>9 244</b>	<b>8 412</b>



## 31. GROUP STRUCTURE

The Group's parent company Agromino A/S is registered in Denmark. The parent company owns directly six subsidiaries (including a branch in Estonia), which are holding companies for the Group operations in Ukraine, Russia, and Estonia. These holdings are Trigon Farming Ltd (Estonia), TC Farming Ukraine Ltd. (Cyprus), Trigon Dairy Farming Ltd (Estonia), Trigon Security LLC. (Ukraine), LLC Trigon Moloko (Russia), Agromino Ltd Eesti filiaal (Estonia).

Trigon Dairy Farming AS owns 39.24% stake in AS Trigon Dairy Farming Estonia (a holding

company for milk production operations in Estonia).

Transfer of funds from subsidiaries to Agromino A/S is not restricted. However, transfer of funds from Ukraine and Russia to intermediary holdings may be subject to restrictions in relation to foreign currency transactions due to the occasional limitations in local legislation. The National Bank of Ukraine ("NBU") made certain steps to ease the currency control restrictions introduced previously (Note 4.3).

As of December 31, 2018, and 2017, the Group included the following companies:

	Country of registration	Segment	Ownership percentage in 2018	Ownership percentage in 2017	Legal Status in the Group
Agromino A/S	Denmark	-	100%	100%	Parent company
TC Farming Ukraine Ltd.	Cyprus	-	100%	100%	Subsidiary
Trigon Farming Ltd.	Estonia	-	100%	100%	Subsidiary
LLC Trigon Security	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Trigon Farming Kharkiv	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Trigon Agro 2	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Agro Capital Center	Ukraine	Ukraine	100%	100%	Subsidiary
OJSC Krasnokutskagrohim	Ukraine	Ukraine	65.31%	65.31%	Subsidiary
LLC Kirovograd agroinvestment company	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Objedinjonnye Agrarnye Sistemy	Ukraine	Ukraine	100%	100%	Subsidiary
PAC Molniya-1	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Trigon Farming	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Trigon-Export	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Trigon-Elevator	Ukraine	Ukraine	100%	100%	Subsidiary
LLC Kovyagovskoye	Ukraine	Ukraine	100%	100%	Subsidiary
CJSC Vovchanskiy Combinat Khliboproduktiv	Ukraine	Ukraine	100%	100%	Subsidiary
OJSC Yavkinskiy elevator	Ukraine	Ukraine	92.33%	92.33%	Subsidiary
OJSC Novomirgorodski elevator	Ukraine	Ukraine	-	85.72%	Subsidiary
Trigon Dairy Farming Ltd.	Estonia	Milk production	100%	100%	Subsidiary
LLC Trigon Moloko	Russia	Milk production	100%	100%	Subsidiary
LLC Dobruchi-2	Russia	Milk production	100%	100%	Subsidiary
CJSC ST-1	Russia	Milk production	-	100%	Subsidiary
LLC Novaja Ferma	Russia	Milk production	-	100%	Subsidiary
CJSC Agrokompleks	Russia	Milk production	-	100%	Subsidiary
LLC Agrokompleks	Russia	Milk production	-	100%	Subsidiary
CJSC ST-2	Russia	Milk production	-	100%	Subsidiary
LLC Korovka	Russia	Milk production	-	100%	Subsidiary
CJSC Novaja Ferma	Russia	Milk production	-	100%	Subsidiary
LLC Schastlivaja Burjonka	Russia	Milk production	-	100%	Subsidiary
LLC Schastlivy bychok	Russia	Milk production	-	100%	Subsidiary
LLC Morskoj Klub	Russia	Milk production	-	100%	Subsidiary
LLC Russtroj	Russia	Milk production	-	100%	Subsidiary
LLC Russian Agro Investors	Russia	-	-	100%	Subsidiary
Trigon Dairy Farming Estonia Ltd. (Note 30)	Estonia	Interest in associates	39.24%	39.24%	Associate



## 32. RELATED PARTY TRANSACTIONS

The Group's owners are legal and physical persons. During November 2018 one of the Major shareholders of Agromino A/S has acquired additional shares and increased the shareholding in company up to 43.05 %. Upon the completion of the mandatory takeover bid in the beginning of 2019, the holding of one of the Major shareholders of Agromino A/S has increased up to 63.3 %.

Associate Ltd Trigon Dairy Farming Estonia (a holding company for milk production operations in Estonia where the Group has a 39.24% stake) is considered a related party.

Other related parties comprise of companies which are controlled by the Group's management personnel or the members of the Board of Directors.

### in EUR thousand

#### Sales and purchases

	2018	2017
Other sales (Companies under control of Members of Board of Directors)	-	145
Interest paid to related parties (Companies under control of Members of Board of Directors)	-	-114
Purchase of goods and services from related parties (Companies under control of Members of Board of Directors)	-130	-63

The following table sets forth the aggregate gross amounts of salaries and other remuneration by the Group to the members of its Board of Directors and Executive Board in 2018 and in 2017.

in EUR thousand	Salary (incl social security costs)	Total
<b>2018</b>		
Members of Board of Directors	58	58
Members of the Executive Board	193	193
	<b>251</b>	<b>251</b>
<b>2017</b>		
Members of Board of Directors	87	87
Members of the Executive Board	175	175
	<b>262</b>	<b>262</b>

The payments from the company to the Executive Board members in 2018 amounted to EUR 193 thousand (in 2017 EUR 175 thousand). As of December 31, 2018, the

Group had liability to Board of Directors members in the amount of EUR 17 thousand (EUR 21 thousand as of December 31, 2017).

### Balances from sales/purchases of goods/services

	31.12.2018	31.12.2017
Payable to related parties (Companies under control of Members of Board of Directors) (Note 13)	22	22
Receivables from related parties (Companies under control of Members of Board of Directors)	16	-



**Loans from related parties (Companies under control of Members of Board of Directors)**
**in EUR thousand**

Beginning of the year  
 Loans advanced  
 Loan repayments made  
 Interest charged  
 Interest paid  
 End of the period (Note 14)

2018	2017
-	-
-	1 415
-	1 415
-	114
-	-114
-	-

In 2017, the Group received loans from related parties in the amount of SEK 13,500 thousand (EUR 1,415 thousand). The loan and interest were fully repaid during 2017.

### 33. FEES TO THE AUDITORS APPOINTED BY THE SHAREHOLDERS

In 2018 expenses to auditors were:

**in EUR thousand**

Audit  
 Tax advice and consultations  
 Other services

2018	2017
58	182
4	40
0	18
<b>62</b>	<b>240</b>

Beierholm and Baker Tilly were not elected as the statutory auditor, and thus did not audit the annual report for the following companies:

- LLC Dobruchi-2
- Trigon Farming AS

Audit fees, other than fees to Beierholm and Baker Tilly, amounted to EUR 8 thousand in 2018 (EUR 15 thousand in 2017 other than PricewaterhouseCoopers). Fees for non-audit

services provided amounted to EUR 8 thousand in year 2018 (EUR 29 thousand in year 2017). Non-audit services comprise tax consultancy services in the year 2018.

### 34. EVENTS AFTER THE BALANCE SHEET DATE

**MAJOR SHAREHOLDER ANNOUNCEMENT**

Mr. Petr Krogman acquired through the company Mabon investiční fond s proměnným základním kapitálem a.s. (hereinafter also „Mabon“, Czech Identification Number: 28904681, registered in the Commercial Register maintained by the Municipal Court in Prague, section B, insert file No. 15302) additional shares and warrants in Agromino

A/S. Mabon has paid for and received 3,525,494 shares and 101,294,920 warrants and now holds 11,026,544 shares and 101,294,920 warrants in the Company. This corresponds to approximately 63.3 per cent of the total number of shares and approximately 50.8 per cent of the total number of issued warrants in the Company.



**EXERCISE WINDOW AND LAPSE OF  
WARRANTS**

In connection with the tender offer made by one of the major shareholders, the extraordinary exercise period was launched. As no warrants

were exercised during such period, no new shares were issued by Agromino A/S and the number of shares remains the same as it was on 31.12.2018. In accordance with the warrants' terms, the warrants lapsed automatically in March 2019.



# FINANCIAL STATEMENTS OF THE PARENT COMPANY

## STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

in EUR thousand	Note	31.12.2018	31.12.2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	109	483
Trade and other receivables	7	13 802	9 931
		<b>13 911</b>	<b>10 414</b>
<b>Non-current assets</b>			
Investments in subsidiaries	6	40 876	40 876
Trade and other receivables	7	-	5 273
Tangible assets		-	21
		<b>40 876</b>	<b>46 170</b>
<b>Total assets</b>		<b>54 787</b>	<b>56 584</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	3 267	4 541
Borrowings	9	782	753
		<b>4 049</b>	<b>5 294</b>
<b>Total liabilities</b>		<b>4 049</b>	<b>5 294</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	10	17 421	17 421
Share premium	10	120 151	120 151
Accumulated deficit		-86 834	-86 282
<b>Total equity</b>		<b>50 738</b>	<b>51 290</b>
<b>Total equity and liabilities</b>		<b>54 787</b>	<b>56 584</b>

The notes on pages 81 to 89 are an integral part of the parent company financial statements.



## STATEMENT OF THE COMPREHENSIVE INCOME OF THE PARENT COMPANY

in EUR thousand	Note	2018	2017
Revenues	11	6 355	16 112
Other income		319	1
Cost of purchased goods for trading purposes	12	-5 753	-14 010
Employee benefits expense	13	-370	-693
Other expenses		-1 284	-510
Impairment losses	15	0	-16 712
Gains/losses from exchange rate differences		-19	-415
Interest income	14	231	1 693
Interest expense	14	-31	-144
Dividend income from subsidiary	16		0
Profit from sale of investment	6,16	0	201
Loss from sale of investments	6,16	0	-3 602
Other finance income/costs	14	0	0
<b>Net loss before income tax</b>		<b>-552</b>	<b>-18 079</b>
Corporate income tax		-	-
<b>Net loss for the period</b>		<b>-552</b>	<b>-18 079</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the period</b>		<b>-552</b>	<b>-18 079</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

in EUR thousand	Share capital	Share premium*	Accumulated deficit	Total
<b>Balance at 31.12.2015</b>	<b>64 814</b>	<b>99 941</b>	<b>-114 759</b>	<b>49 996</b>
Reduction in share capital	-63 517	-	63 517	-
Share capital increase	15 987	20 073	-	36 060
Total comprehensive loss for the period	-	-	-16 962	-16 962
<b>Balance at 31.12.2016</b>	<b>17 284</b>	<b>120 014</b>	<b>-68 204</b>	<b>69 094</b>
Issuance of share capital	137	138	-	275
Total comprehensive loss for the period	-	-	-18 079	-18 079
<b>Balance at 31.12.2017</b>	<b>17 421</b>	<b>120 151</b>	<b>-86 283</b>	<b>51 290</b>
Transactions with entities under common control				
Total comprehensive income for the period			-552	-552
<b>Balance at 31.12.2018</b>	<b>17 421</b>	<b>120 151</b>	<b>-86 835</b>	<b>50 738</b>

\* Share premium can be distributed as dividend.

The notes on pages 81 to 89 are an integral part of the parent company financial statements.





# STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

In EUR thousand	Note	2018	2017
<b>Cash flows from operating activities</b>			
Cash receipts from customers	11	5 930	16 069
Cash paid to suppliers and employees	12,13,16	-7 881	-17 401
Income tax paid		-2	-
Interest received		123	-
<b>Net cash used in/generated from operating activities</b>		<b>-1 830</b>	<b>-1 332</b>
<b>Cash flows from investing activities</b>			
Contribution to share capital of subsidiary	16	171	0
Loans issued to subsidiaries	16	-643	-931
Proceeds from loan repayments from subsidiaries	16	1 761	393
Proceeds from interest repayments from subsidiaries	16	212	-
Purchase of tangible assets		-1	-
<b>Net cash used in/generated from investing activities</b>		<b>1 504</b>	<b>-538</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		-	275
Interest paid to related parties	14,16	-	-209
Loans received from subsidiaries	16	-	15
Loans received from related parties	16	-	1 386
Loans repaid to subsidiaries	16	-3	-2
Loans repaid to related parties	16	-	-1 424
<b>Net cash generated from used in financing activities</b>		<b>-3</b>	<b>41</b>
Net increase in cash and cash equivalents		-329	-1,829
Effects of exchange rate changes on cash and cash equivalents		-45	-21
Cash and cash equivalents at beginning of period	5	483	2 333
<b>Cash and cash equivalents at end of period</b>	5	<b>109</b>	<b>483</b>

The notes on pages 81 to 89 are an integral part of the parent company financial statements.



# NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

## 1. GENERAL INFORMATION

The Company was established on December 11, 2006. Agromino A/S ("the Company") is the parent company of the Agromino Group. The Company is a limited liability company incorporated and domiciled in Denmark. Agromino A/S registered and duly certified address is c/o Advokatfirmaet Poul Schmith, Vester Farimagsgade 23, 1606 Copenhagen, Denmark.

The Parent Company has in 2011 established a branch "Agromino Eesti Filiaal" in Estonia.

The Company prepares its separate financial statements in accordance with IFRS and further requirements in the Danish Financial Statements Act.

The principal accounting policies applied in the preparation of these financial statements are set out below.

## 2. ACCOUNTING PRINCIPLES

### Basis of preparation of the financial statements of the parent company

The financial statements of Agromino A/S have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU (IFRS) and further requirements in the Danish Financial Statements Act. The parent company has applied the same accounting policies as the Group, except for the investments in subsidiaries as described below. See Note 2 to the Consolidated Financial Statements, for the summary of significant accounting policies of the Group.

### Long-term investments in subsidiaries and associate companies

In the separate financial statements of the parent company, the investments in subsidiaries are recognised and measured at cost. Equity interests in foreign currencies are translated to the reporting currency using the historical exchange rate prevailing at the time of the transaction. Where cost exceeds the recoverable amount, the carrying value is written down to the recoverable amount. Dividends from investments in subsidiaries, joint ventures, and associates are recognized as income in the financial year when the dividends are distributed.

## 3. CRITICAL ACCOUNTING ESTIMATES

An impairment test was performed as at December 31, 2018, and 2017.

The test demonstrated that the Ukraine segment assets carrying amount is higher than the recoverable value of the investment as at December 31, 2018. Based on the test

performed there has been no impairment recognition in 2018.

The test performed at 31, December 2017 demonstrated that the Ukraine segment assets recoverable value was higher than the carrying amount of the investment. Based on the test performed impairment of investments in 2017



Ukrainian segment's subsidiaries amounted to EUR 16,712 thousand.

The parent company has in the model used its target yields and prices for cereals and milk based on forecasts. The parent company has applied 5.0% long-term growth rate that has been aggregated from the long-term growth perspective in the respective country and

estimation of the growth in food prices in relation to other inputs for both Ukrainian and Russian milk production segments. The discount rates applied in Ukraine 21,5 % (21.8% in 2017). If budgeted EBITDA had been 10% lower or discount rate had been 1% higher, no impairment loss would be identified. In Russian milk production, no discounts were applied in 2018

## 4. FINANCIAL RISK MANAGEMENT

Financial risk management principles of Agromino A/S correspond to the principles used for the whole Group. For further information on the financial risk management principles used please refer to the consolidated financial statements Note 3. For details concerning the parent company please refer to the other Notes of the financial statements of the parent company.

The Company is exposed to foreign exchange risk arising primarily from exposures to the US

dollar. Refer to Notes 7,8,9 for the amounts of assets and liabilities nominated in the US dollar.

As at December 31, 2018, if the US dollar rate against euro had been 10% higher with all other variables held constant, profit for the year would have been EUR 151 thousand lower (2017: EUR loss 186 thousand). If the US dollar rate against euro had been 10% higher with all other variables held constant, profit for the year would have been higher by the same amount.

## 5. CASH AND CASH EQUIVALENTS OF THE PARENT COMPANY

**in EUR thousand**

Cash at bank and on hand

2018	2017
109	483
<b>109</b>	<b>483</b>

As at December 31, 2018 (and December 31, 2017) there was no cash on bank deposits. The credit rating (Moody`s) of the banks where the cash was held was Aa2.



## 6. LONG TERM INVESTMENTS IN SHARES OF SUBSIDIARIES

Breakdown of investments in subsidiaries by companies is given in the table below:

**in EUR thousand**

TC Farming Ukraine Ltd.  
Ltd Trigon Dairy Farming  
Llc Trigon Security  
Trigon Farming Ltd.  
LLC Trigon Moloko

	2018	2017
TC Farming Ukraine Ltd.	23 801	23 801
Ltd Trigon Dairy Farming	14 345	14 345
Llc Trigon Security	28	28
Trigon Farming Ltd.	2 187	2 187
LLC Trigon Moloko	515	515
	<b>40 876</b>	<b>40 876</b>

During 2018 there were no changes in Company's subsidiaries.

In 2017 the Company has divested United Grain (SUISSE) Ltd., CJSC ST-2, CJSC ST-1, LLC Novaja Ferma, LLC Agrokompleks, TC Farming Russia Ltd. Net loss from shares sale

amounted to EUR 3,401 thousand (Note 14, 16). Additional impairment of investments was recognised in the amount of EUR 16,712 thousand (Note 15). Refer to the parent company financial statements Note 3 for further information about the impairment test.

As of December 31, 2018, the parent company owned directly the following companies:

	Country of registration	Segment	Ownership percentage	Legal Status in the Group
TC Farming Ukraine Ltd.	Cyprus	-	100%	Subsidiary
Ltd Trigon Dairy Farming	Estonia	Milk production	69%	Subsidiary
Llc Trigon Security	Ukraine	-	100%	Subsidiary
Trigon Farming Ltd.	Estonia	-	100%	Subsidiary
LLC Trigon Moloko	Russia	Milk production	100%	Subsidiary

As of December 31, 2017, the parent company owned directly the following companies:

	Country of registration	Segment	Ownership percentage	Legal Status in the Group
TC Farming Ukraine Ltd.	Cyprus	-	100%	Subsidiary
Ltd Trigon Dairy Farming	Estonia	Milk production	69%	Subsidiary
Llc Trigon Security	Ukraine	-	100%	Subsidiary
Trigon Farming Ltd.	Estonia	-	100%	Subsidiary
LLC Trigon Moloko	Russia	Milk production	100%	Subsidiary



## 7. TRADE AND OTHER RECEIVABLES

in EUR thousand

**Current receivables:**

Receivables from subsidiaries (Note 16)  
Short-term loans given to subsidiaries (Note 16)  
Other receivables

**Total current receivables**

**Current prepayments:**

Prepayments  
Prepayments for indirect taxes

**Total current receivables and prepayments**

**Non-current receivables:**

Other non-current receivables

**Total non-current receivables**

**Total receivables and prepayments**

	2018	2017
Receivables from subsidiaries (Note 16)	8 551	3 353
Short-term loans given to subsidiaries (Note 16)	5 208	6 336
Other receivables	4	156
<b>Total current receivables</b>	<b>13 763</b>	<b>9 845</b>
Prepayments	-	81
Prepayments for indirect taxes	39	5
<b>Total current receivables and prepayments</b>	<b>13 802</b>	<b>9 931</b>
Other non-current receivables	-	5 273
<b>Total non-current receivables</b>	<b>-</b>	<b>5 273</b>
<b>Total receivables and prepayments</b>	<b>13 802</b>	<b>15 204</b>

Breakdown of the receivables from subsidiaries and group companies by companies is given below:

in EUR thousand

TC Farming Ukraine Ltd.  
Russian Agro Investors Ltd.  
Trigon Dairy Farming Ltd.  
LLC Trigon Farming Kharkiv  
LLC Dobruchi  
Other

**Total receivables**

	31.12.2018	31.12.2017
TC Farming Ukraine Ltd.	11 038	7 442
Russian Agro Investors Ltd.	-	1
Trigon Dairy Farming Ltd.	993	967
LLC Trigon Farming Kharkiv	1 529	1 278
LLC Dobruchi	199	-
Other	-	1
<b>Total receivables</b>	<b>13 759</b>	<b>9 689</b>

During 2018 no receivables or loans from the group companies were impaired.

Trade and other receivables are not due as at December 31, 2018, and December 31, 2017.

The effective interest rates on non-current receivables were as follows:

	2018	2017
Loans to related parties	4.25-11.0%	7.0-11.0%

The carrying amounts of the trade and other receivables were denominated in the following currencies:

in EUR thousand

US dollar  
Russian ruble  
Euro

	31.12.2018	31.12.2017
US dollar	321	2 713
Russian ruble	-	1
Euro	13 481	12 490
<b>Total</b>	<b>13 802</b>	<b>15 204</b>



## 8. TRADE AND OTHER PAYABLES

in EUR thousand

	31.12.2018	31.12.2017
Trade payables	110	460
Trade payables to related parties (Note 16)	223	962
Social security and other taxes	0	13
Accrued expenses	116	276
Amounts due to related parties (Note 16)	2 818	2 830
	<b>3 267</b>	<b>4 541</b>
Less: non-current portion	-	-
	<b>3 267</b>	<b>4 541</b>

The carrying amounts of the trade and other payables were denominated in the following currencies:

in EUR thousand

	31.12.2018	31.12.2017
US dollar	83	1 295
Euro	3 185	3 246
	<b>3 268</b>	<b>4 541</b>

## 9. BORROWINGS

in EUR thousand

	31.12.2018	31.12.2017
Current		
Borrowings from subsidiaries (Note 16)	782	753
<b>Total borrowings</b>	<b>782</b>	<b>753</b>

in EUR thousand

	31.12.2018	31.12.2017
Euro	782	753
	<b>782</b>	<b>753</b>

## 10. SHARE CAPITAL OF THE PARENT COMPANY

in EUR thousand

	Number of shares	Ordinary shares	Share capital	Share premium	Total
<b>Balance at 31.12.2016</b>	<b>1 728 357 479</b>	<b>1 728 357 479</b>	<b>17 284</b>	<b>120 013</b>	<b>137 297</b>
Issuance of share capital	13 773 821	13 773 821	137	138	275
Purchase of treasury shares	-4 221	-4 221	-	-	-
Reverse share split	-1 724 709 987	-1 724 709 987	-	-	-
<b>Balance at 31.12.2017</b>	<b>17 421 313</b>	<b>17 421 313</b>	<b>17 421</b>	<b>120 151</b>	<b>137 572</b>
Including treasury shares	42	42	-	-	-
<b>Balance at 31.12.2018</b>	<b>17 421 313</b>	<b>17 421 313</b>	<b>17 421</b>	<b>120 151</b>	<b>137 572</b>
Including treasury shares	42	42	-	-	-





As at December 31, 2018 and at December 31, 2017, the total number of issued shares was 17,421,313 including 42 treasury shares with a par value of 1 EUR per share. All shares have been fully paid. The shares of Agromino A/S are listed on the main market of Small Cap segment on NASDAQ Stockholm.

In 2017, the share capital increased firstly, by the issuance of 13,773,792 shares each of nominal value EUR 0.01 due to warrants being exercised and secondly, by issuing 29 new shares (par value of 0.01 per share) to J. Bertorp.

In May 2017, the reverse share split took place by the consolidation of 100 shares of a nominal value of EUR 0.01 each into one share of a nominal value of EUR 1.00 each.

Hence, a total number of issued shares as of December 31, 2017, amounted to 17,421,313 shares of nominal value EUR 1 each, including 42 treasury shares.

## Warrants

On November 30, 2016, Agromino A/S issued 209,398,236 warrants, out of which 199,563,420 (95.30%) warrants were subscribed by the end of subscription period (December 30, 2016). As per the warrants' terms, the warrants were exercisable during two predefined periods, first of which started on February 1, 2017, and ended February 28, 2017, and the second period which was scheduled between January 1, 2020, and January 31, 2020. Aside from that the warrants were exercisable during the extraordinary exercise period in connection with extraordinary events as defined in the warrants' terms. During the exercise periods, the warrant holders could subscribe for shares in Agromino A/S. From January 31, 2017, the warrants were admitted to trading on NASDAQ FIRST NORTH.

For more information please refer to Note 17 of the Annual Report.

# 11. REVENUE

## in EUR thousand

Sales of cereals  
Sales of services

## TOTAL revenue

2018	2017
6 182	15 964
173	148
<b>6 355</b>	<b>16 112</b>

Revenues of zero EUR (2017: EUR 7,089 thousand) are derived from the external customer A, revenues of zero EUR (2017: EUR 5,577 thousand) are derived from the external customer B, revenues of EUR 2,474 thousand (2017: EUR 1,460 thousand) are derived from the external customer C and revenues of EUR

718 thousand (2017: EUR 738 thousand) are derived from the external customer D. These revenues are attributable to Sales of cereals. Sale of services includes revenue from related parties in amount EUR 175 thousand (2017: EUR 145 thousand) (Note 16).

## 12. COST OF PURCHASED GOODS FOR TRADING PURPOSES

### in EUR thousand

Cost of goods sold (Note 16)

**Total cost of goods sold**

2018	2017
-5 753	-14 010
<b>-5 753</b>	<b>-14 010</b>

## 13. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense in the amount of EUR 370 thousand (EUR 693 thousand in 2017) includes salary expenses in the amount of EUR 308 thousand (EUR 549 thousand in 2017) and

social tax expenses in the amount of EUR 62 thousand (EUR 148 thousand in 2017).

The average number of employees in 2018 was 6 (13 in 2017).

### in EUR thousand

Fees of Members of Board of Directors and Executive Board (Note 16)

Social security costs related to fees of Members of Board of Directors and Executive Board (Note 16)

Wages and salaries

Social security costs

2018	2017
186	225
-	37
<b>186</b>	<b>262</b>
122	320
62	111
<b>184</b>	<b>431</b>
<b>370</b>	<b>693</b>

## 14. FINANCE INCOME AND FINANCE COST

### in EUR thousand

Interest income from related parties (Note 16)

**TOTAL interest income**

Other interests

**TOTAL interest expense**

2018	2017
231	1 693
<b>231</b>	<b>1 693</b>
-31	-144
<b>-31</b>	<b>-144</b>

## 15. IMPAIRMENT LOSSES

### in EUR thousand

Impairment of investments (Note 6)

2018	2017
-	-16,712
<b>-</b>	<b>-16,712</b>

The impairment loss in 2017 was recognised mostly due to adverse changes in the economic environment.



## 16. RELATED PARTY TRANSACTIONS

in EUR thousand

**Sales and purchases**

	2018	2017
Sale of services to group companies (Note 11)	2	-
Including re-charged expenses	2	-
Sale of services to related parties (Note 11)	-	145
Cost of purchased goods for trading purposes from subsidiaries (Note 12)	5 399	13 111
Shares purchase from subsidiaries (Note 6)	-	-1 036
Profit from sale of investments to the subsidiary (Note 6,14)	-	201
Loss from sale of investments to subsidiaries (Note 6,14)	-	-3 602
Interest income from subsidiaries (Note 14)	231	1 693
Interest expense from subsidiaries (Note 14)	-31	-30

**Cash flow transactions**

Cash paid to subsidiaries	-285	-14 920
Cash paid to other related parties	-	-
Loans issued to subsidiaries	-643	-931
Proceeds from loan repayments from subsidiaries	1 761	387
Proceeds from interest repayments from subsidiaries	212	-
Loans received from subsidiaries	-	15
Loans received from shareholders	-	1 386
Loans repaid to shareholders	-	-1 424
Repayments of loans from subsidiaries	-3	-2
Interest payment to shareholders	-	-209

The following table sets forth the aggregate gross amounts of salaries and other remuneration to the Board of Directors and Executive Board in 2018 and 2017.

in EUR thousand

**2018**

	Salary (incl social security costs)	Total
Members of Board of Directors	58	58
Members of the Executive Board	128	128
	<b>186</b>	<b>186</b>

**2017**

Members of Board of Directors	87	87
Members of the Executive Board	175	175
	<b>262</b>	<b>262</b>

**Balances from subsidiaries and other group companies**

in EUR thousand

	31.12.2018	31.12.2017
Receivables (Note 7)	8 551	8 619
Loan receivables (Note 7)	5 208	6 336
Payables (Note 8)	3 041	3 792
Borrowings (Note 9)	782	753

**Balances from other related parties**

	31.12.2018	31.12.2017
Payable to related parties (Note 8)	10	22



## 17. FEES TO THE AUDITORS OF THE PARENT COMPANY

in EUR thousand

Audit  
Tax advice and consultations  
Other services

2018	2017
53	170
4	40
-	18
<b>57</b>	<b>228</b>

## 18. COMMITMENTS

Surety agreement #253 CL/S2 was concluded between the Company and JSC "CREDIT AGRICOLE BANK" on 12 February 2019. Under surety agreement the Company shall be liable to the Bank in case of breach of the Debt obligations by its subsidiaries under Agreement on rendering of banking services #253 CL dated 07 December 2012 with general loan limit USD 4 100 thousand.



## MANAGEMENT 'S STATEMENT

The Board of Directors and Executive Board have today considered and adopted the Annual Report of Agromino A/S for the financial year 1 January – 31 December 2018.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Moreover, the Annual Report is prepared in accordance with further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Group and the

Company and of the results of the Group and Company operations and cash flows for the financial year 1 January – 31 December 2018.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

March 25, 2019

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Petr Krogman

Chairman of the

Board of Directors

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Jan Urban

Vice-Chairman of the

Board of Directors

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Jiri Vyskočil

Member of the

Board of Directors

---

Petr Toman

Chief Executive Officer

---

Rastislav Pagáč

Executive Board Member



# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Agromino A/S

## QUALIFIED OPINION

We have audited the consolidated financial statements and the financial statements of Agromino A/S for the financial year 1 January 2018 - 31 December 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes to the consolidated financial statements and the financial statements, including a summary of significant accounting policies, for the group and the company as well as the consolidated statement of comprehensive income and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the financial statements have been prepared in accordance with the Danish Financial Statements Act (*Årsregnskabsloven*).

In our opinion, except for the effects of the matter described in the 'Basis for qualified opinion' section of our report, the consolidated financial statements present fairly, in all material respects, the group's assets, equity and liabilities and financial position as at 31 December 2018 and the group's financial performance and cash flows for the financial year 1 January 2018 - 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Furthermore, in our opinion, except for the effects of the matter described in the 'Basis for qualified opinion' section of our report, the financial statements present fairly, in all material respects, the company's assets, equity and liabilities and financial position as at 31 December 2018 and the company's financial performance for the financial year 1 January 2018 - 31 December 2018 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report for the Audit Committee and the Board of Directors.

## BASIS FOR QUALIFIED OPINION

An investigation has been initiated by the company on the divestment of certain assets at terms that may not have been commercially viable. The investigation specifically relates to advisory contracts and sales of subsidiaries and other assets. First, the investigation concerns the sales of land that in the consolidated financial statements as of 31 December 2017 was carried as assets held for sale at the book value of t.EUR 171 that were disposed of in 2018, and for which revaluation loss of t.EUR 1,335 was recognized in the income statement of 2017. Second, the investigation concerns the sales of elevators that were disposed of in 2018, resulting in a profit of t.EUR 288. In the financial statements, the disposal of the subsidiaries in conjunction with the transaction of selling the land resulted in a loss of t.EUR 3,602 in 2017. As the investigation is still ongoing, a description of the issue and the reasons for the investigation as well as a status of the investigation should have been included in the notes to the consolidated financial statements and the financial statements. We therefore qualify our opinion on this basis.

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements' section of the auditor's report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



According to the best of our knowledge, no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No 537/2014, have been provided.

We were appointed as auditors of Agromino A/S for the first time on 23 July 2018 for the financial year 1 January 2018 - 31 December 2018.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements and the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Impairment testing of non-current assets in Dobruchi dairy cluster*

As set out in note 4.1(d) to the financial statements, the group operates a dairy production cluster in Dobruchi, north-western Russia. The management has considered the adverse economic circumstances in Russia to be an impairment indicator and has carried out an impairment test for non-current assets located in Dobruchi cluster.

The impairment test performed on non-current assets located in the Dobruchi cluster demonstrated that their recoverable amount was t.EUR 796 lower than their carrying amount. Thus an impairment loss of t.EUR 796 was recognised in the income statement by the management.

The impairment test on non-current assets is considered a key audit matter due to its potential magnitude as well as the judgement involved in assessing the recoverability of the assets.

The judgement involved relates predominantly to future cluster performance, which is, among others, dependent on the expected milk yields and milk price levels on the local market. Furthermore determining the weighted average cost of capital (WACC) is judgmental.

We obtained and evaluated the management's impairment model.

Our audit procedures included challenging the management on the reasonableness of the key assumptions underlying the cash flow forecast such as revenue growth through performing the following:

- Assessing the reliability of cash flow forecasts through a review of actual past performance, comparison to previous forecasts and comparison to the management's internal forecasts;
- Performing sensitivity analyses of the models
- Where possible comparison of assumptions with external data sources and market outlooks.

We assessed the impact of the developments of the Russian economic environment on the revenues and earnings before interest, taxes, depreciations and amortizations (EBITDA), for example through estimating the impact of inflation and foreign currency movements on the cost of goods or services.

The audit of the model included verification that the impairment methodology was consistently applied and that the model was mathematically accurate.

## STATEMENT REGARDING THE MANAGEMENT'S REVIEW

The management is responsible for the management's review.

Our opinion on the consolidated financial statements and the financial statements does not include the management's review, and we do not express any form of opinion on the management's review.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the consolidated financial statements or the financial statements or the knowledge we have obtained during our audit, or in any other way appears to be materially misstated.

Furthermore, it is our responsibility to consider whether the management's review contains the information required under the Danish Financial Statements Act.





Based on the work performed, we believe that the management's review is in accordance with the consolidated financial statements and the financial statements and has been prepared in accordance with the provisions of the Danish Financial Statements Act. We have not detected any material misstatement in the management's review.

#### **MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENTS**

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for the preparation of financial statements that provide a fair presentation in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the financial statements, the management is responsible for assessing the group's and 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 unless the management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and the

additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in its preparation of the consolidated financial statements and the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements and the financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aalborg, 25 March 2019

## Beierholm

Statsautoriseret Revisionspartnerselskab

CVR no. 32 89 54 68

Henrik Bjørn

State Authorized Public Accountant

MNE no. mne28606



## DEFINITIONS

Acid test	<i>(Total current assets – Inventories (inventories including biological assets)-Assets held for sale (including Assets of disposal group classified as held for sale)/Total current liabilities. The acid test or quick ratio measures a company's ability to use its near cash or quick assets to immediately extinguish or retire its short-term liabilities (liabilities due within the next twelve months).</i>
Current ratio	<i>Total current assets/Total current liabilities. The current ratio measures a company's ability to meet short-term obligations (liabilities due within the next twelve months).</i>
Earnings per share	<i>Net result attributable to the shareholders of the Company/ year-end number of common shares outstanding during the period (in accordance with IAS 33). Earnings/loss per share for profit attributable to the equity holders of the Company during the year, both basic and diluted.</i>
EBITDA	<i>EBITDA is calculated by adding to the operating profit the annual depreciation of the fixed assets and amortisation of land-related long-term prepayments.</i>
Equity ratio	<i>Total equity/Total assets. The equity ratio indicates how much debt a company uses to finance its assets relative to equity.</i>
Net debt	<i>Total borrowings and the fair value of derivative financial instruments (including Liabilities directly associated with assets classified as held for sale -Cash and cash equivalents. Net debt is a measure of a company's ability to repay its debts if they were all due today.</i>
Return on assets (ROA)	<i>Net profit attributable to the owners of the parent company/Average total assets. Return on assets compares income with total assets measuring management's ability and efficiency in using the firm's assets to generate profits.</i>
Return on equity (ROE)	<i>Net profit attributable to the owners of the parent company/Average equity excluding minority interest. Return on equity relates income with the equity capital measuring management's ability and efficiency in generating a return to the shareholders of the Company</i>
Book value per share	<i>Total Stockholders' equity/ year-end number of common shares outstanding during the period (in accordance with IAS 33). The book value per share measures the per share value of a company based on its equity available to shareholders.</i>

