KSG Agro

INTERIM REPORT

January – September 2022

KSG Agro S.A.

Société Anonyme
24, rue Astrid
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UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

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PRINCIPAL ACTIVITIES

KSG Agro S.A., separately referred to as "KSG Agro" or the "Company" and together with its subsidiaries referred to as the "Group", remains among the largest vertically integrated agricultural groups in the Dnipropetrovsk region of Ukraine, present in all major sectors of the agricultural market, including production, storage, processing and sale of agricultural products. Its key operating activities are breeding of pigs, processing of pork and production of wheat and sunflower.

IMPACT OF THE WAR EVENTS IN UKRAINE

On 24 February 2022, Russia started a full-scale invasion of Ukraine. Because the Group's key assets and operations are in Ukraine, the Group might be significantly affected by these events. Management's analysis of the risks and uncertainties surrounding the Invasion, as well as management's strategy and actions to mitigate those risks, are outlined in Note 15 to the interim condensed consolidated financial statements. The outcome of the Invasion, however, is impossible to predict at this time.

Since the start of the Russian Invasion, no fighting occurred in close vicinity to the Group's assets. The Group's pig farm and its crop fields are located in the centre of Ukraine, which hasn't seen any fighting yet.

As at the date of this report, the Group had successfully completed its spring sowing campaign, finished harvesting its winter crops and does not expect significant interruptions to its production cycle in the near future.

Where possible, the judgments and estimates used in the accompanying financial statements were updated to reflect the impact of the ongoing war events. However, adopting a more conservative approach, management only considered the events that had an unfavourable effect on such judgments and estimates.

OPERATIONAL HIGHLIGHTS

The Group continues to implement its simple strategy of focusing on three winter crops, two summer crops and pigs of a single breed. The Group's products, being basic food products, are always in demand, and remain in especially high demand in 2022, during war time.

Crop Farming

After careful deliberation, management decided not to adjust its crop mix in view of the probable future shifts in both local and global demand for certain crops as a result of Russia's invasion of Ukraine. The Group shall preserve its current ratio of 60% winter crops (wheat, barley, rapeseed) and 40% summer crops (sunflower, corn). In the long-term perspective, this had proven to be a more rational approach agronomically.

In May, the Group successfully completed its spring sowing campaign on 100% of the plots planned for summer crops (9 thousand hectares) and, in June, carried out cultivation, harrowing, and chemical protection for the summer crops.

In July, the Group finished harvesting all its winter crops. The weather in 2022 was not as graceful to agricultural producers as last year, but the yields on crops were no less than budgeted. The Group is currently completing its autumn harvesting campaign, which started at the end of August.

Both the sowing and the harvesting campaigns were carried out as planned, without major interruptions. This was achieved by forming sufficient strategic reserves of seeds, fertilisers and fuel during March and April, and even earlier.

The Group also secured two tranches of additional financing from TASCOMBANK, the Group's main lender, in the amounts of UAH 40 million and UAH 60 million, respectively, (a total equivalent of USD 3.4 million of additional funds). These funds were used to prepay key production costs (fertiliser, fuel, feed components, and salaries) ahead of their anticipated price increases, as well as to fund the wartime reserve of key production supplies.

Pig Breeding

Pig production and sales have both increased in comparison with the similar period of the previous year:

Marketable Pigs, in units	**Nine months 2022**	**Nine months 2021**	**Change, %**
As at 1 January	**43,701**	**41,416**	**+6%**
Farrow	104,467	79,362	+32%
Sales	(91,154)	(78,627)	+16%
Transfers (to) / from nucleus herd, net	(827)	(1,020)	
As at 30 September	**56,187**	**41,131**	**+37%**

The construction of an additional fattening shop for 2,340 pigs and an additional sow house for 360 sows should provide the Group with another production facility for fattening pigs and will offer an opportunity to increase the birth rate of piglets and improve their performance even more. As of the date of this report, the new fattening shop is now operational.

Furthermore, in 2021 the Group purchased 900 new sows as part of its herd rejuvenation efforts and started reconstruction of the second stage of the pig-breeding complex, which will allow the Group to further increase its production capacity. Plans for the second stage include 10 workshops for a total of 58 thousand heads.

To safeguard against the risk of temporary supply chain disruptions during wartime, the Group began to maintain a strategic three-month supply of raw materials for the production of compound feeds at its feed mill.

FINANCIAL HIGHLIGHTS

Consolidated financial results of the Group for the nine months ended 30 September 2022 and 2021 were as follows:

In thousands of US dollars	**Nine months 2022**	**Nine months 2021**	**Change, %**
Revenue	10,226	20,940	-51%
Gain/(loss) on biological transformation, net	1,926	4,515	+57%
Cost of sales	(9,010)	(18,154)	-50%
Gross profit	**3,142**	**7,301**	**-57%**
Operating profit	**1,650**	**6,147**	**-73%**
Depreciation and amortisation	1,074	1,204	-11%
EBITDA	**2,724**	**7,351**	**-63%**
Profit for the period	96	17,284	-99%
Adjusted for the effect of non-recurring transactions:			
- (Gain)/loss on disposal of subsidiaries	354	(11,577)	+103%
Normalised Profit (*)	**450**	**5,707**	**-92%**

Higher revenue in 2021 was largely due to the unexpectedly generous harvest that year. And because in 2022 the Group used more of its own grain for feed production instead of purchasing it, in an effort to decrease its reliance on outside suppliers of feed components for wartime logistical reasons. But the yields on the harvest of 2022 were good, and even with this new approach, the Group still has enough grain to ship to its customers. The Group already started export deliveries of rapeseed and sunflower oil from Ukraine to the EU (Poland, Slovakia and Italy), and is currently negotiating contracts for export of corn to Slovakia.

Details by segment are disclosed in Note 12 to the interim condensed consolidated financial statements.

(*) To provide a more adequate assessment of financial results for the period, management used the measure of 'normalised profit' for comparison purposes, instead of the accounting profit. In determining normalised profit, management excludes the effects of non-recurring and one-off transactions (such as disposals of subsidiaries), resulting in a presentation that is more objective and fair when performing period-to-period comparisons.

PLANS FOR THE FUTURE

The Board is currently formulating a new development strategy to expand the Group's activity in the European Union, with a clear target to have the majority of the Group's assets and revenues in the EU within the next 3 to 5 years. This could be achieved through a series of mergers and acquisitions, and financed by a mix of own and borrowed funds, including additional issues of shares.

The Board does not plan to dispose of the Group's existing assets in Ukraine. On the contrary, the focus of the new strategy is to expand and invest, thereby reducing the potential risks of investing only in Ukraine and mitigating the negative effects on the Group's business of the current macroeconomic situation in Ukraine.

SUBSEQUENT EVENTS

All significant events that occurred after the end of the reporting period are described in Note 16 to the interim condensed consolidated financial statements.

BUSINESS AND FINANCIAL RISKS

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

Credit risk concentration

The Group is exposed to the concentration of credit risk. Management monitors and discloses concentrations of credit risk by obtaining monthly reports with exposures to customers with individually material balances.

Market risk

The Group takes an exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. The Group does not have significant interest-bearing financial assets, while the Group's bank and other loans are interest-bearing.

Interest rate risk

Risk of changes in interest rates is generally related to interest-bearing loans. Loans issued at variable rates expose the borrower to the 'cash flow' interest rate risk, while loans issued at fixed rates expose the borrower to the 'fair value' interest rate risk.

Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is only susceptible to the currency risk with regard to its intercompany loans.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by monitoring monthly rolling forecasts of the Group's cash flows. The Group seeks to maintain a stable funding base mostly through proper management of its working capital and using short-term bank and company loans to cover the cash gaps.

In assessing day-to-day performance of the business, management excludes 'other financial assets' and 'other financial liabilities', as those mostly comprise old non-trade balances subject to restructuring, and analyses the change in the resultant 'adjusted working capital'. Based on management's assessment, the adjusted working capital is sufficient.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to Group's access to capital markets.

In thousands of US dollars	**30 September 2022**	**31 December 2021**
Bank and other loans	28,432	27,591
Less: cash and cash equivalents	(215)	(637)
Net debt	28,217	26,954
Total equity	12,690	23,040
Net Debt to Equity Ratio	**2.22**	**1.17**

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy.

Management believes it is responding appropriately to all the risks identified in order to support the sustainability of the Group's business in the current circumstances.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") observes most of the Warsaw Stock Exchange corporate governance rules included in the “Code of Best Practice for WSE Listed Companies” in the form and to the extent determined by the Resolution No. 19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012. Code of Best Practice for WSE Listed Companies is available at the official website of the Warsaw Stock Exchange.

The Board of Directors consists of five members, three of which hold an executive role (Directors A), and two directors are non-executive directors (Directors B).

Mr. Sergiy Kasianov, Chairman of the Board of Directors, has a significant indirect holding of securities in the Company. No other person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company’s share capital.

There are no restrictions on voting rights.

Appointment and replacement of Directors and amendments to the Articles of Association

With regard to the appointment and replacement of Directors, its Articles of Association (hereinafter referred to as the “Articles of Association”) and Luxembourg Law comprising the Companies Law 1915 govern the Company. A general meeting of the shareholders under the quorum may amend the Articles of Association from time to time and majority requirement provided for by the Law of 10 August 1915 On Commercial Companies in Luxembourg, as amended.

Powers of Directors

The Board is responsible for managing the business affairs of the Company within the clauses of the Articles of Association. The Directors may only act at duly convened meetings of the Board of Directors or by written consent in accordance with article 9 of Articles of Association.

Rights of the shareholders

Articles of Association and national laws and regulation govern the operation of the shareholders meetings and their key powers, description of their rights.

Transfer of shares

Transfer of shares is governed by Articles of Association of the Company.

Meetings of the board

In this regard the Company is governed by Article 9 of the Articles of Association.

Mr. Sergiy Kasianov has been appointed as Chairman of the Board of Directors.

The Board of Directors shall meet upon call by the Chairman, or any two Directors at the place and time indicated in the notice of meeting, the person(s) convening the meeting setting the agenda.

Written notice of any meeting of the Board of Directors shall be given to all Directors at least five (5) calendar days in advance of the hour set for such meeting, except in circumstances of emergency where 24 hours prior notice shall suffice which shall duly set out the reason for the urgency.

The board of Directors may act validly and validly adopt resolutions if approved by the majority of Directors including at least one class A and one class B Director at least a majority of the Directors are present or represented at a meeting.

Audit Committee

The audit committee is composed of three members and is in charge of overseeing financial reporting and disclosure.

Internal Control

The Company's management is responsible for establishing and maintaining adequate controls over financial reporting process for KSG Agro S.A., which include the appropriate level of Board of Directors' involvement.

KSG Agro S.A. maintains an effective internal control structure. It consists, in particular, of organizational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures. An important element of the control environment is an ongoing internal audit program. KSG Agro S.A. system also contains monitoring mechanisms, and actions taken to correct deficiencies if they identified.

To assure the effective administration of internal controls, KSG Agro S.A. carefully selects employees, develops and disseminates oral and written policies and procedures, provides appropriate communication channels and fosters an environment conducive to the effective functioning of controls.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Ukrainian generally adopted accounting principles and transformation to International Financial Reporting Standards as adopted by European Union;

- that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

We believe that it is essential for the Company to conduct its business affairs in accordance with the highest ethical standards, as set forth in KSG Agro S.A.

Information With Respect To Article 11 Of The Law Of 19 May 2006 On Takeover Bids

Article 11 a) the structure of their capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents.

According to article 5.1 of the articles of association of the Company (the Articles), the Company's subscribed share capital amounts to one hundred fifty thousand two hundred United States Dollars (USD 150,200.00) represented by fifteen million twenty thousand (15,020,000) shares having a nominal value of one Cent (USD 0.01) each.

All the issued share capital of the Company is admitted to listing and trading on the main market of the Warsaw Stock Exchange.

On 23 May 2013, the Company bought back thirty-two thousand one hundred and seventy-two (32,172) own shares, representing 0.21% of share capital, that are accounted for as treasury shares.

Article 11 b) any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC.

The shares of the Company are transferred in accordance with customary procedures for the transfer of securities in Book-entry form.

Furthermore, there is no restriction in relation with the transfer of securities pursuant to article 7.5 of the Articles. The sole requirement is that any transfer shall be recorded in the register of shares of the Company.

In accordance with article 7.10 of the Articles, any shareholder, company or individual, who acquires or sells shares, including certificates representing shares of the Company, shall notify to the Company the percentage of the voting rights he/she/it will own pursuant to such acquisition or sale, in case such percentage reaches the thresholds of 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% or supersedes or falls under such thresholds. The shareholders shall also notify the Company should the percentage of their respective voting rights reach the above-mentioned thresholds or supersede them or fall under such thresholds pursuant to certain events amending the voting rights repartition of the Company.

Those notification requirements apply also to certain situations as listed by article 9 of the law of 11 January 2008 on transparency obligations with respect to the information of companies which securities are listed on a regulated market.

Article 11 c) significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2004/109/EC.

The distribution of shares of the Company as at the reporting date is as follows:

- OLBIS Investments LTD S.A. holds eight million seven hundred and five thousand five hundred (8,705,500) shares, representing 57.96% of the issued share capital of the Company.

- KSG Agro S.A holds thirty-two thousand one hundred seventy-two (32,172) shares, representing 0.21% of the issued share capital of the Company.

- In free float there are six million two hundred and eighty-two thousand three hundred twenty-eight (6,282,328) shares, representing 41.83% of the issued share capital of the Company.

Article 11 d) the holders of any securities with special control rights and a description of those rights.

There are no special control rights.

Article 11 e) the system of control of any employee share scheme where the control rights are not exercised directly by the employees.

There is no employee share scheme.

Article 11 f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

Pursuant to article 7.10 of the Articles, if a shareholder breaches the thresholds mentioned in point b) and fails to notify the Company within the period of four (4) listing days, as stated therein, the exercise of voting rights attached to the new participation exceeding the relevant threshold will be suspended.

Article 11 g) any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC.

To the best of our knowledge there are no such agreements.

Article 11 h) the rules governing the appointment and replacement of board members and the amendment of the articles of association.

Pursuant to article 8 of the Articles, the directors of the Company (the Directors or the Board, as applicable) are to be appointed by the general meeting of the shareholders of the Company (the General Meeting) for a period not exceeding six (6) years and until their successors are elected. Moreover, the decision to suspend or dismiss a Director must be adopted by the General Meeting with a majority of more than one-half (1/2) of all voting rights present or represented. When a legal person is appointed as Director, the legal entity must designate a permanent representative (représentant permanent) in accordance with article 51bis of the Law of 10 August 1915 On Commercial Companies, as amended (the Company Law).

In accordance with article 20 of the Articles, the Articles may be amended from time to time by a General Meeting under the quorum and majority requirements provided for by the Company Law.

Article 11 i) the powers of board members, and in particular the power to issue or buy back shares.

With respect to the acquisition of own shares, article 6 of the Articles establishes that the Company may acquire its own Shares to the extent permitted by law. To the extent permitted by Luxembourg law, the Board is irrevocably authorized and empowered to take any and all steps to execute any and all documents to do and perform any and all acts for and in the name and on behalf of the Company which may be necessary or advisable in order to effectuate the acquisition of the shares and the accomplishment and completion of all related actions.

According to article 11.2 of the Articles, the Board is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests and within the objectives and purposes of the Company. All powers not expressly reserved by law or by the Articles to the General Meeting fall within the competence of the Board.

Article 11 j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements.

To the extent of our knowledge there are no such agreements.

Article 11 k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

To the extent of our knowledge there are no such agreements.

This management report for the nine months ended 30 September 2022 was approved for issue on 15 November 2022.

A.V. Skorokhod (Chief Executive Officer)	Y.V. Kyselova (Chief Financial Officer)

Statement of the Board of Directors and management's responsibility for the preparation and approval of the interim condensed consolidated financial statements

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

The Board of Directors and management of the Group are responsible for preparation of the interim condensed consolidated financial statements of the Group as at 30 September 2022 and for the nine months then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing the interim condensed consolidated financial statements, the Board of Directors and 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 the notes to the interim condensed consolidated financial statements;
- Compliance with ESMA Guidelines; and
- 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.

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 consolidated financial position of the Group, and which enable them to ensure that the interim condensed 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 4 (2) (c) of the Law of Luxembourg 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 nine months ended 30 September 2022, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the financial position, financial performance and cash flows of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole.

In addition, the interim management report includes a fair review of the performance, position, progress and development prospects 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.

These interim condensed consolidated financial statements as at 30 September 2022 and for the nine months then ended were approved for issue on 15 November 2022.

A.V. Skorokhod (Chief Executive Officer)	Y.V. Kyselova (Chief Financial Officer)

KSG Agro S.A.
Unaudited Interim Condensed Consolidated Statement of Financial Position
as at 30 September 2022

In thousands of US dollars	**Note**	**30 September 2022**	**31 December 2021**
ASSETS			
Non-current assets			
Property, plant and equipment		11,134	15,398
Long-term biological assets	7	22,146	29,688
Right-of-use assets		343	460
Total non-current assets		**33,623**	**45,546**
Current assets			
Current biological assets	7	9,448	9,670
Inventories and agricultural produce	8	9,655	9,250
Trade receivables	9	2,432	3,880
Other financial assets		279	442
Taxes recoverable		1,042	1,136
Prepaid assets		621	880
Cash and cash equivalents		215	637
Total current assets		**23,692**	**25,895**
TOTAL ASSETS		**57,315**	**71,441**
EQUITY			
Share capital		150	150
Share premium		37,366	37,366
Treasury shares		(112)	(112)
Retained earnings		(9,053)	(9,149)
Currency translation reserve		(15,775)	(5,341)
Equity attributable to the owners of the Company		**12,576**	**22,914**
Non-controlling interests		**114**	**126**
TOTAL EQUITY		**12,690**	**23,040**
LIABILITIES			
Non-current liabilities			
Bank and other loans	10	25,257	24,944
Lease liabilities		594	798
Total non-current liabilities		**25,851**	**25,742**
Current liabilities			
Trade payables		7,593	8,270
Other financial liabilities	11	6,715	7,790
Bank and other loans	10	3,175	2,647
Advances from customers	9	546	2,858
Lease liabilities		479	642
Tax liabilities		266	452
Total current liabilities		**18,774**	**22,659**
TOTAL LIABILITIES		**44,625**	**48,401**
TOTAL LIABILITIES AND EQUITY		**57,315**	**71,441**

Approved for issue and signed on behalf of the Board of Directors on 15 November 2022.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(Chief Financial Officer)

KSG Agro S.A.

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

for the nine months ended 30 September 2022

In thousands of US dollars	**Note**	**Nine months 2022**	**Nine months 2021**
Revenue	12	10,226	20,940
Gain/(loss) on biological transformation, net	12	1,926	4,515
Cost of sales	12	(9,010)	(18,154)
Gross profit		**3,142**	**7,301**
Selling, general and administrative expenses		(1,492)	(1,154)
Operating profit		**1,650**	**6,147**
Finance expenses, net		(2,267)	(1,563)
Gain/(loss) on disposal of subsidiaries	14	(354)	11,577
Other gains and losses		1,067	1,127
Profit before tax		**96**	**17,288**
Income tax expense		-	(4)
Profit for the period		**96**	**17,284**
Other comprehensive income/(loss)			
Currency translation differences	5	(10,800)	700
Total comprehensive income/(loss)		**(10,704)**	**17,984**
Profit attributable to:			
Owners of the Company		96	15,470
Non-controlling interest		-	1,814
Profit for the period		**96**	**17,284**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(10,692)	16,663
Non-controlling interests		(12)	1,321
Total comprehensive income/(loss)		**(10,704)**	**17,984**
Earnings per share			
Weighted average number of common shares outstanding, thousand		15,020	15,020
Basic and diluted earnings per share, USD		0.01	1.03

Approved for issue and signed on behalf of the Board of Directors on 15 November 2022.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(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 Statement of Cash Flows

for the nine months ended 30 September 2022

In thousands of US dollars	**Note**	**Nine months 2022**	**Nine months 2021**
Cash flow from operating activities			
Profit before tax		**96**	**17,288**
Adjustments for:			
Depreciation and amortisation		1,074	1,204
(Gain)/loss on biological transformation, net		(1,926)	(4,515)
(Gain)/loss on disposal of subsidiaries	14	354	(11,577)
Finance expenses, net		2,267	1,563
Exchange differences		(2,279)	(2,310)
Other gains and losses		(1,067)	(1,127)
Operating cash flow before working capital changes		**(1,481)**	**526**
Change in trade receivables and other financial assets		(650)	(3,116)
Change in current biological assets		661	5,619
Change in inventories and agricultural produce		(2,825)	(2,458)
Change in tax assets and liabilities		(278)	143
Change in trade payables and other financial liabilities		2,864	4,235
Cash generated from operations	10	**(1,709)**	**4,949**
Interest paid on loans and leases		(1,736)	(1,240)
Income tax paid		-	(6)
Cash generated from / (used in) operating activities	10	**(3,445)**	**3,703**
Cash flow from investing activities			
Payments for acquisition of property, plant and equipment		(916)	(872)
Payments for acquisition of long-term biological assets		-	(223)
Prepayment for acquisition of non-controlling interests	14	-	(2,265)
Disposal of subsidiaries, net of cash disposed	14	(16)	-
Cash generated from / (used in) investing activities		**(932)**	**(3,360)**
Cash flow from financing activities			
Proceeds from bank and other loans	10	4,869	3,237
Repayment of bank and other loans		(799)	(1,774)
Repayment of leases		(18)	-
Cash generated from / (used in) financing activities		**4,052**	**1,463**
Net (decrease) / increase in cash and cash equivalents		**(325)**	**1,806**
Cash and cash equivalents at the beginning of the period		637	108
Effect of exchange rate differences on cash and cash equivalents		(97)	71
Cash and cash equivalents at the end of the period		**215**	**1,985**

Approved for issue and signed on behalf of the Board of Directors on 15 November 2022.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(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 Statement of Changes in Equity

for the nine months ended 30 September 2022

In thousands of US dollars	Note	Attributable to owners of the Company						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings	Total attributable to owners of the Company		
Balance as at 1 January 2021		**150**	**37,366**	**(112)**	**(2,074)**	**(43,156)**	**(7,826)**	**13,208**	**5,382**
Profit for the period		-	-	-	-	15,470	15,470	1,814	17,284
Other comprehensive income/(loss)		-	-	-	1,193	-	1,193	(493)	700
Total comprehensive income/(loss)		**-**	**-**	**-**	**1,193**	**15,470**	**16,663**	**1,321**	**17,984**
Disposal of subsidiaries		-	-	-	(3,411)	-	(3,411)	-	(3,411)
Balance as at 30 September 2021		**150**	**37,366**	**(112)**	**(4,292)**	**(27,686)**	**21**	**14,529**	**19,955**
Balance as at 1 January 2022		**150**	**37,366**	**(112)**	**(5,341)**	**(9,149)**	**22,914**	**126**	**23,040**
Profit for the period		-	-	-	-	96	96	-	96
Other comprehensive income/(loss)		-	-	-	(10,788)	-	(10,788)	(12)	(10,800)
Total comprehensive income/(loss)		**-**	**-**	**-**	**(10,788)**	**96**	**(10,692)**	**(12)**	**(10,704)**
Disposal of subsidiaries	14	-	-	-	354	-	354	-	354
Balance as at 30 September 2022		**150**	**37,366**	**(112)**	**(15,775)**	**(9,053)**	**12,576**	**114**	**12,690**

Approved for issue and signed on behalf of the Board of Directors on 15 November 2022.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(Chief Financial Officer)

(All amounts in thousands of US dollars, unless otherwise stated)

1. CORPORATE INFORMATION

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 08 March 2011 the Company’s name was changed to KSG Agro S.A.

The registered office of the Company is at 24, rue Astrid, L-1143 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, stores, processes and sells agricultural products, mostly crops, pork and pigs in live weight, and its business activities are conducted mainly in Ukraine.

2. GROUP STRUCTURE

The Company’s immediate parent is OLBIS Investments LTD. S.A., registered in Panama, and the ultimate controlling party is Mr. Sergiy Kasianov. OLBIS Investments LTD. S.A. holds 57.96% of the issued share capital of the Company, 0.21% of shares are treasury shares and the remaining 41.83% are free float shares listed on the Warsaw Stock Exchange.

Principal activities of the entities forming the Group and the Company’s effective ownership interest in these entities as at 30 September 2022 and 31 December 2021 were as follows:

Entity	Principal activity	Country of registration	Effective ownership, %	
			30 September 2022	31 December 2021
KSG Agro S.A.	Holding company	Luxembourg		
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Dnipro LLC	Crop farming	Ukraine	100%	100%
Agro Golden LLC (Note 14)	Disposed	Ukraine	-	100%
Agro-Trade House Dniprovsky LLC	Dormant	Ukraine	100%	100%
Scorpio Agro LLC	Dormant	Ukraine	100%	100%
Hlebna Liga LLC	Dormant	Ukraine	100%	100%
Enterprise #2 of Ukrainian Agricultural and Industrial Holding LLC	Dormant	Ukraine	100%	100%
KSG Agro Polska Sp. z o.o.	Trade of agricultural products	Poland	100%	100%
Abbondanza SA	Trade of agricultural products	Switzerland	50%	50%
Parisifia Trading LTD	Intermediate holding company	Cyprus	100%	100%
Agroplaza LLC	Intermediate holding company	Ukraine	100%	100%
Kolosyste LLC	Dormant	Ukraine	100%	100%
Stepove LLC	Dormant	Ukraine	100%	100%
Dzherelo LLC	Dormant	Ukraine	100%	100%
SPE Promvok LLC	Pig breeding	Ukraine	100%	100%
Rantye LLC	Pig breeding	Ukraine	100%	100%
Strong-Invest LLC	Pig breeding	Ukraine	100%	100%
Modern Agricultural Investments LLC	Dormant	Ukraine	100%	100%

The Group consolidates all of its subsidiaries, including those where it owns less than 51 per cent of the equity shares. Based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of these subsidiaries. Relevant activities of the subsidiaries are determined by their boards of directors based on simple majority votes. Therefore, management of the Group concluded that the Group has control over the subsidiaries and the subsidiaries are consolidated in these financial statements.

3. OPERATING ENVIRONMENT AND GOING CONCERN

In determining the appropriate basis for preparation of the consolidated financial statements, the Board of Directors and management are required to consider whether the Group can continue in business for the foreseeable future.

Financial performance of the Group is naturally dependent upon weather conditions in areas of operation and the wider economic environment of Ukraine. To mitigate these risks, the Group continues to implement its strategy of focusing on more profitable segments, pig breeding and crop farming, and improving their performance.

As discussed in the Group's last annual financial statements, management are not aware of any uncertainties which might jeopardize going concern, other than the outcome of the ongoing Russian Invasion, its impact on the security of the Group's assets and its long-lasting effects on Ukrainian economy. Management's analysis of the risks and uncertainties surrounding the Invasion, as well as management's strategy and actions to mitigate those risks, are outlined in Note 15 to these financial statements, as well as Note 3 of the Group's last annual financial statements.

The Board of Directors concluded that, based on the above analysis, and except for the uncertainty regarding the outcome of the ongoing Russian Invasion, its impact on the security of the Group's assets and its long-lasting effects on Ukrainian economy, there is reasonable expectation that the Group can continue as a going concern for the next twelve months from the date these financial statements are being issued. Therefore, these consolidated financial statements have been prepared on a going concern basis.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

Management have reviewed the following new and amended IFRS Standards and Interpretations and adopted the ones that are effective for annual periods beginning on or after 1 January 2022:

- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37;
- Annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16.

As a result of the review, management conclude that adoption of the above Standards and Interpretations will not have any material effect on the disclosures or on the amounts reported in both current and future periods.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of IFRS issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and as adopted by the European Union.

Specifically, these financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ('last annual financial statements').

These financial statements are condensed, i.e. they do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that management deemed significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The accounting policies applied in these interim financial statements are the same as those applied in the Group's last annual financial statements. Any changes in accounting policies during the interim period are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2022.

Currency translation differences

As described in the 'Functional and presentation currency' section below, because the consolidated financial statements are prepared in USD and the functional currency of the Group's Ukrainian subsidiaries is the Ukrainian hryvnia, the individual financial statements of those subsidiaries have to be translated into USD for consolidation purposes. Upon such translation, different exchange rates are applied to different periods, resulting in translation differences between reporting dates. Translation differences are recognised in other comprehensive income and accumulated as part of a separate component of equity.

Due to the devastating effects of the Russian Invasion on the Ukrainian economy (see Note 15), exchange rates of Ukrainian Hryvnia against major currencies, particularly the US Dollar, have dropped significantly, resulting, among other things, in negative currency translation differences. In fact, because the largest Group subsidiaries are Ukrainian entities, such translation differences in the current period are rather substantial.

(All amounts in thousands of US dollars, unless otherwise stated)

Functional and presentation currency

The currency of each consolidated entity is the currency of the primary economic environment in which the entity operates. The functional currency for most of the consolidated entities is the Ukrainian hryvnia. As the Group's management use USD when monitoring operating results and financial condition of the Group, the presentation currency of these financial statements is USD.

The exchange rates used for translating foreign currency balances were:

	USD	EUR
As at 31 December 2021	27.2782	30.9226
Average for the nine months ended 30 September 2021	27.4866	32.9022
As at 30 September 2022	36.5686	35.5611
Average for the nine months ended 30 September 2022	30.9529	32.8978
As at the date these financial statements are being issued	36.5686	36.7496

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management make estimates and assumptions that affect the amounts recognised in the financial statements. Estimates and assumptions 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 make certain judgements, apart from those involving estimations, in the process of applying the Group's accounting policies.

As disclosed in Note 15, the Russian Invasion of Ukraine had started in late February 2022 and is ongoing as at the date these consolidated financial statements are being issued. Because the Group's key assets and operations are in Ukraine, a number of the Group's estimates, assumptions and judgments used to compile these consolidated financial statements might be significantly affected by these events. Furthermore, some assumptions involve varying degrees of uncertainty and would even be impossible to formulate at this time; especially those relating to the outcome of the Russian Invasion.

Where possible, the judgments and estimates used in these consolidated financial statements were updated to reflect the impact of the ongoing war events. However, adopting a more conservative approach, management only considered the events that had an unfavourable effect on such judgments and estimates.

The analysis of most significant judgments and estimates is presented below. Other judgments and estimates were the same as those that applied to the last annual financial statements.

Significant judgments and estimates	**How they are determined, obtained, projected**	**Unfavourably affected by war events?**	**Updated in these financial statements**
Useful lives of property, plant and equipment	management expertise, based on historical patterns	No. No fighting occurred in close vicinity to the Group's assets	
Allowance for lifetime expected credit losses	measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive)	No. The Group does not have customers in Russia. Credit risk is concentrated in a few local customers in the Dnipropetrovsk region of Ukraine. No decrease in collectability observed so far, which makes it less likely to decrease in the future	
Fair value of agricultural produce (fair value less costs to sell at the date of harvest)	with reference to market prices for grains and meat, which are obtained from external sources (commodity exchanges, independent industry statistics, state purchase prices)	No. Grain prices have only increased due to decreased supply. Meat prices already increased and are expected to increase even more by the end of the year	

Significant judgments and estimates	**How they are determined, obtained, projected**	**Unfavourably affected by war events?**	**Updated in these financial statements**
Fair value of crops			
expected crop yield on harvest	based on historical patterns	Not affected. As evidenced by the results of the current year's harvest	
market prices for grains	from external sources (commodity exchanges, independent industry statistics, state purchase prices	No. Prices have only increased due to decreased supply	
cultivation, harvesting and other production costs, including land lease costs	based on historical information and adjusted, where necessary, to conform with new material requirements and production techniques currently in use	Yes. Most production costs were anticipated to increase	No. The Group prepaid key production costs ahead of their anticipated price increases (Note 10)
time of harvest	based on historical patterns	Not affected	
discount rate	weighted average cost of capital based on the Group's risk profile	Uncertain due to increased volatility of market-based components of WACC	No. Not yet feasible to determine reliable market expectations for estimating WACC
Fair value of sows			
expected litter on farrow	based on historical patterns	Not affected	
average productive life of swine	based on internal statistical observations	Not affected	
expected volume of meat at the date of slaughter	based on historical patterns	Not affected	
market prices for meat	from external sources (industry statistics, state purchase prices	No. Expected to increase with inflation	
production costs	based on historical information and adjusted, where necessary, to conform with new material requirements and production techniques currently in use	Yes. Most production costs were anticipated to increase	No. The Group prepaid key production costs ahead of their anticipated price increases (Note 10)
discount rate	weighted average cost of capital based on the Group's risk profile	Uncertain due to increased volatility of market-based components of WACC	No. Not yet feasible to determine reliable market expectations for estimating WACC

(All amounts in thousands of US dollars, unless otherwise stated)

7. BIOLOGICAL ASSETS

	30 September 2022		31 December 2021	
Non-current biological assets (swine)	**Units**	**Amount**	**Units**	**Amount**
Sows	6,086	22,116	5,560	29,656
Boars	33	30	38	32
Total non-current biological assets		**22,146**		**29,688**
Current biological assets (swine)	**Units**	**Amount**	**Units**	**Amount**
Pigs and piglets	56,187	5,075	43,701	3,960
Current biological assets (crops)	**Hectares**	**Amount**	**Hectares**	**Amount**
Wheat	-	-	4,166	3,126
Barley	-	-	1,354	1,277
Rapeseed	-	-	822	1,044
Sunflower	8,074	3,630		-
Corn	1,213	588		-
Other		155		263
Total current biological assets		**9,448**		**9,670**
Total biological assets		**31,594**		**39,358**

8. INVENTORIES AND AGRICULTURAL PRODUCE

	30 September 2022	31 December 2021
Agricultural produce	5,795	4,603
Land cultivation and harvesting	509	988
Seeds, fertilisers, crop protection products	911	2,688
Construction materials	175	141
Fodder (raw materials)	1,173	145
Fodder (processed)	190	201
Fuel	758	344
Goods for resale	5	34
Other	139	106
Total inventories and agricultural produce	**9,655**	**9,250**

(All amounts in thousands of US dollars, unless otherwise stated)

9. SETTLEMENTS WITH CUSTOMERS

The balance of receivables from customers and related impairment was as follows:

	30 September 2022	31 December 2021
Receivables from customers	3,996	4,875
Less: impairment	(1,564)	(995)
Total trade receivables	**2,432**	**3,880**

Of the total balance of 'advances from customers' as at 31 December 2021, USD 1,069 thousand were returned in cash in early February 2022, the remainder was settled through shipment of goods in the current period.

10. BANK AND OTHER LOANS

	Loan currency	30 September 2022	31 December 2021
Loan from Parent (i)	USD	15,787	15,554
Loan from TASCOMBANK	UAH	12,645	12,037
Total bank and other loans		**28,432**	**27,591**

(i) Loan from Parent, OLBIS Investments LTD S.A., becomes due in December 2026, together with all interest accrued up to that date. Interest rate on the loan is 3% per annum. At the date these financial statements are being issued, OLBIS Investments LTD S.A. confirmed the ongoing negotiations to extend the maturity date past 2026, but no such extension, or any other change to the existing terms, have been formally agreed as of this date.

Changes in bank and other loans were as follows:

	2022
Carrying amount as at 1 January	**27,591**
Loans received (ii)	4,869
Loans repaid	(799)
Interest accrued	1,973
Interest paid	(1,442)
Translation differences	(3,760)
Carrying amount as at 30 September	**28,432**

(ii) To mitigate the risk of operational delays in a sowing campaign that happens in wartime, in March 2022 the Group secured two tranches of additional financing from TASCOMBANK in the amounts of UAH 40 million and UAH 60 million (a total equivalent of USD 3.4 million), which were used in operating activities to prepay key production costs (fertiliser, fuel, feed components, and salaries) ahead of their anticipated price increases, as well as to form a wartime reserve of key production supplies.

11. OTHER FINANCIAL LIABILITIES

	30 September 2022	31 December 2021
Other payables	3,055	3,944
Short-term promissory notes issued	1,918	1,999
Company loans received	1,533	1,619
Wages and salaries payable	209	228
Total other financial liabilities	**6,715**	**7,790**

(All amounts in thousands of US dollars, unless otherwise stated)

12. OPERATING SEGMENTS

Information about operating segments for the nine months ended 30 September 2022 is as follows:

	Pig Breeding	Crop Farming	Other	Total
Revenue, including:				
- total sales of goods	7,590	3,492	-	11,082
- less: inter-segment sales of goods (i)	-	(2,080)	-	(2,080)
- rendering of services	-	940	284	1,224
Revenue from external customers	**7,590**	**2,352**	**284**	**10,226**
Gain/(loss) on biological transformation, net	1,696	230	-	1,926
Cost of sales	(7,572)	(1,242)	(196)	(9,010)
Segment profit/(loss)	**1,714**	**1,340**	**88**	**3,142**

Information about operating segments for the nine months ended 30 September 2021 is as follows:

	Pig Breeding	Crop Farming	Other	Total
Revenue, including:				
- total sales of goods	8,092	11,184	195	19,471
- less: inter-segment sales of goods	-	(910)	-	(910)
- rendering of services	-	1,832	547	2,379
Revenue from external customers	**8,092**	**12,106**	**742**	**20,940**
Gain/(loss) on biological transformation, net	718	3,797	-	4,515
Cost of sales	(7,339)	(10,530)	(285)	(18,154)
Segment profit/(loss)	**1,471**	**5,373**	**457**	**7,301**

(i) To decrease its reliance on outside suppliers of feed components for wartime logistical reasons, in 2022 the Group used more of its own grain for feed production instead of purchasing it, as compared to prior year. This also helped achieve a noticeable decrease in fodder costs for the pig business.

Seasonality of operations

Crop Farming segment, due to seasonality and implications of relevant reporting standards, in the first half of the year mainly reflects the sales of carried forward agricultural produce and effect of biological assets revaluation, while during the second half of the year it reflects sales of crops and effect of revaluation of agricultural produce harvested during the year. Also, crop farming has seasonal requirements for working capital increase during November-May, to finance land cultivation work. Other segments are not significantly exposed to seasonal fluctuations.

13. RELATED PARTIES

Significant transactions with related parties were as follows:

	Nine months 2022		Nine months 2021	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Income				
Sales of pigs and pork	-	5,352	-	3,130
Other services	-	215	-	94
Expenses				
Interest expense on loans	233	-	233	-

(All amounts in thousands of US dollars, unless otherwise stated)

14. DISPOSAL OF SUBSIDIARIES

In early February 2022, the Group disposed of its subsidiary Agro Golden LLC.

Effect of this disposal for the nine months ended 30 September 2022 was as follows:

	Agro Golden LLC
Effective ownership ratio, %	100%
Inventories and agricultural produce	8
Trade receivables	20
Other financial assets	186
Other financial liabilities	(228)
Tax liabilities	(2)
Cash and cash equivalents	16
Net assets disposed	**-**
Currency translation reserve realised	(354)
Cash consideration received	-
Loss on disposal of subsidiaries	**(354)**
Cash consideration received	-
Net cash disposed with the subsidiary	(16)
Net cash flow on disposal	**(16)**

During the nine months ended 30 September 2021, the Group made a prepayment towards the acquisition of non-controlling interests and disposed of five subsidiaries. Details on both transactions are disclosed in the Group's last annual financial statements.

15. RUSSIAN INVASION OF UKRAINE. CURRENT SITUATION AND PLANS FOR THE FUTURE

The Group's operations are predominantly in Ukraine. Ukraine has been engaged in a lengthy war with Russia since as early as February 2014, a war still ongoing as at the date these financial statements are being issued.

2014-2021: Euromaidan, Annexation of Crimea, and the War in Donbas

In February 2014, after a series of anti-government protests (called 'Euromaidan') swept the country, the President of Ukraine fled, and the new Interim Government had been formed. In March 2014, using this political instability, Russia annexed the Crimean Peninsula, and then provoked and began actively supporting a continuing armed conflict between the Ukrainian army and Russian-backed separatists in the Donbas region of Ukraine. In May 2014, a new, pro-European, President of Ukraine was elected, and the country slowly started to recover.

The loss of Crimea, the conflict in Donbas, all resulted in radical market shifts for key export-oriented sectors. The Ukrainian economy suffered a deep slump throughout the whole of 2014 – 2016. As part of the government's stabilisation measures, the National Bank of Ukraine ("NBU") imposed numerous restrictions, including those on international money transfers. The Group lost a substantial chunk of its assets as a result of Russia's annexation of Crimea in 2014 and NBU's restrictions imposed significant difficulties with timely repayment of loans to the Group's international creditors.

Most of these loans also became immediately due, and so the Group had to negotiate restructuring of the loans to be able to make payments in the new conditions. Restructuring eventually started in 2017, when a letter of intent was signed with the Group's largest creditors to confirm preliminary restructuring terms. By summer of 2020, the Group had successfully settled all its major loans.

By summer of 2020 the economy also mostly recovered. Overall macroeconomic stabilisation was evidenced by a rise in domestic investment, revival in household consumption, increase in agricultural and industrial production, construction activity and improved environment on external markets. Consumer price inflation has slowed down to, and was expected to remain around, 5% in future years.

As of 23 February 2022, political and economic situation in Ukraine remained relatively stable.

2022: Russian Invasion

On 24 February 2022, Russia started a full-scale invasion of Ukraine. After an initial series of air strikes, which targeted key military infrastructure, Russian ground troops moved in across the whole length of the state border between Russia and Ukraine (north-east and east), as well as south from the annexed Crimea.

More than 5.6 million Ukrainians (mostly women with children) fled the country to the neighbouring Poland, Romania, Moldova, Hungary and Slovakia within the first few weeks. A quarter of the Ukrainian population was internally displaced. The UN has described it as the fastest growing humanitarian crisis since World War II.

Ukraine's response

The President of Ukraine immediately enacted martial law and general mobilisation. Civilian volunteers who were not drafted into the regular Ukrainian Armed Forces were able to join the Territorial Defence Forces, which are local civilian defence militias officially recognised and supported by the Government of Ukraine. The President of Ukraine turned to the international community for support.

The Government of Ukraine issued upwards of USD 300 million worth of war bonds to fund additional military spending.

The National Bank of Ukraine suspended currency markets, fixed the official exchange rate of Hryvnia against foreign currencies, limited cash withdrawals in Hryvnia and prohibited withdrawal in foreign currencies. As at the date these consolidated financial statements are being issued, some limitations were gradually loosened, but most are still in place.

The Government of Ukraine also initiated several programs to support local businesses, including direct financial aid, subsidies, and tax breaks. Most prominently, the Government:

- introduced a single 2% turnover-based tax rate, as an option available to most Ukrainian businesses, in lieu of existing value-added tax and corporate income tax, effective from 1 April 2022.
- specifically committed to provide financial support to smaller agricultural producers ahead of the spring sowing campaign, in an attempt to thwart a possible food crisis that the war could ensue.

International response

In response to Russian aggression, a large number of countries began applying sanctions with the aim of crippling the Russian economy. The sanctions were wide-ranging, targeting individuals, banks, businesses, monetary exchanges, bank transfers, exports, and imports.

Several countries that are historically neutral, such as Switzerland and Singapore, have agreed to sanctions.

Sanctions also included cutting off major Russian banks from SWIFT and freezing assets of the Russian Central Bank, which held USD 630 billion in foreign-exchange reserves. By 1 March 2022, the total amount of Russian assets being frozen by sanctions surpassed USD 1 trillion.

While sanctions are intended to weaken the Russian economy, financial support from governments and international financial institutions towards Ukraine are instead directed to support the Ukrainian economy and help it stay afloat. For that purpose, the frozen (or otherwise ceased) Russian assets could be provided to Ukraine as reparations.

In addition to having sanctions imposed on Russia, in addition to receiving political and financial support from countries across the globe, Ukraine is also receiving indirect military support from other countries, particularly its European allies, through supply of weapons to defend against the Russian aggression.

Major multinational companies from various sectors of the economy, including largest energy companies, major credit card networks, technology companies, have disengaged from Russia in support of Ukraine.

Group's response

The Group has increased security around the pig farm and created a backup office in Chernivtsi, a city close to the western border of Ukraine and further away from the Russian aggression than the Group's main office in Dnipro.

Since most of the Group's production processes are vertically integrated, it is only dependable on suppliers of fertiliser, fuel, and pig feed. Therefore, during March and April of 2022, the Group:

- fully stocked with fertiliser and fuel for both, the sowing campaign of 2022 summer crops and the subsequent harvesting campaign of 2021 winter crops, to mitigate any potential risk of future shortage or logistical hurdles;
- procured a strategic three-month supply of raw materials for the production of compound feeds at its feed mill, to safeguard against the risk of temporary supply chain disruptions during wartime.

All these purchases were made in Ukrainian currency, so there is no foreign currency risk.

The Group also secured two tranches of additional financing from TASCOMBANK, the Group's main lender, in the amounts of UAH 40 million and UAH 60 million, respectively, (a total equivalent of USD 3.4 million of additional funds). These funds were used to prepay key production costs (fertiliser, fuel, feed components, and salaries) ahead of their anticipated price increases, as well as to fund the wartime reserve of key production supplies.

Current situation

Facing heavy resistance from both the regular Ukrainian Armed Forces and Territorial Defence Forces, Russian ground troops failed to gain a significant foothold in Ukraine fast enough and, after two weeks, their ground progress has essentially stalled. Around 1 April 2022, the Russian battalions attacking the northern regions of Ukraine ceased their assault and withdrew back to Russia, to join the other Russian forces in a unified attack on Donbas, in the east of Ukraine.

Even with all Russian forces now concentrated on Donbas, their progress is still very slow, which provides Ukraine's allies time to supply Ukraine with strategic weapons in order to bolster its defence and plan a counter-offensive.

Since the start of the Russian Invasion, no fighting occurred in close vicinity to the Group's assets. The Group's pig farm and its crop fields are located in the centre of Ukraine, which hasn't seen any fighting yet.

As at the date these consolidated financial statements are being issued, the Group had successfully completed its spring sowing campaign, finished harvesting its winter crops and does not expect significant interruptions to its production cycle in the near future.

(All amounts in thousands of US dollars, unless otherwise stated)

Management's Assessment of the Impact of the War

As at the date these consolidated financial statements are being issued, the War has been going on for 8 years already. But even amidst this war, Ukraine's economy and army have only been getting stronger. From 2016 and onwards, the exchange rates for the Ukraine's national currency Hryvnia have stabilised (data below is from NBU):

	2021	2020	2019	2018	2017	2016	2015	2014	2013
UAH for 1 EUR	32.3	30.8	28.9	32.1	30.0	28.2	24.2	15.7	10.6
UAH for 1 USD	27.2	26.9	25.8	27.2	26.5	25.5	21.8	11.9	7.9

And key macro-economic indicators have also improved (data below is from World Bank):

	2021	2020	2019	2018	2017	2016	2015	2014	2013
GDP, USD billion	164	155	154	131	112	93	91	134	190
Inflation, %	9.5	2.7	7.8	10.9	14.4	13.9	48.6	12.1	(0.3)

All of the Group's major problems in the past 8 years were the result of the ongoing war, but despite the difficulties, the Group still managed to overcome the odds and continues to do so.

Table 1. The Group's total obligations under bank and other loans as at 31 December over the years were as follows:

in USD million	2021	2020	2019	2018	2017	2016	2015	2014	2013
Non-current portion	27.2	24.5	17.5	20.3	22.5	20.9	17.5	11.1	43.6
Current portion	2.5	2.9	11.8	23.8	24.7	24.4	28.9	55.6	59.8
Total bank and other loans	**29.7**	**27.4**	**29.3**	**44.1**	**47.2**	**45.3**	**46.4**	**66.7**	**103.4**

Table 2. Improvements in the Group's working capital as at 31 December over the years were as follows:

in USD million	2021	2020	2019	2018	2017	2016	2015	2014	2013
Current Assets	25.9	18.9	20.4	22.4	17.5	13.9	20.3	20.6	88.0
Current Liabilities	(22.4)	(25.2)	(43.9)	(49.1)	(42.1)	(41.8)	(53.5)	(82.2)	(112.8)
Working Capital	**3.5**	**(6.3)**	**(23.5)**	**(26.7)**	**(24.6)**	**(27.9)**	**(33.2)**	**(61.6)**	**(24.8)**

Table 3. The Group's annual revenue and EBITDA over the years were as follows:

in USD million	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue	30.7	21.3	23.9	28.3	23.2	20.9	19.3	26.3	58.0
EBITDA	12.3	6.0	9.3	2.9	8.3	11.3	16.4	6.8	2.0

The above indicators suggest that the Group has an obvious track record of persevering through adversity. And, from the improvement in macro-economic indicators, we may further derive that other Ukrainian businesses exhibit the same trait. A trait that seems to be in the DNA of Ukrainian people, serving as a testament that the victory will be eventually ours.

Ukraine already received overwhelming international support, both politically and economically. In addition to receiving donations from sympathisers (major financial institutions and governments) across the globe, the Government of Ukraine also issued several rounds of war bonds to finance its military. Other financial aid packages from abroad are on the way. This aid should help the Government to stabilise and more or less secure its pre-Invasion financial position, as well as keep key macro-economic projections at their pre-Invasion levels.

For regions of Ukraine that are further away from the fighting, the current crisis feels in a way just like the continuation of COVID, people got used to movement restrictions and business lockdowns.

And, drawing further comparisons with COVID, we believe that the expected financial aid packages would serve as the much-needed vaccine booster shot, increasing the country's financial immunity against the devastating effects of a war.

The Group’s products, being basic food products, are always in demand, and remain in especially high demand in 2022, during war time.

During the last several months, the prices for both crops and pork have increased substantially. And the recent droughts in various parts of Africa, a region which already greatly depends on imports of wheat from Russia and Ukraine, are projected to increase the price of wheat even higher. According to the United Nations, Russia and Ukraine produce more than a quarter of global wheat exports.

As a result, both the July harvest of winter crops, as well as the planned harvest of summer crops due around September, in addition to constant supply of pork, should maintain the Group's profitability at a sufficient level to both support its operational needs, as well as funding any scheduled repairs and maintenance of equipment, for at least the next twelve months from the date these consolidated financial statements are being issued.

Plans for the future

The Board is currently formulating a new development strategy to expand the Group’s activity in the European Union, with a clear target to have the majority of the Group’s assets and revenues in the EU within the next 3 to 5 years. This could be achieved through a series of mergers and acquisitions, and financed by a mix of own and borrowed funds, including additional issues of shares.

The Board does not plan to dispose of the Group’s existing assets in Ukraine. On the contrary, the focus of the new strategy is to expand and invest, thereby reducing the potential risks of investing only in Ukraine and mitigating the negative effects on the Group’s business of the current macroeconomic situation in Ukraine.

16. EVENTS AFTER THE REPORTING PERIOD

As at the date these financial statements are being issued, the Group is completing its autumn harvesting campaign.

Any relevant developments relating to the Russian Invasion of Ukraine have been disclosed in Note 15.

There were no other material subsequent events.