

KSG Agro S.A.

**Unaudited Interim Condensed
Consolidated Financial Statements**

31 March 2014

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The following statement is made with a view to clarify responsibilities of the management and Board of Directors in relation to the interim condensed consolidated financial statements of the KSG AGRO S.A. and its subsidiaries (further – the Group).

The Board of Directors and the Group's management are responsible for the preparation of the interim condensed consolidated financial statements of the Group as at 31 March 2014 and for the three months then ended in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" as adopted by the European Union.

In preparing the interim condensed consolidated financial statements, the Board of Directors and the management are responsible for:

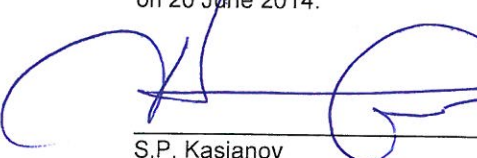
- Selecting suitable accounting principles and applying them consistently;
- Making reasonable assumptions and estimates;
- Compliance with relevant IFRSs and disclosure of all material departures in Notes to the interim condensed consolidated financial statements;
- Preparing the interim condensed consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future except when this assumption is inappropriate.

The Board of Directors and management are also responsible for:

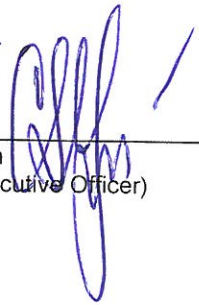
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the annual consolidated financial statements of the Group comply with IFRS as adopted by the European Union;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

In accordance with Article 3 of the law of 11 January 2008 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the interim condensed consolidated financial statements for the three months ended 31 March 2014, prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the period of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.


The interim condensed consolidated financial statements for the three months ended 31 March 2014 were approved on 20 June 2014.



S.P. Kasianov
(Chairman of the Board)



S.V. Mazin
(Chief Executive Officer)



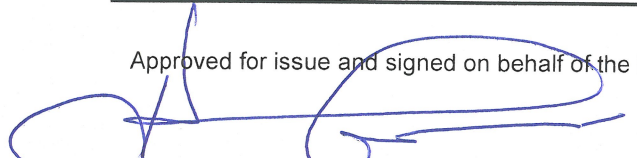
O.V. Kalinichenko
(Chief Financial Officer)

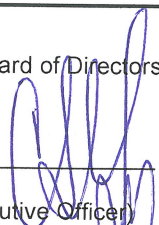
KSG Agro S.A.


Unaudited Interim Condensed Consolidated Income Statement

<i>In thousands of US dollars</i>	Note	31 March 2014 (unaudited)	31 December 2013 (unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	65,243	90,327
Intangible assets	5	14,166	19,836
Long-term biological assets		16,462	22,772
Promissory notes receivable		962	819
Term deposits		4,403	14,245
Total non-current assets		101,236	147,999
Current assets			
Current biological assets	7	26,389	32,923
Inventories and agricultural produce	6	8,269	12,981
Trade and other accounts receivable	8	21,433	33,180
VAT recoverable		4,551	6,206
Term deposit		1,370	5,132
Cash and cash equivalents		492	131
Total current assets		62,504	90,553
TOTAL ASSETS		163,740	238,552
EQUITY			
Share capital		150	150
Share premium		37,366	37,366
Prepayment for future share issue		-	-
Treasury shares		(112)	(112)
Retained earnings		5,729	12,766
Currency translation reserve		(26,584)	(35)
Net assets attributable to the owners of the Company		16,549	50,135
Non-controlling interests		28,079	28,757
TOTAL EQUITY		44,628	78,892
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	42,337	41,649
Promissory notes issued		969	779
Deferred tax liability		1,963	2,778
Total non-current liabilities		45,269	45,206
Current liabilities			
Loans and borrowings	9	39,013	60,943
Trade and other accounts payable	10	32,945	50,877
Share purchase warrant		284	389
Promissory notes issued		1,203	1,665
Income tax payable		398	580
Total current liabilities		73,843	114,454
TOTAL LIABILITIES		119,112	159,660
TOTAL LIABILITIES AND EQUITY		163,740	238,552

Approved for issue and signed on behalf of the Board of Directors on 20 June 2014.


S.P. Kasianov
(Chairman of the Board)


S.V. Mazin
(Chief Executive Officer)


O.V. Kalinichenko
(Chief Financial Officer)

The accompanying notes are an integral part of these interim condensed consolidated financial statements

KSG Agro S.A.**Unaudited Interim Condensed Consolidated Income Statement**

<i>In thousands of US dollars</i>	Note	Three months ended 31 March	
		2014 (unaudited)	2013 (unaudited)
Revenue	11	4,491	8,175
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs		1,375	3,922
Cost of sales	12	(4,849)	(7,401)
Selling, general and administrative expenses	13	(817)	(1,358)
Other operating income, net	14	(118)	319
Operating profit		82	3,657
Finance income	15	509	381
Finance expenses	15	(2,424)	(2,173)
Foreign exchange (loss)/gain, net		(5,863)	-
Profit before tax		(7,696)	1,865
Income tax benefit/(expense)		(19)	(48)
Profit for the period		(7,715)	1,817
Profit attributable to:			
Owners of the Company		(7,037)	1,183
Non-controlling interest		(678)	634
Profit for the period		(7,715)	1,817
Earnings per share			
Weighted-average number of common shares outstanding		15,020,000	14,925,000
Earnings per share (basic), USD		(0.47)	0.12

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Profit for the period	(7,715)	1,817
Other comprehensive income, net of income tax		
Exchange difference in translation	(26,549)	-
Total comprehensive income for the period	(34,264)	1,817

The accompanying notes are an integral part of these interim condensed consolidated financial statements

KSG Agro S.A.**Unaudited Interim Condensed Consolidated Statement of Cash Flows**

	Note	Three months ended 31 March	
		2014	2013
<i>In thousands of US dollars</i>		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before tax		(7,696)	1,865
Adjustments for:			
Exchange difference in translation		5,863	-
Depreciation and amortization	4,5	1,923	1,240
Impairment of accounts receivable	14	-	-
Net effect of gain on change and fair value recognition of biological assets and agricultural produce		(1,375)	(3,922)
Loss on PPE disposal	4	-	619
Finance expenses	15	2,424	2,173
Finance income	15	(509)	(381)
Operating cash flows before working capital changes		630	1,594
Change in trade and other accounts receivable		13,402	(411)
Change in long-term biological assets		5,708	(37)
Change in current biological assets		5,761	(3,337)
Change in inventories and agricultural produce		(4,712)	2,719
Change in trade and other accounts payable		(20,643)	1,233
Cash from/(used) in operations		146	1,761
Interest paid		(1,108)	(2,373)
Income tax paid		(19)	(12)
Net cash from/(used) in operating activities		(981)	(624)
Cash flow from investment activities			
Acquisition of property, plant and equipment		(301)	-
Settlement of liability for business acquisition		-	(5,327)
Time deposit pledged		8,618	(5,566)
Interest received		290	381
Net cash from/(used) in investment activities		8,607	(10,512)
Cash flow from financing activities			
Bank loans and other borrowings		11,204	27,521
Repayment of bank loans		(18,509)	(15,046)
Issuance of shares		-	-
Repayment of financial lease liabilities		(5)	(318)
Interest paid		(70)	-
Net cash received/(used) in financing activities		(7,380)	12,157
Net (decrease)/increase in cash and cash equivalents		245	1,021
Cash and cash equivalents at the beginning of the period		131	711
Exchange differences		115	(8)
Cash and cash equivalents at the end of the period		492	1,724

The accompanying notes are an integral part of these interim condensed consolidated financial statements

KSG Agro S.A.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings		
<i>In thousands of US dollars</i>							
Balance as at 31 December 2013 (unaudited)	150	37,366	(112)	(35)	12,766	28,757	78,892
Loss for the period	-	-	-	-	(7,037)	(678)	(7,715)
Other comprehensive income/(loss)	-	-	-	(26,549)	-	-	(26,549)
Balance as at 31 March 2014 (unaudited)	150	37,366	(112)	(26,584)	5,729	28,079	44,628

	Attributable to owners of the Company				Retained earnings	Non-controlling interest	Total equity
	Share capital	Share premium	Prepayment for future share issue	Currency translation reserve			
<i>In thousands of US dollars</i>							
Balance as at 31 December 2012 (unaudited)	149	36,821	432	76	42,657	26,222	106,357
Total comprehensive income for the period	-	-	-	(113)	1,183	634	1,704
Balance as at 31 March 2013 (unaudited)	149	36,829	432	(37)	43,840	26,856	108,061

The accompanying notes are an integral part of these interim condensed consolidated financial statements

1. Background

KSG Agro S.A. (the "Company") was incorporated under the name Borquest S.A. on 16 November 2010 as a "Société Anonyme" under Luxembourg company law for an unlimited period. On 8 March 2011 the Company's name was changed to KSG Agro S.A.

The registered office of the Company is at 46A avenue J.F. Kennedy, L-1855 Luxembourg and the Company number with the Registre de Commerce is B 156 864.

The Company and its subsidiaries (together referred to as the "Group") produces and sells agricultural products and its business activities are conducted mainly in Ukraine. The Group's parent is ICD Investments S.A., registered in Switzerland and the ultimate controlling party is Mr. Sergiy Kasianov.

2. Basis of preparation

These unaudited interim condensed consolidated financial statements for the three months period ended 31 March 2014 (the "Interim Financial Statements") are prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" as issued by the International Accounting Standards Board and adopted by the European Union. These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2013 (the "Annual Financial Statements"), which have been prepared in accordance with IFRS.

The Interim Financial Statements have been prepared in accordance with the accounting policies and methods of computation set out in the Annual Financial Statements except in respect of income taxes, which are recognised in the Interim Financial Statements based upon the best estimate of the weighted average income tax rate expected for the full financial year. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements.

The preparation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates will be modified as appropriate in the period the circumstances change.

The Group operates in an industry where significant seasonal variations in total sales are experienced during the year. The Group is required to invest in crop production in the first part of the year, with the majority of the Group's revenues coming in the second half of the year following the summer harvest.

Exchange rate fluctuations. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Group is the national currency of Ukraine, Ukrainian hryvnia ("UAH"). The Group's presentation currency is US Dollars ("USD"). As at 31 March 2014, the exchange rate used for translating foreign currency balances was USD 1 = UAH 10.95 (31 December 2013: USD 1 = UAH 7.99); EUR 1 = 15.07 UAH (31 December 2013: EUR 1 = 11.04 UAH).

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the Interim Financial Statements. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the Group's accounting policies. Judgements that have the most significant effect on the amounts recognised in the Interim Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next year are:

Biological assets. Biological assets are carried at fair value less costs to sell. Gains and losses arising from changes in the fair values of biological assets are recognized in the profit and loss. The fair value of biological assets is determined as the present value of the estimated net future cash inflows from sales of the harvest from these assets less estimated selling costs and other cash outflows relating to costs that would be necessary to grow and harvest the biological assets, including land lease costs, in order to transform them to agricultural produce. The fair value of livestock held for sale is based on the market price of livestock of similar age, weight, breed and genetic make-up. The net estimated cash inflows are discounted at rate of 20.2% per annum to reflect their present value. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual numbers.

Agricultural produce. Agricultural produce is the harvested product of the Group's biological assets. It is recorded at its fair value less costs to sell at the point of harvest. The determination of fair value for a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by type or quality. Fair value of each group of agricultural produce at the end of reporting period is determined as lower of the available average market price for similar products at the point of harvest or net realizable value. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual numbers.

4. Property, plant and equipment

Movement of property, plant and equipment for the three months ended 31 March 2014 and 2013 was as follows:

<i>In thousands of US dollars</i>	Buildings and construction	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
Carrying amount as at 1 January 2014	45,932	25,955	6,853	11,587	90,327
Additions	8	34	14	801	857
Disposals	-	(10)	-	-	(10)
Depreciation charge	(613)	(654)	(243)	-	(1,510)
Exchange differences	(12,418)	(7,017)	(1,853)	(3,133)	(24,421)
Carrying amount as at 31 March 2014 (unaudited)	32,909	18,308	4,771	9,255	65,243

<i>In thousands of US dollars</i>	Buildings and construction	Agricultural equipment	Vehicles and office equipment	Total
Carrying amount as at 1 January 2013	51,780	21,093	3,616	76,489
Additions	2,817	21	106	2,944
Disposals	-	(721)	(1,608)	(1,788)
Depreciation charge	(706)	(707)	(194)	(1,607)
Increases resulting from business acquisitions	-	-	-	-
Exchange differences	-	7	-	7
Carrying amount as at 31 March 2013 (unaudited)	53,891	19,693	2,641	76,045

5. Intangible assets

<i>In thousands of US dollars</i>	31 March 2014 (unaudited)	31 December 2013
Goodwill	6,418	8,796
Land lease rights	7,721	11,037
Other intangible assets	27	3
Total intangible assets	14,166	19,836

Movements in the carrying amount of land lease rights were as follows:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013 (unaudited)
Carrying amount as at 1 January	11,037	12,268
Amortization charge	(413)	(914)
Exchange differences	(2,903)	-
Carrying amount as at 31 March	7,721	11,354

6. Inventories and agricultural produce

<i>In thousands of US dollars</i>	31 March 2014 (unaudited)	31 December 2013
Agricultural produce	2,364	4,629
Agricultural stock	1,173	2,873
Work in process	2,249	2,555
Building materials	601	844
Goods for resale	304	655
Fuel	320	459
Spare parts	131	207
Other	1,127	759
Total inventories and agricultural produce	8,269	12,981

Agricultural produce consists mainly of wheat, corn and sunflower (31 December 2013: wheat, corn and sunflower).

KSG Agro S.A.**Notes to the Unaudited Interim Condensed Consolidated Financial Statements****7. Current biological assets**

<i>In thousands of US dollars</i>	31 March 2014 (unaudited)	31 December 2013
Crops in the field	25,269	31,497
Livestock husbandry	1,120	1,426
Total current biological assets	26,389	32,923

The balances of crops in the field were as follows:

<i>In thousands of US dollars</i>	31 March 2014 (unaudited)	31 December 2013
Coleseed (rape)	14,015	17,640
Wheat	8,781	10,867
Barley	2,473	2,990
Total crops in the field	25,269	31,497

Total area of agricultural land leased by the Group is approximately 96 thousand hectares.

Movements in crops in the field during the period consist of:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013 (unaudited)
Carrying amount as at 1 January	31,497	36,900
Costs incurred during the period, including spring crops	1,514	4,522
Increase resulting from business acquisitions	-	-
Increase from changes in fair value less expected costs to sell	773	3,888
Harvested during the period	-	-
Exchange difference	(8,515)	(21)
Carrying amount as at 31 March	25,269	45,289

8. Trade and other accounts receivable

<i>In thousands of US dollars</i>	31 March 2014 (unaudited)	31 December 2013
Trade accounts receivable	8,420	19,410
Less: provision for trade accounts receivable	(420)	(576)
Loans issued	4,929	10,172
Other financial receivables	6,080	2,034
Less: provision for other financial receivables	(579)	(793)
Total financial trade and other receivables	18,430	30,247
Advances issued	3,067	3,112
Less: provision for advances issued	(170)	(233)
Loans to employees	106	54
Total trade and other accounts receivable	21,433	33,180

KSG Agro S.A.**Notes to the Unaudited Interim Condensed Consolidated Financial Statements****9. Loans and borrowings**

<i>In thousands of US dollars</i>	31 March 2014 (unaudited)	31 December 2013
Long-term		
Financial lease liabilities	2,320	3,185
Bank loans	40,017	38,464
Total long-term loans and borrowings	42,337	41,649
Current		
Financial lease liabilities	2,743	3,747
Bank loans	32,236	51,667
Other loans	4,034	5,529
Total current loans and borrowings	39,013	60,943

10. Trade and other accounts payable

<i>In thousands of US dollars</i>	31 March 2014 (unaudited)	31 December 2013
Trade payables	20,919	23,876
Payables for own promissory notes	1,862	2,552
Financial assistance received	1,244	1,705
Land lease payables	2,710	3,116
Promissory notes issued to GEM	362	496
Other accounts payable	2,391	2,290
Total financial trade and other payables	29,488	34,035
Prepayments received	3,154	15,885
Wage and salaries accrued	303	957
Total trade and other payables	32,945	50,877

11. Revenue

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Sale of agricultural produce and processed food	4,440	7,817
Rendering of services	51	358
Total revenue	4,491	8,175

12. Cost of sales

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Cost of goods sold	4,820	7,227
Cost of services rendered	29	174
Total cost of sales	4,849	7,401

13. Selling, general and administrative expenses

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Informational, expert and consulting services	77	279
Wages and salaries	135	223
Crops storage and refining	121	115
Depreciation	61	196
Bank services	15	62
Transport services	57	98
Taxes	46	34
Materials	73	129
Other expenses	232	222
Total selling, general and administrative expenses	817	1,358

14. Other operating income, net

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Government grant from VAT	145	1,310
Loss of PPE disposal	-	(409)
Income from foreign exchange differences	-	331
Impairment of accounts receivable	-	-
Other expenses	(263)	(913)
Total other operating income, net	(118)	319

15. Finance income and expenses

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2014 (unaudited)	2013 (unaudited)
Finance income		
Interest received	509	381
Exchange differences	-	-
Total finance income	509	381
Finance expenses		
Interest expense on bank loans	(2,288)	(1,999)
Interest on finance leases	(136)	(174)
Total finance expenses	(2,424)	(2,173)

16. Subsequent events

From the 31 March 2014 till report publishing date company has been experienced following significant events in its activity:

- Loans were repaid for total amount of USD in Kambio bank for thousand USD 3,293
- Group sold its share in subsidiary Pivdenne LLC on June 2014.