

KSG Agro

ANNUAL REPORT
2023

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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.

The Company did not carry out any activities in research and development in the current period.

IMPACT OF RUSSIA’S INVASION OF 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 the invasion, which is still ongoing. 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 3 to the consolidated financial statements. The outcome of the invasion, however, is impossible to predict at this time.

Since the start of Russia’s invasion, no fighting occurred in close vicinity to the Group’s assets. The Group’s pig farm and its crop fields are located on the western bank of the Dnipro river, which is fully controlled by the Ukrainian government.

During 2023, the Group had successfully completed its sowing and harvesting campaigns, and does not expect significant interruptions to its production cycle in the near future. As at the date of this report, the Group’s spring sowing campaign of 2024 has also started.

Where possible, the judgments and estimates used in the accompanying 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 unfavorable effect on such judgments and estimates. See Note 6 to the consolidated financial statements for details.

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 2023, during war time.

Crop Farming

In the first half of 2023, the Group exported 4.2 thousand tons of grain crops (wheat, corn, barley), mainly to Asia and Africa. Export deliveries were made within the framework of the existing grain corridor through the ports of Odesa and the Odesa region.

Harvesting of winter crops in July was carried out as planned, without major interruptions from the war activities. The yields were 3 tons per hectare for barley, 2.5 tons per hectare for rapeseed, and 5 tons per hectare for wheat. Harvesting of summer crops, specifically sunflower, provided a yield of 2.4 tons per hectare, which was well within the expected range.

In parallel with the sunflower harvesting campaign, the Group sowed winter wheat on an area of 2 thousand hectares and rapeseed on an area of 1.5 thousand hectares. Insufficient precipitation during the weeks leading up to the sowing campaign resulted in lower moisture levels in the soil, but the crops still appear to be in good condition despite of that.

Pig Breeding

Following certain considerations, during the year 2023, the Group has been gradually reducing its massive pig population at the farm in Nyva Trudova. Key reasons were the concerns for general security and biosecurity of the herd, as well as changes to the Group’s strategy and overall market conditions.

Smaller herd, more farms. Safety and biosecurity

To mitigate the risk of losing the whole pig population in case of a rocket or drone strike, the Group had started to distribute the herd across several locations. If one location is affected, the rest will remain unharmed.

Individual farms now being less crowded, would also help better maintain the overall health of the pigs and, as a bonus, reduce health maintenance costs.

Management of the Group is currently negotiating ways to expand the number of farms under the Group’s operation, either through a partnership program with other pig farmers, or by leasing or purchasing additional farms.

Another recent concern is how the destruction of the Kakhovka Dam by the Russian forces affects the overall supply of fresh water in the area. Meanwhile the Group is in search of alternative sources of water, and is investing into backup technical solutions, because there is a risk that accessing to current sources would be limited. Distributing pigs across several farms decreases the required supply of water from a single source and should, thereby, remove this risk.

Switch to new genetics. Focus on piglets

As part of a recent change to its strategy, the Group started retooling its production process to focus on raising piglets specifically for sale to other pig producers.

Beginning in 2021, the Group began to rejuvenate its nucleus herd, gradually substituting sows of European genetics for sows of Canadian genetics.

A series of tests, conducted by the Group at the beginning of 2023, confirmed that the productivity of Canadian sows compared to European ones is much higher, not only in terms of litter and weight per farrow, but also in terms of the quality of meat.

Based on the results of these tests, most of the low-productivity sows were gradually removed from the nucleus herd and sold during the year. To replace them, the Group is purchasing fresh gilts of Canadian genetics.

The management stated that such new sows have superior results in their first [productive years (as compared to the possibility of old sows being deployed).

As a result of the strategy described above, as well as fresh change in the genetic material, the Group's management believes the valuation model prepared showed a higher result. However, a lower valuation in line with last year's valuation has been accepted reflecting the figures

This higher result in the model proposed by management is explained by the fact the Group's pig breeding segment was operated using quite a different strategy, compared to the one used in previous years. Instead of growing piglets till nominal weight prescribed for commercial pigs that are to be sold to the market, the Group's management started to sell piglets at much early age, with much less weight in the second half of 2023, and also in 2024.

This strategy has resulted in the number of important changes, the most material of them being: a) much less investment into feed for the piglets in the period when they are not sold and b) much faster cash turnover, which resulted in better financial results and quicker profits accumulation.

A temporary decrease in total farrow in 2023 is balanced out by an overall decrease of pig maintenance costs (due to a twofold reduction of the herd), as well as increased productivity from fresh sows of Canadian genetics.

Later in 2024, the Group plans to purchase yet another batch of Canadian sows. Fresh Canadian genetics will allow the Group to produce high-quality piglets to be sold specifically as piglets and not grown further at the Group's farms. This would also shorten the Group's production cycle, decreasing general security and biosecurity risks even further.

FINANCIAL HIGHLIGHTS

Consolidated financial results of the Group for the years ended 31 December 2023 and 2022 were as follows:

<i>In thousands of US dollars</i>	2023	2022	Change, %
Revenue	18,786	16,202	16%
Gain/(loss) on biological transformation, net	(2,899)	4,602	(163)%
Cost of sales	(15,404)	(17,624)	(13)%
Gross profit	483	3,180	(85)%
Operating profit / (loss)	(1,615)	442	(465)%
Depreciation and amortization	1,217	1,351	(10)%
EBITDA	(398)	1,793	(122)%

Higher revenue in 2023 was largely due to the renewed exports of grain, which were limited in 2022 with the start of Russia's invasion of Ukraine. 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.

Total revenue from crop farming for the year ended 31 December 2023 was USD 12,6 million as compared to USD 4.5 million for the year ended 31 December 2022. Net change in the fair value of crops was USD 1,6 million for the year ended 31 December 2023 and 4,6 million for the year ended 31 December 2022.

As an alternative revenue source to hedge against the unpredictability of weather conditions, the Group used its agricultural equipment and expertise to render land cultivation and similar land preparation services to other crop producers for a total amount of USD 2,5 million for the year ended 31 December 2023 as compared to USD 1,3 million for the year ended 31 December 2022.

Details by segment are disclosed in Note 18 to the consolidated financial statements.

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 27 to the 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 on 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 recognized 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 based mostly through proper management of its working capital and using short-term bank and company loans (as defined in Note 17) to cover the cash gaps.

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.

<i>In thousands of US dollars</i>	31 December 2023	31 December 2022
Bank and other loans	15,838	27,735
Less: cash and cash equivalents	(206)	(271)
Net debt	15,632	27,464
Total equity	(834)	(12,458)

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 of the Company (the "Board") observes the corporate governance rules of the Warsaw Stock Exchange 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, in its latest version effective from 1 July 2022, is available at the official website of the Warsaw Stock Exchange.

In the current year, the Board of Directors was composed of:

Name	Class	Date of Appointment	Renewal mandate	Date of Resignation
Mr. Sergiy Kasianov	Director A	March 8, 2011	August 17, 2020	-
Mr. Andriy Skorokhod	Director A	October 2, 2017	August 17, 2020	-
Mr. Andrii Mudrievskiy	Director A	May 23, 2014	August 17, 2020	-
Mr. Xavier Soulard	Director B	May 26, 2014	August 17, 2020	-
Mr. Eric Tazzieri	Director B	May 26, 2014	August 17, 2020	-

Mr. Sergiy Kasianov, Chair 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 modified Law of 10 August 1915 on commercial companies (hereinafter referred to as the "Company Law") 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 Company Law.

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 regulations govern the operation of the shareholders meetings and their key powers and description of their rights.

Transfer of shares

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

Meetings of the Board of Directors

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. The notice 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

In the current year, the Audit Committee was composed of:

Name	Class	Date of Appointment	Renewal mandate	Date of Resignation
Mr. Andriy Skorokhod	Director A	October 2, 2017	August 17, 2020	-
Mr. Xavier Soulard	Director B	May 26, 2014	August 17, 2020	-
Mr. Eric Tazzieri	Director B	May 26, 2014	August 17, 2020	-

Internal Control

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

The Group 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. The Group's internal control system also contains monitoring mechanisms, and actions taken to correct deficiencies when they are identified.

To assure the effective administration of internal controls, the Group 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 Group'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 disposals of the assets of the Group;
- 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;
- provide reasonable assurance that receipts and expenditures of the Group are being made only in accordance with authorizations of management and directors of the Group;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposal of the Group's assets that could have a material effect on the financial statements.

We believe that it is essential for the Group to conduct its business affairs in accordance with the highest ethical standards.

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

Article 11 a) the structure of the 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 May 23, 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:

- Demaline Holding LTD 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 (representant permanent) in accordance with article 441-3 of 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.

CORPORATE RESPONSIBILITY AND DIVERSITY

The following statement is prepared in observance of the requirements for publication of non-financial and diversity information for the year ended 31 December 2023. In preparation of this statement, where relevant, we have relied upon the Global Reporting Initiative framework and upon the Guidelines on non-financial reporting as issued by the European Commission.

We believe that the information provided within this non-financial statement is material for the purposes of this statement. Without proper care and respect for our employees we would not have achieved the results presented in the financial statements. Being an agricultural company, without proper care for the environment there would be no crops to harvest, without proper care and respect for the local communities we would not have access to the land which is owned by these communities as well as the workforce to help cultivate the lands, gather the crops, breed the pigs and process the meat.

From quarantines to bomb shelters. Our social response during wartime

KSG Agro has taken additional measures to motivate and protect the staff of the Group's farms during the period of hostilities in Ukraine. As the pig farm is one of the strategically important food security companies in the Dnipropetrovsk region, the contribution of its employees to the victory over the enemy is in the coordinated and efficient work of the team. In this regard, with the support of the Association of Pig Farmers of Ukraine (ACU) through the Dnipropetrovsk Regional State Administration, the Group submitted to the Ministry of Agrarian Policy lists of employees of the pig farm, which will be given exemption from mobilization.

With the start of the Invasion, all of the Group's employees received additional motivation in the form of a twofold increase in wages during wartime. In addition, they were paid double the advance and are provided with free lunches in the canteen of the pig farm.

All employees are provided with food rations, which, in particular, include 3 kilos of pork. For those who need official housing, apartments are additionally rented at the location of the pig farm at the Group's expense. To ensure the leisure of the children of the pig farm staff, a private kindergarten was opened in the administrative building so that mothers would not have to worry about their children.

Three bomb shelters were equipped at the location of the enterprise. In order to strengthen the security of the pig farm, protection is organized by local defense forces, who receive our support and regular meals. Furthermore, additional checkpoints have been set up to protect both the pig farm and the settlement in which it is located.

KSG Agro, together with Sergiy Kasianov's Charitable Foundation "Future", have ensured the delivery of three tons of humanitarian medical cargo from Germany to Ukraine. The cargo includes the most necessary medical equipment and supplies for the treatment of limb injuries of wounded Ukrainian servicemen, who demonstrate miracles of courage on the fronts of battles with the Russian occupiers.

The total cost of orthopedic materials and prostheses delivered since the start of the invasion is more than 300 thousand euros. These are medicines, bandages, external fixation devices of various modifications. And there are carts, crutches, orthopedic kits, hundreds of products collected for our country by German universities, hospitals, and pharmacies.

Orthopedic kits and medicine were delivered to the Dnipro Military Hospital, the Mechnikov Dnipro Regional Clinical Hospital, Kryvyi Rih Second Clinical Hospital, as well as the hospitals in Mykolayiv.

All expenses, logistical and organizational support of cargo delivery to Dnipropetrovsk region were borne by KSG Agro and the Charitable Foundation "Future".

Our courageous warriors are defending our homeland - bravely and to their last breath. And our task in the rear is to fully help them rehabilitate in case of injuries and loss of health, in order to return to the ranks of the Armed Forces as soon as possible. That is why, without hesitation, the Group took on all aspects of cargo delivery – transport, drivers, fuel, customs procedures, etc.

At this time, many individuals and companies in the rest of Europe offer various types of assistance to Ukraine. The Group is actively involved in the dialogue with them, has constant contacts with the Embassy of Ukraine in Switzerland, the Consulate in Milan and other diplomatic missions. The Group will continue to help our country receive humanitarian and medical cargo from different parts of Europe and the world.

General

Care about land and people underlies the corporate policy of the Group. This approach is a guarantee of high quality and environmental safety of the Group's products. The Group recognizes that in order to improve life and common future, a business must be socially responsible, generating not only profits, but also social capital. The main quality that distinguishes a socially responsible business is the understanding of people's lives on the ground, their problems and opportunities, coupled with real action aimed at their support and assistance.

For several years, the Group undertakes various projects with "The Future", a charitable fund headed by the Group's Chairman of the Board Sergiy Kasianov. In partnership with the fund, within the framework of cooperation of socially responsible business and territorial communities, dozens of development projects have been implemented covering an array of issues:

- local infrastructure and utilities
- energy conservation projects
- social programs in the field of medicine and education
- programs of self-employment within the programs of support for veterans and their families
- food subsidy programs that are provided to socially vulnerable groups of the population
- assistance in attracting investments, grant programs, etc.

Areas of focus

Main areas of focus for the Group's corporate responsibility strategy comprise:

- Employees
- Support for local communities
- Environmental protection and animal welfare
- Respect for human rights, anti-corruption and bribery

Employees

The Group pledges to: value each employee; provide equality of opportunity; provide a workplace that is free of discrimination; prohibit forced and child labor; and permit freedom of association and collective bargaining.

The Group pledges to: providing a healthy and safe working environment; building trusting and mutually profitable partnerships with the Group's local communities. This includes the development of projects and initiatives leading to the improvement of local living standards whilst respecting the human rights and requirements of local stakeholders.

The Group strictly observes all statutory rules and guidelines related to occupational safety. The categories of employees potentially affected by health hazards undergo mandatory health checks. They are provided with special food, have the reduced working day and an additional holiday at the Group's expense.

Work safety program is an integral part of in-house training. When mastering new equipment and technologies the Group specifically orders training support from the supplier or from alternative research and development institutions.

The Group has implemented the standards of the learning organization. A system of in-house seminars has been introduced. The Group implements training programs enabling to optimize the accounting and management processes. There are training programs on team building and leadership as well.

Staff policy of the Group is directed towards maintaining and developing the skilled core staff. Qualified employees save their positions during off-season time and are entitled to 100% of the salary during this period. Off-season time is also utilised for further training.

The corporate newspaper "Our Land" is published monthly. It contains materials about the work of the Group, people working in the Group and other local news. On the Group's website news about the activities of the enterprise are posted. And in the Internet space there is a distribution of materials about the work of the Group.

Support for local communities

The Group delivered humanitarian medical cargo to the Dnipro Military Hospital, the Mechnikov Dnipro Regional Clinical Hospital, Kryvyi Rih Second Clinical Hospital, as well as the hospitals in Mykolayiv. The cargo includes the most necessary medical equipment and supplies for the treatment of limb injuries of wounded Ukrainian servicemen, as well as expensive medical materials and drugs for surgical operating units. The Group procured new equipment for, and helped with capital repairs at, the hospitals, delivered 40 beds and more than 180 prosthetics for the wounded soldiers.

The Group helps finance and organize various local holidays with the local communities, such as the Day of the Elderly, Women's day, Veteran's Day and others.

A social store works in the Nyva Trudova village where meat is sold at almost its cost. And for several years, a program of food subsidies in the form of food packages has been operating. Many socially vulnerable families took part in the program. These are single mothers, people with disabilities and other categories.

A major such category in 2023 has become the temporarily displaced families from regions that fell under Russian occupation. Special food packages, containing stewed pork, were also delivered to the soldiers fighting on the front lines.

Among the most significant projects aimed at the development of local infrastructure is the work of the public organization "Svitla Oselya", uniting the work of 86 condominiums and providing them with consulting and legal assistance. With the active participation of the pig-breeding division of KSG Agro, the development strategy of the village of Nyva Trudova was developed.

Annually, at the end of the year, the holding's enterprises provide assistance in organizing and holding the "Days of the Village", as well as the annual and traditional celebration of the professional holiday of the Day of agricultural workers. KSG Agro holds a festive event where the results of the year are summed up and the foremost workers are awarded. The Group is the main partner in holding the annual festival Kupala Fest. It hosts a competition of folklore groups of the Dnipropetrovsk region.

There is support for sports teams of communities. In Novopokrovka we support the football team. We bought them uniform and take part in the organization of the district tournament. Also competitions in volleyball, strength sports and other sports events are supported, even though during the coronavirus quarantine, and now the war, they have become less frequent

Environmental protection and animal welfare

The Group adheres in full to the laws related to protection of the environment, including those which regulate the emissions of hazardous substances. Production entities of the Group employ Labor Protection and Environmental Safety Engineers. It also observes all necessary preventive measures on localization of possible pollution and threats to flora and fauna.

Responsibilities of Environmental Safety Engineers include:

- complying with the requirements of environmental legislation;
- minimizing the use of energy and resources;
- minimizing the effect of the Group's activities on the local environment and maintaining local biodiversity;
- preventing accidents;
- minimizing spills, pollution and fugitive emissions;
- minimizing water use and discharges to water;
- encouraging the use of recycling and reuse methods; and
- reducing greenhouse gas emissions associated with the Group's activities.

The Group periodically undergoes obligatory scheduled inspections by government agencies. No significant violations were reported by the agencies as a result of such inspections in 2023.

The Group uses only certified fertilizers and plant protecting agents which are purchased from leading world producers. The Group commits to ensure humane treatment of animals in line with applicable laws, regulations and best practice; and to provide appropriate training to employees to ensure that such commitment is maintained.

Respect for human rights, anti-corruption and bribery

The Group's commitment to respect human rights recognizes the rights of children, women, persons with disabilities, local communities, smallholder farmers; as well as the rights of workers, including those working under temporary contracts, migrant workers, and their families.

One of the projects aiming to help disenfranchised people is the food subsidy program.

The project's goal is to provide social assistance to villages and small towns, socially unprotected parts of the population – lonely pensioners, families with many children, other socially disenfranchised groups.

Within the framework of the program are:

- special pork sales at lower prices in rural and district stores of Dnipropetrovsk region of Ukraine
- provision of food products to the most vulnerable groups of the population
- charity help on the Day of the Elderly
- assistance to disabled children.

Another project aims to support local business development via a program of population self-employment.

The program is to create conditions for people living in rural areas to earn extra income by organizing family businesses for fattening pigs on individual farms. Simultaneously, consulting support and promotion of economic education for the residents of the region are provided. Preparatory work on putting together home mini pig farms has been carried out.

The Group's operations and main business functions are largely centralized, access to the pig breeding farm and the meat processing plant is restricted due to the nature of those production processes, so in terms of managing the risks of bribery or anti-corruption incidents, the Board mostly focuses on relations with the Group's customers and suppliers.

Main instruments employed to mitigate such risks are payment authorization and new customer and supplier checks. And in order to identify potential threats, the internal audit monitors contract prices for both sales of produce and purchases of main supplies (fertilizers, crop protection products, fuel), as well as subsequent collection of receivables.

Diversity policy

The Group is committed:

- To create an environment in which individual differences and the contributions of all team members are recognized and valued.
- To create a working environment that promotes dignity and respect for every employee.
- To not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy.
- To make training, development, and progression opportunities available to all staff.
- To promote equality in the workplace, which the Group believes is good management practice and makes sound business sense.
- To encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures.
- To encourage employees to treat everyone with dignity and respect.
- To regularly review all our employment practices and procedures so that fairness is maintained at all times.

As a socially responsible business, the Group has zero tolerance to discrimination on any grounds, be it age, race, gender, religion, political affiliation or whatever it might be. The Group embraces diversity and ensures fair and equitable treatment of every individual that works for it and their families.

The Group is prepared to hire people with disabilities, people nearing retirement age as well as veterans and refugees from the conflict zone in the east of Ukraine.

The Group is dedicated to encouraging a supportive and inclusive culture amongst the whole workforce. It is within our best interest to promote diversity and eliminate discrimination in the workplace. Our aim is to ensure that all employees and job applicants are given equal opportunity and that our organization is representative of all sections of society.

Each employee will be respected and valued and able to give their best as a result. This policy reinforces our commitment to providing equality and fairness to all in our employment and not provide less favorable facilities or treatment on the grounds of age, disability, gender, pregnancy and maternity, nationality, religion or belief.

We are opposed to all forms of unlawful and unfair discrimination. All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. When selecting candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability.

All employees will be given help and encouragement to develop their full potential and utilize their unique talents. Therefore, the skills and resources of our organization will be fully utilized and we will maximize the efficiency of our whole workforce.

Management and Board diversity

Representation of top and middle management by age and gender in 2023 was as follows:

Age group	Total top and middle management staff		Attended professional development programs or other training events in 2023 (*)	
	Men	Women	Men	Women
Less than 40	5	3	-	-
41 to 50	10	7	-	-
51 to 60	12	5	-	-
Over 60	3	-	-	-
Total	30	15	-	-

It is the Group's commitment to further increase representation of women in different age groups in top and middle management as well as the Board of Directors.

All of the management staff have higher education. Most of them participate in various professional training programs, both external and internal, as it is the Group's continuing commitment to invest in professional development of its employees.

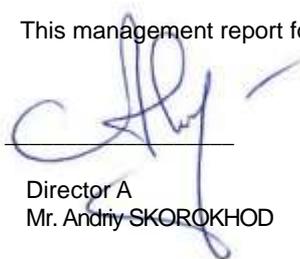
(*) Because of the war, and as agreed with employees, no training events were specifically organized in 2023.

In addition to attending professional development programs when available, some employees also choose to study to obtain recognized professional qualifications in their related fields.

Due diligence process

The Board regularly, and at least annually, reviews the staff policy, the diversity policy, and actively monitors the outcomes of the programs coordinated by the Charitable Foundation "Future" and other similar programs to ensure that equality, diversity, support and fair treatment are continually promoted in the workplace.

This management report for the year ended 31 December 2023 was approved for issue on 24 May 2024.



Director A
Mr. Andriy SKOROKHOD



Director A
Mr. Andrii MUDRIIEVSKYI

KSG Agro S.A.
Societe Anonyme 24,
rue AstridL-1143
LuxembourgR.C.S.
B 156.864

**CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF THE REVISEUR D'ENTREPRISES
AGREE FOR THE YEAR ENDED 31 DECEMBER 2023**

KSG Agro S.A.
Responsibility Statement of the Board of Directors and management
for the preparation and approval of the consolidated financial statements

The following statement is made with a view to clarify responsibilities of management and Board of Directors in relation to the 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 the preparation of the consolidated financial statements of the Group as of 31 December 2023 and for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing the 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 consolidated financial statements;
- Compliance with ESMA Guidelines; and
- Preparing the 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 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 (2) (c) of the Law of Luxembourg of 11 January 2008 on the harmonization 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 consolidated financial statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss 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.

These consolidated financial statements as of 31 December 2023 and for the year then ended were approved for issue on 24 May 2024.



Director A
Andriy SKOROKHOD



Director A
Andrii MUDRIIEVSKYI

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
KSG Agro S.A.
24, Rue Astrid
L-1143 Luxembourg

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of KSG Agro S.A. (the "Group") and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for qualified opinion

As at 31 December 2023, the carrying amount of the property, plant and equipment included an amount of USD 5.6 million related to adjustments made in prior years to the deemed cost for the construction of the pig breeding farm and not allocated to any particular items of property, plant and equipment. We were unable to obtain sufficient appropriate audit evidence as to whether this accounting entry is reasonable. As a result, we were unable to determine the effect of this matter on the consolidated financial statements. This matter also caused us to qualify our audit opinion on the consolidated financial statements relating to the year ended as at 31 December 2022. In addition, since opening balances enter into the determination of the financial performance, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year and in respect of retained earnings.

Management was unable to provide the calculation to support recognized right-of-use assets and related lease liabilities. As a result, we were unable to confirm the correctness of the value of right-of-use assets for leased plots and lease liabilities recognized as at 31 December 2023 amounting to USD 1.0 million and USD 2.3 million respectively, as well as the amortization of right-of-use assets of USD 0.2 million and interest expense on leases of USD 0.3 million.

Management retrospectively adjusted quantities of the inventory held as at 31 December 2022 in the schedule of inventories which had increased the opening quantities of wheat by 3 400 tons and barley by 3 000 tons. However, management made no adjustments to the amounts recorded in the consolidated financial statements. We were unable to satisfy ourselves concerning the adjustment made to quantities of inventory. Since this adjustment of inventory impacts the amount of inventories as at 1 January 2023, including related gain on initial recognition of agricultural produce (inventory) for prior period, it enters into the determination of the costs of pig-breeding for the current year. We estimate a maximum value of USD 0.7 million for the adjusted quantities of inventories. However, we were unable to determine whether any adjustments to the cost of sales were necessary.

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (“Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “*Commission de Surveillance du Secteur Financier*” (“CSSF”). Our responsibilities under the EU regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of the “*Réviseur d’Entreprises Agréé*” for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to Note 2 of the consolidated financial statements which describes the military conflict in Ukraine and any adverse economic, political, and military developments that may adversely affect the operations, profitability, and liquidity of the Group. However, future developments cannot be determined with certainty at this stage. In addition, the Group is dependent on continued external financing.

The above conditions indicate the existence of material uncertainty that may cast significant doubt on the Group’s ability to continue its operations as a going concern.

Our opinion is not modified in respect of these matters.

Key Audit Matters

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

In addition to matters described in the Basis for qualified opinion section and Material Uncertainty Related to Going Concern section, we identified the following key audit matter:

Valuation of biological assets

As at 31 December 2023, we considered the valuation of biological assets to be a key audit matter due to its significance in the statement of financial position and the required judgements and estimates needed in determining the carrying value of such assets. Biological assets amount to USD 8.2 million as at 31 December 2023. The net loss on biological transformation for the year ended on 31 December 2023 amounts to USD 2.9 million.

Biological assets and information on the accounting policy and key judgements and estimates are disclosed in Notes 4 , 5 and 9 of the consolidated financial statements. Given the high volume of non-financial data involved in the valuation model of biological assets, there is a risk that the data could be inaccurate or incorrectly included in the valuation model.

How our audit addressed the key audit matter

Our approach over the valuation of biological assets included the following:

- Obtaining a detailed understanding and evaluating the design and implementation of the key controls that the Group has surrounding biological assets valuation.
- Challenging significant assumptions used by management, through comparison to historical data, market data or any other data source as appropriate.
- Evaluating the appropriateness of management’s judgements and assumptions applied in arriving at the value of biological assets by:
 - Using an internal valuation expert to determine the valuation of the biological assets;
 - Testing the accuracy of the valuation model by performing a recalculation and testing a sample of the underlying inputs to supporting documentation.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the “*Réviseur d’Entreprises Agréé*” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for presenting the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*Réviseur d'Entreprises Agréé*" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*Réviseur d'Entreprises Agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- Assess whether the consolidated financial statements have been prepared in all material respects in compliance with the requirements laid down in the ESEF Regulation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of Shareholders on 17 July 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2023 with relevant requirements set out in the ESEF Regulation that are applicable to the consolidated financial statements.

For the Group, it relates to:

- The consolidated financial statements are prepared in a valid XHTML format;
- The XBRL markup of the consolidated financial statements uses the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 31 December 2023, identified as “ 2221005HTTH3XEYOHJ91-2023-12-31-en” have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the audit opinion is consistent with the additional report to those charged with governance.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Luxembourg, 24 May 2024

PKF Audit & Conseil Sàrl
Cabinet de révision agréé

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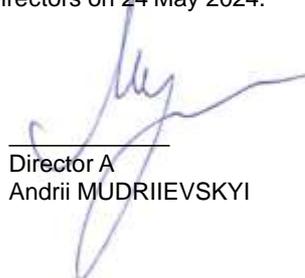
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Jean Medernach

Consolidated Statement of Financial Position
as at 31 December 2023

<i>In thousands of US dollars</i>	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	8	10,422	10,636
Long-term biological assets	10	4,414	5,779
Right-of-use assets	9	1,030	1,053
Total non-current assets		15,866	17,468
Current assets			
Inventories and agricultural produce	12	7,668	8,508
Current biological assets	10	3,819	4,961
Trade receivables	13	1,289	2,837
Other financial assets		642	310
Taxes receivable		444	220
Advances to suppliers	13	1,832	453
Cash and cash equivalents	11	206	271
Total current assets		15,900	17,560
TOTAL ASSETS		31,766	35,028
EQUITY			
Share capital	14	150	150
Share premium		37,366	37,366
Treasury shares		(112)	(112)
Retained earnings		(26,687)	(38,681)
Currency translation reserve		(11,551)	(11,163)
Equity attributable to the owners of the Company		(834)	(12,440)
Non-controlling interests		-	(18)
TOTAL EQUITY		(834)	(12,458)
LIABILITIES			
Non-current liabilities			
Bank and other loans, and bonds	16	5,037	18,167
Lease liabilities	9	848	881
Total non-current liabilities		5,885	19,048
Current liabilities			
Trade payables		4,792	9,123
Other financial liabilities	17	8,492	7,817
Bank and other loans	16	10,801	9,568
Advances from customers		939	748
Lease liabilities	9	1,454	1,082
Tax liabilities		237	100
Total current liabilities		26,715	28,438
TOTAL LIABILITIES		32,600	47,486
TOTAL LIABILITIES AND EQUITY		31,766	35,028

Approved for issue and signed on behalf of the Board of Directors on 24 May 2024.


Director A
Andriy SKOROKHOD


Director A
Andrii MUDRIIEVSKYI

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2023

<i>In thousands of US dollars</i>	Note	2023	2022
Revenue	18	18,786	16,202
(Loss)/Gain on biological transformation, net	10	(2,899)	4,602
Cost of sales	19	(15,404)	(17,624)
Gross profit		483	3,180
Selling, general and administrative expenses	20	(2,098)	(2,738)
Operating profit / (loss)		(1,615)	442
Finance expenses, net	22	(2,998)	(3,500)
Gain/(loss) on disposal of subsidiaries	7	926	9,915
Other gains and losses	21	2,534	(8,538)
Loss before tax		(1,153)	(1,681)
Income tax expense	23	(8)	-
Loss for the year		(1,161)	(1,681)
Other comprehensive income/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(47)	(2,629)
Total comprehensive income/(loss) for the year		(1,208)	(4,310)
Loss for the year attributable to:			
Owners of the Company		(1,088)	(1,547)
Non-controlling interests		(73)	(134)
Loss for the year		(1,161)	(1,681)
Total comprehensive income/(loss) attributable to:			
Owners of the Parent Company		(1,135)	(4,166)
Non-controlling interests		(73)	(144)
Total comprehensive income/(loss) for the year		(1,208)	(4,310)
Earnings per share			
Weighted average number of common shares outstanding, thousand	15	15,020	15,020
Basic and diluted earnings per share, USD	15	(0,07)	(0,10)

Approved for issue and signed on behalf of the Board of Directors on 24 May 2024.


Director A
Andriy SKOROKHOD


Director A
Andrii MUDRIIEVSKYI

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

<i>In thousands of US dollars</i>	Note	2023	2022
Cash flow from operating activities			
Loss before tax		(1,153)	(1,681)
Adjustments for:			
Depreciation and amortization	8, 9	1,217	1,351
Loss/(gain) on biological transformation, net	10	2,899	(4,602)
Finance expenses, net	22	2,998	3,500
Exchange differences		(316)	678
Impairment of inventory	12, 21	(77)	689
Impairment and write-offs of financial assets and taxes recoverable	21	1,977	7,231
Write-off of financial liabilities	21	(540)	(234)
Impairment and (gain)/loss on disposal of property, plant and equipment	21	(17)	795
(Gain)/loss on disposal of subsidiaries	7	(926)	(9,915)
Bank loan interest compensated by the Ukrainian government	21	(355)	-
Operating cash flow before working capital changes		5,707	(2,188)
Change in trade receivables and other financial assets		(163)	(1,831)
Change in current biological assets		1,142	2,421
Change in inventories and agricultural produce		840	(2,514)
Change in tax assets and liabilities		-	23
Change in trade payables and other financial liabilities		(3,465)	4,412
Cash generated from operations		4,061	323
Interest paid on loans and leases	16, 9	(2,425)	(2,991)
Taxation		(125)	-
Cash generated from / (used in) operating activities		1,511	(2,668)
Cash flow from investing activities			
Payments for acquisition of property, plant and equipment	8	(1,314)	(875)
Proceeds from disposal of property, plant and equipment	8	103	151
Acquisition of long-term biological assets		(1,760)	-
Disposal of subsidiaries, net of cash disposed	7	(24)	(16)
Cash used in investing activities		(2,995)	(740)
Cash flow from financing activities			
Proceeds from bank and other loans	16	16,680	4,656
Repayment of bank and other loans	16	(15,254)	(1,480)
Repayment of leases	9	-	(14)
Cash generated from financing activities		1,426	3,162
Net increase / (decrease) in cash and cash equivalents		(58)	(246)
Cash and cash equivalents at 1 January		271	637
Effect of exchange rate differences on cash and cash equivalents		(7)	(120)
Cash and cash equivalents at 31 December		206	271

Approved for issue and signed on behalf of the Board of Directors on 24 May 2024.


Director A
Andriy SKOROKHOD


Director A
Andrii MUDRIIEVSKYI

Consolidated Statement of Changes in equity
for the year ended 31 December 2023

	Note	Attributable to owners of the Group					Total attributable to owners of the Group	Non- controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings			
<i>In thousands of US dollars</i>									
Balance as at 1 January 2022		150	37,366	(112)	(5,346)	(37,134)	(5,076)	126	(4,950)
Profit for the year		-	-	-	-	(1,547)	(1,547)	(134)	(1,681)
Other comprehensive income/(loss) for the year		-	-	-	(2,619)	-	(2,619)	(10)	(2,629)
Total comprehensive income/(loss) for the year		-	-	-	(2,619)	(1,547)	(4,166)	(144)	(4,310)
Disposal of subsidiaries	7	-	-	-	(3,198)	-	(3,198)	-	(3,198)
Balance as at 31 December 2022		150	37,366	(112)	(11,163)	(38,681)	(12,440)	(18)	(12,458)
Profit for the year		-	-	-	-	(1,088)	(1,088)	(73)	(1,161)
Other comprehensive income/(loss) for the year		-	-	-	(47)	-	(47)	-	(47)
Total comprehensive income/(loss) for the year		-	-	-	(47)	(1,088)	(1,135)	(73)	(1,208)
Conversion of loan into equity	16	-	-	-	-	13,180	13,180	-	13,180
Disposal of subsidiaries	7	-	-	-	(341)	(98)	(439)	91	(348)
Balance as at 31 December 2023		150	37,366	(112)	(11,551)	(26,687)	(834)	-	(834)

Approved for issue and signed on behalf of the Board of Directors on 24 May 2024.


Director A
Andriy SKOROKHOD


Director A
Andrii MUDRIIEVSKYI

KSG Agro S.A.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2023
(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 “Societe 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.

Average number of staff employed by the Group in 2023 was 234, of which 45 were top and middle management and 189 were full-time employees (2022: 64 management and 274 employees).

2. Group Structure

The Company’s immediate parent is Demaline Holding LTD, registered in Cyprus, and the ultimate controlling party is Mrs. Kseniia Kasianova. Demaline Holding LTD 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 31 December 2023 and 2022 were as follows:

Entity	Principal activity	Country of registration	Effective ownership ratio, % (ii)	
			31 December 2023	31 December 2022
KSG Agro S.A.	Holding company	Luxembourg		
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
Parisifia Trading LTD	Intermediate holding company	Cyprus	100%	100%
KSG Energy Group LTD	In liquidation	Cyprus	50%	50%
Abbondanza SA (Note 7)	Disposed	Switzerland	-	50%
KSG Agro Polska	Trade of agricultural products	Poland	100%	100%
KSG Dnipro LLC	Crop farming	Ukraine	100%	100%
SPE Promvok LLC (Note 7)	Disposed	Ukraine	-	100%
Agro-Trade House Dniprovsky LLC	Dormant	Ukraine	100%	100%
Scorpio Agro LLC	Dormant	Ukraine	100%	100%
Enterprise #2 of Ukrainian Agricultural and Industrial Holding LLC	Dormant	Ukraine	100%	100%
Agroplaza LLC	Intermediate holding company	Ukraine	100%	100%
Kolosyste LLC	Dormant	Ukraine	100%	100%
Stepove LLC	Dormant	Ukraine	100%	100%
Dzherele LLC	Dormant	Ukraine	100%	100%
Rantye LLC	Dormant	Ukraine	100%	100%
Strong-Invest LLC	Pig breeding	Ukraine	100%	100%
Modern Agricultural Investments LLC	Dormant	Ukraine	100%	100%
Ukrzernoprom - Prudy LLC (i)	Dormant	Ukraine	100%	100%
Ukrzernoprom - Uytne LLC (i)	Dormant	Ukraine	100%	100%

(i) Ukrzernoprom entities are located in Crimea and were not consolidated since October 2014, when the Group lost operating control over them and the carrying values of the associated investments were written down to zero.

(ii) The Group fully consolidates all 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.

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 its business for the foreseeable future. Those considerations are presented below.

KEY RISKS AND UNCERTAINTIES

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, crop farming and pig breeding, and of further improving its financial ratios.

On 24 February 2022, Russian forces began a large-scale military invasion of Ukraine. The ongoing military attack has resulted, and continues to result, in significant casualties, displacement of population, damage to infrastructure and disruption to economic activity in Ukraine. Multiple industrial facilities and infrastructure of various businesses across Ukraine have been damaged and the risk to employee wellbeing, severe disruption to operations or plant and equipment in certain parts of Ukraine remains moderately high. A material uncertainty still exists about the length, breadth and intensity of the war, its aftermath, and its effect on the Group.

As at the date these consolidated financial statements are being issued, except for the material uncertainty regarding the outcome of the ongoing Russia's invasion of Ukraine, its impact on the security of the Group's assets and its long-lasting effects on Ukrainian economy, management are not aware of any other factors which might severely jeopardize going concern.

RISKS AND UNCERTAINTIES: RUSSIA'S WAR ON UKRAINE

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 consolidated financial statements are being issued.

2022: Russia's Invasion of Ukraine

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.

Facing heavy resistance from both the regular Ukrainian Armed Forces and government-supported Territorial Defence Forces (which included civilians), advancement of Russian troops had essentially stalled after several weeks, and they have not made significant progress since.

Throughout 2023, Russian forces concentrated their efforts in the eastern part of Ukraine.

Due to the slow progress of the Russian troops, and because the Group's locations are in the center of Ukraine, management currently estimates the risk that any fighting will reach the Group's production locations to be rather low.

Management's Assessment of the Impact of Russia's Invasion

As at the date these consolidated financial statements are being issued, full-scale war has been raging for two years. With the continuing support of Ukrainian people, businesses, and international partners, Ukraine's economy and army were able to persevere and even improve. A lot of international companies, who shut down their Ukrainian operations at the start of the invasion, have since resumed business in Ukraine, especially in the territories that are further from the front lines.

Most Ukrainian businesses, including the Group, have retooled their production processes to function during wartime. They now manage to better anticipate potential shortages of resources, logistical hurdles, safety concerns, etc.

The Group still has the financial support of TASCMBANK, its main creditor. During 2023, the Group was able to noticeably decrease the interest rate on its loans with the bank and refinance some of the loans by issuing several series of corporate bonds, with lower interest and longer maturity.

During 2023, the Group had successfully completed its sowing and harvesting campaigns, and does not expect significant interruptions to its production cycle in the near future. As at the date these consolidated financial statements are being issued, the Group's spring sowing campaign of 2024 has also started.

RISKS AND UNCERTAINTIES: LONG-TERM FINANCING AND CASH GAPS

In December 2022, the Group negotiated new credit terms with TASCMBANK which better reflect the Group's financing needs during wartime. The new terms have become effective from the first quarter of 2023.

Under the new terms, the established total credit limit for TASCOMBANK loans remains at UAH 450 million, interest rates for tranches in UAH were 25% per annum and allow for partial compensation of the rate by state-funded programs, while interest rates for tranches in USD and EUR were fixed at 9% per annum. The credit line matures in December 2025.

The format of the credit line assumes that the Group will be repaying and re-drawing tranches within the credit line's limit each year, so the bank formally classifies all debt under this credit line as short-term. In 2023, the Group repaid all TASCOMBANK loan balances existing as at 31 December 2022 and received new tranches in similar amounts. The same is expected for 2024.

As a result, the bank loan balances are presented in the consolidated financial statements as short-term and long-term liabilities, even though full repayment of the TASCOMBANK credit line is not actually due until December 2025.

The bank also issued a formal letter to the Group, confirming that the Group would be able to re-draw tranches once repaid, and that the bank does not intend to halt, or in any way reduce, financing to the Group until at least December 2025.

According to management's five-year projections, the Group is expected to generate sufficient cash flow from operations to ensure overall repayment of the loans both in the long-term and in the next twelve-month period, while the unutilised loan capacity will be used to cover the occasional cash gaps. For their projections, where practical, management adopted a more conservative scenario, in order to account for various possible adverse effects of Russia's invasion of Ukraine.

The forecasts in the model were based on the following key assumptions:

- further developments in Russia's military invasion of Ukraine will not limit the full planned use of the Group's production and storage facilities, and of its land bank;
- all of the Group's assets will remain safe and in good condition;
- remaining logistical routes (rail and road) will continue to be available;
- the Group will be able to procure sufficient quantities of plant and animal protection products, fuel, and other inputs for crop farming and pig breeding;
- the Group will be able to successfully agree further postponements of debt servicing with its main lenders;
- the Group will be able to obtain, if necessary, additional financing from the servicing bank and/or negotiate the extension of its existing lines of credit.

DEVELOPMENT STRATEGY: CONTINUING FOCUS ON CROP FARMING AND PIG BREEDING

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 remained in especially high demand in 2023 and 2024, during war time.

Crop Farming

In the first half of 2023, the Group exported 4,2 thousand tons of grain crops (wheat, corn, barley), mainly to Asia and Africa. Export deliveries were made within the framework of the existing grain corridor through the ports of Odesa and the Odesa region.

Harvesting of winter crops in July 2023 was carried out as planned, without major interruptions from the war activities. The yields on the crops were well within the expected range.

In parallel with the summer harvesting campaign, the Group sowed winter wheat and rapeseed, also without interruptions from the war. Insufficient precipitation during the weeks leading up to the sowing campaign resulted in lower moisture levels in the soil, but the crops still appear to be in good condition despite of that. The Group expects not lower than average harvest of these crops in 2024.

Pig Breeding

Following certain considerations, during the year 2023, the Group has been gradually reducing its massive pig population at the farm in Nyva Trudova. Key reasons were the concerns for general security and biosecurity of the herd, as well as changes to the Group's strategy and overall market conditions.

Smaller herd, more farms. Safety and biosecurity

To mitigate the risk of losing the whole pig population in case of a rocket or drone strike, the Group had started to distribute the herd across several locations. If one location is affected, the rest will remain unharmed.

Individual farms now being less crowded, would also help better maintain the overall health of the pigs and, as a bonus, reduce health maintenance costs.

Management of the Group is currently negotiating ways to expand the number of farms under the Group's operation, either through a partnership program with other pig farmers, or by leasing or purchasing additional farms.

Another recent concern is how the destruction of the Kakhovka Dam by the Russian forces affects the overall supply of fresh water in the area. Meanwhile the Group is in search of alternative sources of water, and is investing into backup technical solutions, because there is a risk that accessing to current sources would be limited. Distributing pigs across several farms decreases the required supply of water from a single source and should, thereby, remove this risk.

Switch to new genetics. Focus on piglets

As part of a recent change to its strategy, the Group started retooling its production process to focus on raising piglets specifically for sale to other pig producers.

Beginning in 2021, the Group began to rejuvenate its nucleus herd, gradually substituting sows of European genetics for sows of Canadian genetics.

A series of tests, conducted by the Group at the beginning of 2023, confirmed that the productivity of Canadian sows compared to European ones is much higher, not only in terms of litter and weight per farrow, but also in terms of the quality of meat.

Based on the results of these tests, most of the low-productivity sows were gradually removed from the nucleus herd and sold during the year. To replace them, the Group is purchasing fresh gilts of Canadian genetics.

Later in 2024, the Group plans to purchase yet another batch of Canadian sows. Fresh Canadian genetics will allow the Group to produce high-quality piglets to be sold specifically as piglets and not grown further at the Group's farms. This would also shorten the Group's production cycle, decreasing general security and biosecurity risks even further.

Overall, operational performance is considered satisfactory. As at the date these consolidated financial statements are being issued, management do not observe any internal or external indicators of events or circumstances which might severely hinder or otherwise impede the Group's progress in achieving its short-term operational goals.

DEVELOPMENT STRATEGY: IMPROVING KEY FINANCIAL RATIOS

Net Current Assets

The adjusted net current assets (i.e. working capital) in 2023 as compared to 2022 was as follows:

in USD million	31 December 2023	31 December 2022
Current Assets minus Current Liabilities	(10,8)	(10,9)
less: Other financial assets	(0,5)	(0,3)
less: Other financial liabilities	8,5	7,8
less: refinanced bank loans (i)	10,5	9,3
Adjusted Working Capital	7,7	5,9

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 resulting 'adjusted working capital'. Based on management's assessment, the adjusted working capital as at the date these consolidated financial statements are being issued is sufficient.

(iii) As discussed above, the format of the Group's credit line with TASCOMBANK assumes that the Group will be repaying and re-drawing tranches within the credit line's limit each year, so the bank formally classifies all debt under this credit line as short-term, even though the credit line only matures in 2025. Because the Group is re-drawing new loan tranches in similar amounts to the ones just repaid, management regards these bank loans as, essentially, long-term debt and, therefore, excludes loan principal from their calculation of adjusted working capital.

Shareholders' Equity

As at 31 December 2022, the Group changed its approach to determining the fair value of sows, which are the main component of the Group's long-term biological assets.

This change resulted in a significant decrease in the total value of the Group's assets and in a negative total equity of USD 12.4 million as at 31 December 2022. In addition, since maintaining a positive total equity was one of the financial covenants under the Group's loans with TASCOMBANK, this also resulted in the breach of these covenants by the Group, giving the bank the right to impose sanctions – specifically, to demand immediate repayment of all loans and to impose fines.

As at 31 December 2022, to mitigate the risk of sanctions being imposed on the Group due to breach of financial covenants, the Group obtained a formal letter from TASCOMBANK, confirming that the bank officially waives its rights to impose the above sanctions with regard to this breach.

In the end of 2023, the Group restructured the loan from its related party OLBIS Investments S.A., whereby USD 13.2 million of the total loan balance was converted into equity of the Group's subsidiary (Note 16). This helped to increase the Group's consolidated equity to a positive value as a result.

IN CONCLUSION

Management forecasts, taking into account of reasonably possible downsides, indicate that the Group has adequate resources to continue in operational existence for the foreseeable future. The Board of Directors has, therefore, concluded that it is appropriate to prepare these consolidated financial statements on a going concern basis.

However, due to the currently unpredictable effects of the ongoing Russia's invasion of Ukraine on the significant assumptions underlying management forecasts, a material uncertainty exists, which may cast significant doubt on the Group's ability to continue as a going concern.

3. Adoption of New or Revised Standards and Interpretations

The accounting principles used to prepare the financial statements at December 31, 2023 are the same as those used to prepare the financial statements at December 31, 2022, except for changes to standards applicable in 2023, summarized below.

Several standards, amendments, and interpretations apply for the first time as of January 1, 2023, but have no material impact on the group's consolidated financial statements at December 31, 2023:

- Amendments to IAS 8 "Definition of Accounting Estimates." This standard does not have a material impact on the group's accounts.
- Amendments to IAS 1 "Disclosure of Accounting Policies." This standard does not have a material impact on the group's accounts.
- Amendments to IAS 12 "Deferred tax related to assets and liabilities arising from a single transaction." This standard does not have a material impact on the group's accounts.
- Amendments to IAS 12 "Income Taxes": International Tax Reform – Pillar Two Model Rules. The group applies the exception for accounting for deferred tax assets and liabilities from income tax arising from the rules of Pillar 2, as well as for communicating on this topic. This standard has no material impact on the group's financial statements.
- IFRS 17 "Insurance Contracts" and its amendments: Given the nature of its activities, this standard has no material impact on the group's financial statements.
- Standards, amendments, and interpretations of standards published by the IASB, adopted by the European Union and applicable after December 31, 2023 and without early application:
 - Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback," published on September 22, 2022, applicable for fiscal years beginning on or after January 1, 2024. This standard has no material impact on the group's financial statements.
 - Amendments to IAS 1 "Presentation of Financial Statements – Classification of Liabilities as Current or Non-current," published on July 15, 2020, and "Presentation of Financial Statements – Non-current Liabilities with Covenants," published on October 31, 2022, applicable for fiscal years beginning on or after January 1, 2024. This standard has no material impact on the group's financial statements.
- Standards, amendments to standards, and interpretations of standards published by the IASB but not adopted by the European Union. The impacts on the financial statements of texts published by the IASB at December 31, 2023, and not in force in the European Union are discussed below. These texts are as follows:
 - Amendments to IAS 7 "Statement of Cash Flows" and to IFRS 7 "Financial Instruments: Disclosures": Financing agreements with suppliers (published May 25, 2023), applicable for fiscal years beginning on or after January 1, 2024.
 - Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates": No convertibility (published on August 15, 2023) applicable for the fiscal years open since January 1, 2025. This standard has no material impact on the group's financial statements.

4. Summary of Significant Accounting Policies

Basis of preparation

These 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 International Financial Reporting Interpretations Committee ("IFRIC") and as adopted by the European Union. These consolidated financial statements have been prepared under the historical cost convention, as modified by the recognition of biological assets and agricultural produce based on fair value less costs to sell.

These consolidated financial statements are presented in thousands of US Dollars ("USD"), unless otherwise stated.

Consolidated financial statements

Group recognizes control over the subsidiary when the following criteria are met:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the Group's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealized gains on transactions between Group subsidiaries are eliminated. Unrealized losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest is recorded as a separate component of the Group's equity.

Subsidiaries. The Group consolidates any subsidiary, irrespective of its effective ownership in that subsidiary's share capital, when the Group has the de facto majority power to both: a) direct the subsidiary's revenue-generating activities and b) affect the timing and amounts of profit distributions. Either by way of legally holding more than 50% of the voting rights or through a separate arrangement with the other shareholders.

Share capital. Ordinary shares are classified as equity. Share premium is the difference between the fair value of consideration received for the issue of shares and the nominal value of shares. The share premium account can only be used for limited purposes, which do not include distribution of dividends, and is otherwise subject to the provisions of Luxembourg legislation on reduction of share capital.

Property, plant and equipment. Property, plant and equipment items are stated at cost less accumulated depreciation and, where applicable, accumulated impairment. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met. All repair and maintenance costs are expensed as incurred. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

KSG Agro S.A.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2023
(All amounts in thousands of US dollars, unless otherwise stated)

Construction-in-progress represents the cost of properties, plant and equipment which have not yet been completed less any accumulated impairment. This includes cost of construction works, cost of plant and equipment and other direct costs.

The Group does not own land, its agricultural land is leased under long-term lease agreements, mostly with individuals.

At each end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment is recognized in profit or loss. An impairment recognized for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Buildings and structures	5-30
Agricultural equipment	3-15
Vehicles and office equipment	3-17

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

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

Leases. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

The Group did not act as a lessor in 2022 and 2023, but when it does, it determines at lease inception whether each lease is a finance lease or an operating lease.

Then, to classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

Biological assets. Biological assets include crops and swines and are measured at fair value less costs to sell.

The Group believes that the valuation at fair value less costs to sell reflects proper future economic benefits.

Crops. The fair value of crops growing in the fields is determined by using valuation techniques, as there is no active market for winter crops or summer crops of the same physical condition. Fair value of crops is estimated as the present value of anticipated future cash flows for each type of crop and is based on the area sown, costs to date and the assessments regarding expected crop yields on harvest, time of harvest, future cultivation and harvest costs, and selling prices. The discount rate is determined by reference to weighted-average cost of capital based on the Group's risk profile.

Swines. The fair value of productive swines (sows) is determined by using valuation techniques, as there is no active market for sows of the same physical condition, such as weight, age and breed. Fair value of sows is based on expected litter of piglets (or "farrow"), expected volume of meat at the date of slaughter, expected meat prices, average expected productive lives of swines and future production costs. The discount rate is determined by reference to weighted-average cost of capital based on the Group's risk profile. The fair value of marketable swines (pigs and piglets) is determined with reference to local market prices for pigs and piglets sold in live weight. Local prices are used, as marketable swines are only sold domestically.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell at each subsequent reporting date is recognized in profit or loss in the period in which it arises.

Biological assets are classified as current or non-current depending on the expected pattern of consumption of economic benefits embodied in those biological assets. Sows and boars are classified as non-current while marketable pigs and piglets, and winter and summer crops are classified as current biological assets.

Where land cultivation works are performed on land plots which are “unsown” (i.e. do not contain biological assets), the costs of such works are capitalized as part of inventories as ‘land cultivation and harvesting’ until the seeds are planted, at which point the accumulated costs are reclassified as production costs of the related biological assets and remeasured at fair value.

When the Group renders land cultivation and harvesting services to other crop producers, it often purchases either part of the resulting harvest, or rights to the work in progress on the fields. The Group only classifies such work-in-progress as biological assets, if the rights to the work-in-progress were acquired by the Group prior to the reporting date. Otherwise, the costs of land cultivation and harvesting services are recognized in profit or loss for the period.

Agricultural produce. Agricultural produce harvested from the Group’s biological assets is measured at its fair value less estimated costs to sell at the date of harvest. This measurement is considered the cost of agricultural produce at that time. Agricultural produce is adjusted down to net realizable value in case it falls below cost.

Inventories. Inventories are recorded at the lower of cost and net realizable value. Cost of inventory is determined on the first in first out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell.

Where land cultivation works are performed on land plots which are “unsown” (i.e. do not contain biological assets), the costs of such works are capitalized as part of inventories as ‘land cultivation and harvesting’ until the seeds are planted, at which point the accumulated costs are reclassified as production costs of the related biological assets and remeasured at fair value. The cost of work in progress comprises fuel and other raw materials, direct labor, depreciation and amortization, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

Advances to suppliers are prepayments made to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are recognized in profit or loss when the services relating to the prepayment have been received. If there is an indication that the assets or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment is recognized in profit or loss.

Income taxes. Current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date in the countries where the Group’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than taxes on income are recognized as administrative expenses.

Special tax for agricultural producers. In Ukraine, entities engaged in the production, processing and sale of agricultural products may opt to pay a special Fixed Agricultural Tax (“FAT”), as defined in the Tax Code of Ukraine, in lieu of corporate income tax, land tax, duties for special use of water objects, municipal tax, vehicle tax, duties for geological survey works and duties for trade patents if the revenues from sale of their self-grown agricultural products constitute not less than 75% of their total gross revenues. The amount of FAT is assessed at 0.81% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). The Group’s main operating entities KSG Dnipro LLC and Strong-Invest LLC are FAT payers.

Value added tax. In Ukraine, Value Added Tax (“VAT”) is levied at two rates: 20% on sales and imports of goods within the country, works and services and 0% on the export of goods and provision of works or services to be used outside Ukraine.

Output VAT on the sale of goods and services is accounted for on the date the goods/services are delivered to a customer or the date the payment is received from the customer, whichever is earlier. Input VAT is accounted for as follows: entitlement to an input tax credit for purchases arises when VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date on which the goods/services are received, or entitlement to an input tax credit for imported goods or services arises on the date the tax is paid.

VAT related to sales and purchases is recognized in the statement of financial position on a net basis and disclosed as an asset or a liability to the extent it has been declared in VAT returns. Prepayments to suppliers and advances from customers are disclosed in these consolidated financial statements net of the respective VAT balances as it is expected that such balances will be settled by delivery of the underlying product or service.

The Group's subsidiaries involved in the production and sale of agricultural produce and that meet certain other criteria are subject to a privileged VAT regime. For such qualifying entities, the net VAT payable is not transferred to the State authorities, but is retained in the business for use in agricultural production. Such net VAT liabilities are credited to profit and loss as 'Income from government grants' when significant.

Financial instruments

Key measurement terms

Depending on their classification financial instruments are carried at fair value or amortized cost as described below.

Fair value is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Derecognition of financial assets. The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Classification of financial assets. The Group classifies all of its financial assets as loans and receivables. Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are accounted for at amortized cost using the effective interest method, net of allowance for impairment after their initial evaluation. Loans and receivables that mature more than 12 months after the reporting date are classified as non-current assets. The Group's financial assets include 'trade receivables', 'cash and cash equivalents' and 'other financial assets'.

Classification of financial liabilities. All of the Group's financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities that mature more than 12 months after the reporting date are classified as non-current liabilities. The Group's financial liabilities include 'bank and other loans', 'lease liabilities', 'trade payables' and 'other financial liabilities'.

Trade receivables. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss.

Impairment of financial assets carried at amortized cost. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held). The maximum period considered when estimating expected credit losses is the maximum contractual period which the over Group is exposed to credit risk.

ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). The following other principal criteria are also used to determine whether there is objective evidence that an impairment has occurred:

- any portion or installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganization;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment is always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Uncollectible assets are written off against the related impairment allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment account within the profit or loss for the year.

However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Cash and cash equivalents. Cash and cash equivalents include cash on hand, cash in bank, and other short-term, highly liquid investments with original maturities of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts, if any.

Bank and other loans. Loans are initially recognized at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the loan using the effective interest method. Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Bonds. Bonds are recorded at amortized costs less costs to sell.

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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 the majority of the consolidated entities is the Ukrainian hryvnia. As the Group's management uses USD when monitoring operating results and financial conditions of the Group, the presentation currency of the financial statements is USD. All information in USD has been rounded to the nearest thousands, except when otherwise indicated.

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

- assets and liabilities as at each reporting date are translated at respective closing rates as at each of those dates;
- income and expenses for each period are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences on translation are recognized in other comprehensive income.

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognized in profit or loss. Translation at year-end does not apply to non-monetary items.

When control over a foreign operation is lost, the previously recognized exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

The exchange rates used for translating material foreign currency balances were:

	USD/UAH	EUR/UAH
As at 31 December 2023	37.9824	42.2079
Average for the year ended 31 December 2023	36.5751	39.5613
As at 31 December 2022	36.5686	38.9510
Average for the year ended 31 December 2022	32.3684	33.9954
As at the date these financial statements are being issued	38.3135	41.5433

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets constitute ten percent or more of all the segments are reported separately.

Revenue recognition. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group recognizes revenue when it transfers control of a product or service to a customer.

If the Group agrees to transport goods to a specified location, revenue is recognized when the goods are passed to the customer at the destination point.

The Group recognizes revenue from each separate performance obligation and allocates part of the transaction price to carriage and freight services incorporated in some contracts that the Group undertakes to perform. The Group allocates the transaction price based on the relative standalone selling prices of the commodities and supporting services. The revenue from these carriage and freight services is recognized over time.

Revenues from rendering of services are recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Finance income and expenses. Finance income and expenses mainly comprise interest income on cash in bank, interest expense on loans and leases.

5. Critical Accounting Estimates and Judgements

Management make estimates and assumptions that affect the amounts recognized 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 3, Russia's invasion of Ukraine had started on February 24, 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 Russia's 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 unfavorable effect on such judgments and estimates.

The analysis of most significant judgments and estimates is presented below.

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	No
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 in 2023, which makes it less likely to decrease in the future	No
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)	Yes	Yes

6. Business Acquisitions and Disposals

Disposals in 2022. Effect of disposals for the year ended 31 December 2022 was as follows:

	Agro Golden LLC	Hlebna Liga LLC	TOTAL
Effective ownership ratio, %	100%	100%	
Inventories and agricultural produce	8	-	8
Trade receivables	20	-	20
Other financial assets	186	502	688
Liabilities to Group subsidiaries, net	-	(7,170)	(7,170)
Other financial liabilities	(228)	(49)	(277)
Tax liabilities	(2)	-	(2)
Cash and cash equivalents	16	-	16
Net liabilities disposed	-	(6,717)	(6,717)
Currency translation reserve realized	354	(3,552)	(3,198)
Cash consideration received	-	-	-
Gain on disposal of subsidiaries	354	(10,269)	(9,915)
Cash consideration received	-	-	-
Net cash disposed with the subsidiary	(16)	-	(16)
Net cash flow on disposal	(16)	-	(16)

In early February 2022, the Group disposed of its subsidiary Agro Golden LLC. In December 2022, the Group disposed of yet another dormant subsidiary Hlebna Liga LLC.

Disposals in 2023. Effect of disposals for the year ended 31 December 2023 was as follows:

	Promvok LLC	Abbondanza SA	TOTAL
Effective ownership ratio, %	100%	50%	
Property, plant and equipment	52	-	52
Inventories and agricultural produce	14	-	14
Trade receivables	10	-	10
Other financial assets	16	546	562
Trade payables	(255)	(256)	(511)
Other financial liabilities	(240)	(496)	(736)
Cash and cash equivalents	-	24	24
Net liabilities disposed	(403)	(182)	(585)
Currency translation reserve realized	(353)	12	341
Cash consideration received	-	-	-
Gain/Loss on disposal of subsidiaries	(756)	170	926
Cash consideration received	-	-	-
Net cash disposed with the subsidiary	-	(24)	(24)
Net cash flow on disposal	-	(24)	(24)

In March 2023, the Group disposed of its Ukrainian subsidiary Promvok LLC. In December 2023, the Group disposed of its stake in the Swiss subsidiary Abbondanza SA.

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7. Property, Plant and Equipment

Changes in property, plant and equipment were as follows:

	Buildings	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
Gross carrying amount					
Balance as at 1 January 2022	16 659	3 945	870	1 778	23 252
Additions	39	776	34	267	1 116
Disposals	-	(40)	(41)	-	(81)
Transfers	390	83	9	(482)	-
Impairment charge	-	-	-	(865)	(865)
Translation differences	(4 282)	(1 123)	(294)	(327)	(6 026)
Balance as at 31 December 2022	12 806	3 641	578	371	17 396
Depreciation and impairment					
Balance as at 1 January 2022	(5 611)	(1 779)	(464)	-	(7 854)
Depreciation charge	(787)	(300)	(47)	-	(1 134)
Translation differences, depreciation	1 437	594	197	-	2 228
Balance as at 31 December 2022	(4 961)	(1 485)	(314)	-	(6 760)
Carrying amount as at 31 December 2022	7 845	2 156	264	371	10 636
Gross carrying amount					
Balance as at 1 January 2023	12 806	3 641	578	371	17 396
Additions	40	153	172	949	1 314
Disposals	(26)	(86)	(60)	-	(172)
Transfers	592	49	32	(673)	-
Depreciation charge	-	-	-	-	-
Translation differences	(505)	(151)	(26)	(21)	(703)
Balance as at 31 December 2023	12 907	3 606	696	626	17 835
Depreciation and impairment					
Balance as at 1 January 2023	(4 961)	(1 485)	(314)	-	(6 760)
Depreciation charge	(570)	(379)	(51)	-	(1 000)
Disposals	5	26	38	-	69
Translation differences, depreciation	200	68	10	-	278
Balance as at 31 December 2023	(5 326)	(1 770)	(317)	-	(7 413)
Carrying amount as at 31 December 2023	7 581	1 836	379	626	10 422

For details on property, plant and equipment pledged to secure bank loans refer to Note 16. No borrowing costs were capitalized during 2022 and 2023.

Management tested the Group's most material cash-generating units, Crop Farming and Pig Breeding, for impairment as at 31 December 2023. The tests were based on discounted cash-flow projections for the next five years. The discount rates used for both cash-generating units were 31,44% in the forecasting period and 24,19% in the terminal period.

Results of these impairment tests indicated that the Group's assets are not carried above their recoverable amount and management did not recognize any impairment for the year ended 31 December 2023.

The Group did not have any contingent liabilities for acquisition of property, plant and equipment as at 31 December 2023 and 2022.

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8. Leases

The Group leases land plots, mostly from individuals, and agricultural equipment for producing crops. Lease agreements do not contain residual value guaranties, there are no restrictions or covenants imposed by leases. The Group did not provide sale and lease back agreements for the year ended December 31, 2023. There are no other liabilities than reflected in the measurement of lease liabilities.

Changes in right-of-use assets were as follows:

	2023	2022
Cost	2,147	2,768
Accumulated amortization	(1,094)	(1,208)
Right-of-use assets as at 1 January	1,053	1,560
Recognition of lease liability	234	121
Amortization charge	(217)	(217)
Translation differences	(40)	(411)
Right-of-use assets as at 31 December	1,030	1,053
Cost	2,292	2,147
Accumulated amortization	(1,262)	(1,094)
Right-of-use assets as at 31 December	1,030	1,053

Changes in lease liabilities were as follows:

	2023	2022
Lease liabilities as at 1 January	1,963	2,540
Recognition of lease liability	179	121
Interest accrued (Note 22)	323	333
Leases repaid	-	(14)
Interest paid	(82)	(333)
Translation differences	(81)	(684)
Lease liabilities as at 31 December	2,302	1,963

Maturity of lease liabilities as at 31 December was as follows:

	2023		2022	
	Future lease payments	Present value	Future lease payments	Present value
Within one year	1,647	1,454	1,282	1,082
Within two to five years	1,065	612	1,107	636
After five years	473	236	492	245
less: future interest expenses	(883)	-	(918)	-
Total lease liabilities	2,302	2,302	1,963	1,963

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9. Biological Assets

	31 December 2023		31 December 2022	
	Units	Amount	Units	Amount
Non-current biological assets (swines)				
Sows and gilts (i)	6,301	4,384	5,937	5,729
Boars	39	30	42	50
Total non-current biological assets		4,414		5,779
Current biological assets (swines)				
Pigs and piglets (ii)	14,953	2,893	42,259	3,977
Current biological assets (crops)				
Wheat	1,243	270	1,440	300
Barley	-	-	662	43
Rapeseed	677	352	1,730	239
Other	-	304	-	402
Total current biological assets		3,819		4,961
Total biological assets		8,233		10,740

(i) Back in 2021, the Group started the project to gradually renew its sow population and purchased a test batch of 900 gilts, to try breeding pigs of Canadian genetics. Previously, most sows were of European genetics (Danish Landrace).

A series of tests, conducted by the Group at the beginning of 2023, confirmed that the productivity of Canadian sows compared to European ones is much higher, not only in terms of litter and weight per farrow, but also in terms of the quality of meat.

Based on the results of these tests, the low-productivity European sows were gradually removed from the nucleus herd and replaced with fresh gilts of Canadian genetics, purchased during the year.

(ii) In 2023, for safety and biosecurity reasons, the Group started to limit the number of pigs hosted at one single farm, and started to distribute its herd across several locations. Key concerns are the risks of losing the pigs to swine flu, rocket and drone strikes, as well as the limited supply of fresh water in the area (due to the destruction of the Kakhovka Dam by the Russian forces). This way, if one location is affected, the rest will remain unharmed.

Additionally, as part of a change to its strategy in 2023, the Group started retooling its production process to focus on raising piglets for sale to other pig producers. Fresh Canadian genetics will allow the Group to produce high-quality piglets to be sold specifically as piglets and not grown further at the Group's farms. This allows to shorten the Group's production cycle, decreasing the number of pigs that needs to be hosted at the farm at the same time.

Changes in biological assets were as follows:

	Crops	Swines	Total
Carrying amount as at 1 January 2022	3,618	8,230	11,848
Purchases	-	45	45
Production costs (i)	4,100	11,344	15,444
Gain/(loss) on biological transformation, net (ii)	(880)	5,482	4,602
Farrow	-	129	129
Harvest (iii)	(5,158)	(399)	(5,557)
Sales	-	(12,482)	(12,482)
Translation differences	(696)	(2,593)	(3,289)
Carrying amount as at 31 December 2022	984	9,756	10,740
Purchases	-	1,760	1,760
Production costs (i)	3,616	5,635	9,251
Gain/(loss) on biological transformation, net (ii)	1,624	(4,523)	(2,899)
Farrow	-	10	10
Harvest (iii)	(5,594)	-	(5,594)
Sales	-	(5,034)	(5,034)
Translation differences	296	(297)	(1)
Carrying amount as at 31 December 2023	926	7,307	8,233

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(i) Costs incurred during the year ended 31 December 2022 on production of crops and swines were as follows:

	Crops	Swines	Total
Seeds, fertilizers and crop protection products	2,175	-	2,175
Fodder and medication	-	9,094	9,094
Land cultivation and harvesting	1,025	-	1,025
Utilities and veterinary services	-	1,131	1,131
Staff costs	289	400	689
Depreciation of property, plant and equipment	394	719	1,113
Amortization of land lease rights	217	-	217
Total production costs	4,100	11,344	15,444

Costs incurred during the year ended 31 December 2023 on production of crops and swines were as follows:

	Crops	Swines	Total
Seeds, fertilizers and crop protection products	1,778	-	1,778
Fodder, medication	-	4,201	4,201
Land cultivation and harvesting	994	-	994
Utilities and veterinary services	-	499	499
Staff costs	128	347	475
Depreciation of property, plant and equipment	240	588	828
Amortization of land lease rights	476	-	476
Total production costs	3,616	5,635	9,251

(ii) Gain or loss on biological transformation refers to the gains and/or losses on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.

	2023	2022
Crops in the field	-	53
Agricultural produce	1,624	(933)
Sows	(2,729)	3,991
Pigs and piglets	(1,794)	1,491
Total (loss)/gain on biological transformation, net	(2,899)	4,602

(iii) Volume of crops harvested (in bunker weight) was as follows:

	2023	2022
	in tons	in tons
Wheat	15,038	7,943
Barley	3,252	1,898
Rapeseed	5,350	983
Sunflower	17,472	8,933
Corn	98	2,456
Total harvest, tons	41,210	22,213

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Unobservable inputs used to estimate fair value of biological assets and the respective valuation techniques applied as at 31 December 2023 were as follows:

Description	Fair value as at 31 December 2023	Valuation technique	Unobservable inputs	Range of unobservable inputs
Sows	4,358	Market price	Price, USD per head	0,696
Pigs and piglets	2,893	Market Price	Price, USD per ton	1,420 and 3,020

Changes in key assumptions used to estimate fair value of biological assets would have the following effect:

	Effect on fair value of biological assets
10 % increase in price for meat	289
10 % decrease in price for meat	(289)

The management stated that such new sows have superior results in their first [productive years (as compared to the possibility of old sows being deployed).

As a result of the strategy described above, as well as fresh change in the genetic material, the Group's management believes the valuation model prepared showed a higher result. However, a lower valuation in line with last year's valuation has been accepted reflecting the figures

This higher result in the model proposed by management is explained by the fact the Group's pig breeding segment was operated using quite a different strategy, compared to the one used in previous years. Instead of growing piglets till nominal weight prescribed for commercial pigs that are to be sold to the market, the Group's management started to sell piglets at much early age, with much less weight in the second half of 2023, and also in 2024.

10. Cash and cash equivalents

The balances of cash and cash equivalents were as follows:

	As of 31 December 2023	As of 31 December 2022
Cash in banks in EUR	-	-
Cash in banks in UAH	161	144
Cash in banks in USD	45	127
Cash on hand	-	-
Total	206	271

As at 31 December 2023 and 31 December 2022, cash and cash equivalents consisted of current accounts in banks.

11. Inventories and Agricultural Produce

Agricultural produce is measured at fair value less costs to sell at the date of harvest while inventories are measured at the lower of cost and net realizable value. For inventories as at 31 December 2023, a reversal of a previous write-down to their net realizable value was recognized in the total amount of USD 77 thousand (2022: a write-down was recognized for USD 689 thousand).

(i) Where land cultivation works are performed on land plots which are "unsown" (i.e. do not contain biological assets), the costs of such works are capitalized as part of inventories until the seeds are planted, at which point the accumulated costs are reclassified as production costs of the related biological assets.

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	31 December 2023	31 December 2022
Agricultural produce	3,604	4,436
Land cultivation and harvesting - third parties	1,054	-
Land cultivation and harvesting - fallow land (i)	1,056	285
Seeds, fertilisers, crop protection products	510	1,656
Construction materials	189	183
Fodder (raw materials)	384	744
Fodder (processed)	24	345
Fuel	709	689
Other materials	138	170
Total inventories and agricultural produce	7,668	8,508

12. Trade Receivables and advances to suppliers

	31 December 2023	31 December 2022
Receivables from customers	1,788	3,676
Less: expected credit loss	(499)	(839)
Total trade receivables	1,289	2,837

Changes in expected credit loss of trade receivables were as follows:

	2023	2022
Carrying amount as at 1 January	839	995
Impairment charge	386	437
Lifetime expected credit loss	(706)	(328)
Translation differences	(20)	(265)
Carrying amount as at 31 December	499	839

Credit risk profile of trade receivables was as follows:

	Expected credit loss rate, %	31 December 2023	31 December 2022
Not past due		-	-
Less than 90 days past due	3%	613	1,848
91 to 180 days past due	16%	827	1,247
Over 180 days past due	100%	348	581
Total trade receivables		1,788	3,676
Less: impairment		(499)	(839)
Total trade receivables		1,289	2,837

Trade receivables from third parties are generally settled within 90 days. All receivables past 90 days are impaired at their respective ECL rate, even when management allows certain customers (e.g. related parties) to delay payments. The Group does not hold any collateral as security for overdue trade receivables.

Trade receivables include an amount of USD 796 thousand due from related parties (2022: USD 1,599 thousand, net of impairment of USD 191 thousand). Balances with related parties are disclosed in Note 24.

Maximum exposure to credit risk at the reporting date is equal to the fair value of trade receivables. The fair value of trade receivables as at 31 December 2023 and 2022 approximates their carrying amount as at these dates.

Advances to suppliers are prepayments for goods and services that the Group obtains in its normal way of doing business.

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13. Share Capital

As of 31 December 2023 and 2022, the registered share capital of KSG Agro S.A. was USD 150,200 and comprised of 15 020 thousand ordinary shares with a par value of USD 0.01 each. All issued shares were fully paid.

On October 31, 2023, OLBIS Investments LTD S.A. had transferred its 8 705 500 shares in KSG Agro S.A. to Demaline Holding LTD. Both, OLBIS Investments LTD S.A. and Demaline Holding LTD, are ultimately controlled by Mrs. Kseniia Kasianova, so this transaction is classified as an internal restructuring.

14. Earnings Per Share

Earnings per share were calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of common shares outstanding during the year as follows:

	2023	2022
Loss for the year attributable to owners of the Company, USD thousand	(1,088)	(1,547)
Weighted average number of common shares outstanding, thousand	15,020	15,020
Basic and diluted earnings per share, USD	(0.07)	(0.10)

There are no options or instruments convertible into new shares, so basic and diluted earnings per share are the same.

15. Bank and Other Loans

	31 December 2023	31 December 2022
Bank loans	10,514	11,978
Corporate bonds	3,037	-
Loan from Parent	2,000	10,714
Interest payable	287	5,043
Total bank and other loans	15,838	27,735

As at 31 December 2023 and 2022, the Group's bank loans were represented by the long-term credit line with TASCOMBANK.

In December 2022, the Group negotiated new credit terms with TASCOMBANK which better reflect the Group's financing needs during wartime. The new terms are effective from the first quarter of 2023.

Under the new terms, the established total credit limit for TASCOMBANK loans remains at UAH 450 million, interest rates for tranches in UAH are capped at 30% per annum and allow for partial compensation of the rate by state-funded programs, while interest rates for tranches in USD and EUR are fixed at 9% per annum. The credit line matures in December 2025.

(i) The format of the credit line assumes that the Group will be repaying and re-drawing tranches within the credit line's limit each year, so the bank formally classifies all debt under this credit line as short-term. In 2023, the Group repaid all TASCOMBANK loan balances existing as at 31 December 2022 and received new tranches in similar amounts. The same is expected for 2024.

As a result, all bank loan balances are presented in the consolidated financial statements as short-term liabilities, even though full repayment of the TASCOMBANK credit line is not actually due until December 2025.

The bank also issued a formal letter to the Group, confirming that the Group would be able to re-draw tranches once repaid, and that the bank does not intend to halt, or in any way reduce, financing to the Group until at least December 2025.

On December 29, 2023 the bank issued a waiver, confirming its awareness of the potential for the Group to violate the financial covenants of the Loan agreements. The bank stated that it would refrain from imposing any fees or penalties and would not demand full repayment on the event of a covenant breach.

As at 31 December 2023, bank loans were secured by collateral in the form of property, plant and equipment pledged by the Group with a total net book value of USD 6,504 thousand (2022: USD 6,746 thousand) and real estate pledged by related parties.

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As at 31 December 2023, the ultimate controlling party and other related parties each pledged real estate of estimated value, according to the pledge agreement, of, respectively, USD 4,017 thousand and USD 9,933 thousand, as collateral for the Group's bank loans in the amount of USD 10,514 thousand (2022: respectively, USD 4,803 thousand and USD 9,501 thousand for the Group's bank loans in the amount of USD 12,246 thousand).

(ii) Loan from Parent, OLBIS Investments LTD S.A., is owed by the Group subsidiary KSG Agricultural and Industrial Holding Limited, and becomes due in December 2036, together with all interest accrued up to that date. Interest rate on the loan is 3% per annum. In December 2023, OLBIS Investments LTD S.A. exchanged a total amount of USD 13,180 thousand of the loan balance, comprising USD 8,272 thousand of principal and all accrued interest of 4,908 thousand, for 1 share in the share capital of KSG Agricultural and Industrial Holding Limited, thereby decreasing the loan's balance to USD 2,000 thousand.

During 2023 one of the Group's key operating subsidiary in Ukraine, have successfully registered issues of series A and B of interest-bearing, ordinary, unsecured, USD denominated, corporate bonds with Ukraine's National Securities and Stock Market Commission.

Bonds terms and conditions:

Series	Issue date	Total nominal value (USD th.)	Annual coupon	Maturity date
A	September 2023	1 500	7%	March 2025
B	November 2023	1 500	7%	April 2025

Type	Amount (thousand USD)	Date of subscription	Maturity date
Series A	1,498,000	20.09.2023	05.03.2025
Series A	25,000	02.10.2023	05.03.2025
Series B	1,115,000	02.11.2023	30.04.2025
Series B	304,000	02.11.2023	30.04.2025
Series B	101,000	16.11.2023	30.04.2025

During 2023 Strong-Invest, one of the Group's key operating subsidiary in Ukraine, has successfully registered issues of series A and B of interest-bearing, ordinary, unsecured, UAH denominated corporate bonds with Ukraine's National Securities and Stock Market Commission.

Bank and other loans were denominated in the following currencies:

	31 December 2023	31 December 2022
US Dollar (USD)	7,497	15,489
Ukrainian Hryvnia (UAH)	8,341	12,246
Total bank and other loans	15,838	27,735

Changes in bank and other loans were as follows:

	2023	2022
Carrying amount as at 1 January	27,735	27,591
Loans received (i)	13,650	4,656
Proceeds from bonds issue	3,030	-
Loans repaid (i)	(15,254)	(1,480)
Interest accrued (Note 22)	2,677	3,176
Interest compensated by the Ukrainian government (Note 21)	(355)	-
Interest paid by the Group	(2,343)	(2,726)
Loans converted into equity (ii)	(13,180)	-
Translation differences	(122)	(3,482)
Carrying amount as at 31 December (iii)	15,838	27,735

(iii) Based on management's assessment, fair value of the Group's bank and other loans as at 31 December 2023 amounted to USD 15,838 thousand while the carrying amount was USD 15,838 thousand (2022: USD 28,326 thousand while the carrying amount was USD 27,735 thousand).

Contractual maturities of bank and other loans are presented in Note 25.

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16. Other Financial Liabilities

	31 December 2023	31 December 2022
Other payables	3,422	3,507
Short-term promissory notes issued	1,910	1,918
Company loans received	2,888	2,106
Wages and salaries payable	272	286
Total other financial liabilities	8,492	7,817

Company loans are unsecured noninterest-bearing loans with maturities of twelve months or less intended to facilitate agricultural and trading activities. Company loans are mostly provided to, and obtained from, related parties, but are also arranged with the Group's trade partners.

Balances with related parties are disclosed in Note 24.

The fair value of other financial liabilities as at 31 December 2023 and 2022 approximates their carrying amount as at these dates.

17. Operating Segments

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO reviews internal management reports on a quarterly basis. The operations in each of the Group's reporting segments are:

- **Crop Farming.** Covers production of summer crops (sunflower, corn) and winter crops (wheat, barley, rapeseed), as well as provision of land cultivation services. Main factors affecting crop production are climate conditions, land quality, plant nutrition and moisture levels in the arable land.
- **Pig Breeding.** The segment which deals with breeding of pigs, own Danish purebred sows, and sale of pigs and piglets in live and dead weight.
- **Other.** This operating segment includes the production of fuel pellets, thermal energy, wholesale trading of crops and other goods, and rendering of other services to third parties.

Performance is measured based on segment profit or loss, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group's segments relative to other entities that operate within these industries.

Seasonality of operations

Both winter and summer crops are harvested in the second half of the year, so segment results for Crop Farming in the first half of the year mainly reflect the sales of crops in stock from last season and revaluation of crops still growing in the field. 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.

Breakdown of revenue by geographical segments is based on the domicile of customers and is as follows:

	2023	2022
Ukraine	17,048	15,512
Slovakia	588	474
Switzerland	584	-
Poland	391	216
United Arab Emirates	175	-
Total revenue	18,786	16,202

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Information about operating segments for the year ended 31 December 2023 is as follows:

	Note	Crop Farming	Pig Breeding	Other	Total
Revenue, including:					
- total sales of goods		11,240	5,400	1,116	17,756
- less: inter-segment sales of goods		(1,120)	-	(340)	(1,460)
- rendering of services		2,490	-	-	2,490
Revenue from external customers		12,610	5,400	776	18,786

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

Timing of revenue recognition:

For the year ended 31 December 2023	Crop Farming	Pig Breeding	Other	Total
Good transferred at a point in time	10,120	5,400	776	16,296
Services transferred over time	2,490	-	-	2,490
Total	12,610	5,400	776	18,786

Gain/(loss) on biological transformation, net	10	1,624	(4,523)	-	(2,899)
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Cost of sales, including:					
- incurred costs		(8,186)	(3,936)	(674)	(12,796)
- fair value effects		(910)	(1,698)	-	(2,608)
Cost of sales		(9,096)	(5,634)	(674)	(15,404)

Segment profit		5,138	(4,757)	102	483
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Other segment information:

Depreciation of property, plant and equipment		252	692	56	1,000
Amortisation of right-of-use assets		217	-	-	217
Capital expenditure		222	1,092	-	1,314

Information about operating segments for the year ended 31 December 2022 is as follows:

	Note	Crop Farming	Pig Breeding	Other	Total
Revenue, including:					
- total sales of goods		6,278	11,308	396	17,982
- less: inter-segment sales of goods		(3,096)	-	(22)	(3,118)
- rendering of services		1,338	-	-	1,338
Revenue from external customers		4,520	11,308	374	16,202

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The Group's revenue disaggregated by pattern of revenue recognition is as follows:

Timing of revenue recognition:

For the year ended 31 December 2022	Crop Farming	Pig Breeding	Other	Total
Good transferred at a point in time	3,182	11,308	374	14,864
Services transferred over time	1,338	-	-	1,338
Total	4,520	11,308	374	16,202

Gain/(loss) on biological transformation, net	11	(880)	5,482	-	4,602
Cost of sales, including:					
- incurred costs		(1,251)	(9,000)	(265)	(10,516)
- fair value effects		(2,942)	(4,166)	-	(7,108)
Cost of sales		(4,193)	(13,166)	(265)	(17,624)
Segment profit		(553)	3,624	109	3,180
Other segment information:					
Depreciation of property, plant and equipment		394	719	21	1,134
Amortization of right-of-use assets		217	-	-	217
Capital expenditure		692	424	-	1,116

18. Cost of Sales

Cost of sales by nature of expenses was as follows:

	2023	2022
Fodder and medication	1,313	2,939
Seeds, fertilizers and crop protection products	3,864	1,995
Fuel and other materials	1,593	1,031
Depreciation of property, plant and equipment	944	1,113
Land cultivation and harvesting	3,375	637
Utilities and veterinary services	359	1,020
Staff costs	476	762
Maintenance of equipment	448	410
Amortization of land lease rights	217	217
Slaughter and processing services	-	240
Taxes, other than income tax	207	152
Fair value effects	2,608	7,108
Total cost of sales	15,404	17,624

19. Selling, General and Administrative Expenses

	2023	2022
Delivery costs	403	701
Professional services (i)	384	472
Staff costs	428	437
Office maintenance costs	194	433
Storage costs	221	333
Short-term lease of vehicles	235	281
Fuel and other materials	45	30
Bank services	117	14
Business trips	5	11
Taxes, other than income tax	10	5
Depreciation of property, plant and equipment	56	21
Total selling, general and administrative expenses	2,098	2,738

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(i) Fees accrued for the year 2023 with respect to auditors PKF Audit & Conseil comprise USD 55 thousand for the Luxembourg statutory and group audit and USD nil for other services. Fees accrued for the year 2023 with respect to auditors Baker Tilly Ukraine comprise USD 55 thousand for the group audit and USD nil for other services. Fees accrued for the year 2023 with respect to other auditors comprise USD 7 thousand for the statutory audit in Cyprus and USD nil for other services.

Fees accrued for the year 2022 with respect to auditors PKF Audit Conseil comprise USD 91 thousand for the Luxembourg statutory and group audit and USD nil for other services. Fees accrued for the year 2022 with respect to other auditors comprise USD 7 thousand for the statutory audit in Cyprus and USD nil for other services.

20. Other Gains and Losses

	2023	2022
Disposal of property, plant and equipment	17	70
Impairment of property, plant and equipment	-	(865)
Impairment of inventories (Note 12)	77	(689)
Expected credit loss of receivables (Note 13)	(386)	(437)
Direct write-offs of financial and prepaid assets (i)	(1,173)	(8,342)
Reversal of previous write-offs of financial and prepaid assets	3,558	1,563
Other payables write-off	540	234
Impairment of VAT recoverable	(22)	(15)
Bank loan interest compensated by the Ukrainian government (Note 16)	355	-
Foreign currency exchange differences	(377)	(57)
Charity contributions and other losses	(55)	-
Total other gains and losses	2,534	(8,538)

(i) For the year ended 31 December 2022, direct write-offs of financial and prepaid assets mainly comprised both, write-offs of receivables from subsidiaries disposed during that particular year and the write-offs recognized by the disposed subsidiaries themselves in preparation for their respective disposals.

21. Finance Expenses, net

	2023	2022
Interest expense on loans (Note 16)	2,677	3,176
Interest expense on leases	323	333
Other finance expenses	-	2
less: finance income	(2)	(11)
Total finance expenses	2,998	3,500

22. Income Taxes

For the years ended 31 December 2023 and 2022, key Ukrainian subsidiaries of the Group elected to pay the special Fixed Agricultural Tax ("FAT") in lieu of corporate income tax. FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty and Trade Patent. FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized on the income statement within cost of sales.

All other Group subsidiaries are subject to regular Corporate Income Tax ("CIT") in their respective jurisdictions. CIT rate in Ukraine for the years ended 31 December 2022 and 2023, and for the foreseeable future, was set at 18%.

Deferred income tax assets and liabilities are measured based on the tax rates expected to be applied to the periods when the temporary differences are expected to reverse.

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Components of income tax expense were as follows:

	2023	2022
Current tax expense	(8)	-
Deferred tax expense	-	-
Income tax expense	(8)	-

Reconciliation between expected and actual income tax expense was as follows:

	2023	2022
Loss before tax	(1,661)	(1,681)
- loss attributable to Ukrainian FAT payers	(3,194)	(2,165)
- loss attributable to Ukrainian CIT payers	(174)	(1,761)
- Profit/(loss) attributable to other Group entities	781	(7,670)
- Gain on disposal of subsidiaries (Note 7)	926	9,915
Income tax expense related to Ukrainian CIT payers	31	317
Income tax benefit related to other Group entities	(98)	(281)
Adjusted for tax effects of:		
· (non-taxable income) / non-deductible expenses, net	59	281
Change in deferred taxes not recognized	-	(317)
Income tax expense	(8)	-

23. Related Parties

Significant balances with related parties as at 31 December were as follows:

	2023		2022	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Assets				
Trade receivables	-	796	-	1,599
Less: expected credit loss of trade receivables	-	-	-	(191)
Other financial assets	-	324	-	320
Less: impairment of other financial assets	-	-	-	(10)
Prepaid assets	13	1,162	94	34
Liabilities				
Loan from Parent (i)	2,000	-	10,714	-
Interest on loan from Parent (i)	-	-	4,775	-
Trade payables	121	17	111	94
Company loans received	1,791	549	1,130	191
Other payables	34	989	-	12
Advances from customers	-	742	-	45

Significant transactions with related parties (ii) were as follows:

	2023		2022	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Income				
Sales of pigs and pork	-	2,363	-	6,858
Sales of crops	-	512	-	-
Other goods and services	-	189	-	415
Expenses				
Purchases of goods and services	235	446	466	202
Interest expense on loans	308	-	311	-

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'Parent and owners' include the Company's immediate parent, Demaline Holding LTD, the ultimate controlling party Mrs. Kseniia Kasianova, and members of her immediate family.

'Entities under common control' are other entities controlled by Demaline Holding LTD and Mrs. Kseniia Kasianova.

(iv) 'Loan from Parent' and related interest refer to a loan from OLBIS Investments LTD S.A., which becomes due in December 2036, together with all interest accrued up to that date. Interest rate on the loan is 3% per annum. In December 2023, OLBIS Investments LTD S.A. exchanged a total amount of USD 13,180 thousand of the loan balance, comprising USD 8,272 thousand of principal and all accrued interest of 4,908 thousand, for a stake in one of the Group's subsidiaries, thereby decreasing the loan's balance to USD 2,000 thousand. Refer to Note 16 for details.

(v) Sales of pigs and pork to related parties are made at market prices (i.e. on an arm's-length basis). Other transactions with related parties may not always be on an arm's-length basis, but they are relatively insignificant.

As at 31 December 2023, the ultimate controlling party and other related parties each pledged real estate of estimated value, according to the pledge agreement, of, respectively, USD 4,017 thousand and USD 9,933 thousand, as collateral for the Group's bank loans in the amount of USD 10,514 thousand (2022: respectively, USD 4,803 thousand and USD 9,501 thousand for the Group's bank loans in the amount of USD 12,246 thousand).

Transactions with key management personnel. Key management personnel are those individuals that have the authority and responsibility for planning, organizing and controlling the activities of the Group, directly or indirectly, and include the Board of Directors.

Remuneration of key management personnel for 2023 comprised short-term benefits totaling USD 174 thousand (2022: USD 131 thousand).

24. Risk Management

Agricultural risk. The Group is exposed to various risks related to agricultural activity. Agricultural operations are highly dependent on weather conditions: low rainfall, severe frost, which may have a negative effect on crop production. Adverse weather or climate changes can affect the yields, which in turn may result in decrease in margins. Agricultural plant may be subjected to diseases and viruses.

Long-term reduction of prices for grain may also have a negative effect on operating results of the Group. Prices for agricultural products are influenced by various unpredictable factors beyond the control of the Group, such as weather conditions and changes in global supply and demand.

Management believes that the Group may resist to fluctuations of prices for crops, since the close proximity and the capacities of grain elevators and other storage facilities enable the Group to sell its crop products in those periods when prices are optimal.

Livestock diseases risk. The Group's pig breeding business is subject to risks of outbreaks of various diseases, which could be highly contagious and destructive to susceptible livestock, could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk.

The Group's management is satisfied that its existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

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.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated statement of financial position and as summarized below:

	Note	2023	2022
Financial assets			
Trade receivables	13	1,289	2,837
Other financial assets		642	310
Cash and cash equivalents		206	271
Total financial assets		2,137	3,418

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.

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The Group has assessed that no impairment on financial assets is required due to the absence of internal and external factors that might have influenced the Group.

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. Loans and borrowings issued at variable interest rates expose the Group to the interest rate risk. Loans and borrowings issued at fixed rates expose the Group to the fair value risk.

The sensitivities to market risks disclosed below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Interest rate risk. Risk of changes in interest rate is generally related to interest-bearing loans. Loans issued at variable rates expose the Group to cash flow interest rate risk. Loans issued at fixed rates expose the Group to fair value interest rate risk. The Group is currently developing its policy on structure of fixed and variable rates loan portfolio. The Group's management analyses market interest rates to minimize interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. As at 31 December 2023, if interest rates had been 5% higher or lower with all other variables held constant, both profit for the year and equity would have been, respectively, USD 955 thousand lower or higher (2022: USD 1,117 thousand).

Currency risk. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

As of 31 December 2023, the Group's financial assets and liabilities denominated in foreign currency were as follows:

	USD	EUR	PLN	Total	Carrying amount
Financial assets					
Trade receivables	467	-	-	467	1,289
Other financial assets	-	-	-	-	642
Cash and cash equivalents	-	-	-	-	206
Total financial assets	467	-	-	467	2,137
Financial liabilities					
Trade payables	-	-	-	-	4,792
Bank and other loans (i)	7,497	-	-	7,497	15,838
Other financial liabilities	525	1,539	160	2,224	8,492
Total financial liabilities	8,022	1,539	160	9,721	29,122
Net foreign currency position	(7,555)	(1,539)	(160)	(9,254)	(26,985)

As of 31 December 2022, the Group's financial assets and liabilities denominated in foreign currency were as follows:

	USD	EUR	PLN	Total	Carrying amount
Financial assets					
Trade receivables	-	79	-	79	2,837
Other financial assets	-	-	-	-	310
Cash and cash equivalents	-	-	-	-	271
Total financial assets	-	79	-	79	3,418
Financial liabilities					
Trade payables	203	-	-	203	9,123
Bank and other loans (i)	15,489	-	-	15,489	27,735
Other financial liabilities	-	1,539	160	1,699	7,817
Total financial liabilities	15,692	1,539	160	17,391	44,675
Net foreign currency position	(15,692)	(1,333)	(160)	(17,185)	(41,257)

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Due to this exposure, if the US dollar were to strengthen or weaken by 1% against a functional currency, it would, respectively, decrease or increase the Group's net foreign currency position by USD 76 thousand (2022: USD 157 thousand).

Due to this exposure, if the Euro were to strengthen or weaken by 1% against a functional currency, it would, respectively, decrease or increase the Group's net foreign currency position by USD 15 thousand (2022: USD 13 thousand).

(vi) Bank and other loans as at 31 December 2023 include a long-term loan from a related party in the amount of USD 2,000 thousand (2022: USD 10,714 thousand) (Note 16). This loan is denominated in USD, which is the functional currency of the Group subsidiary that owes the loan and is, therefore, not considered a foreign-currency balance from a stand-alone perspective. However, since most of the Group's revenue is generated in UAH, repayment of this loan upon maturity will likely be financed by UAH proceeds. Because of this, management includes this loan in the assessment of its net foreign-currency position.

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 (as defined in Note 17) to cover the cash gaps.

The table below presents the maturity analysis of financial liabilities. Amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amounts included in the consolidated statement of financial position, because the statement of financial position is based on discounted cash flows.

Remaining contractual maturity of financial liabilities as at 31 December 2023 was as follows:

	Within one year	Within two to five years	After five years	Total	Carrying amount
Bank and other loans (i)	10,801	3,037	2,000	15,838	15,838
Future interest on loans	1,011	55	-	1,066	-
Lease liabilities	1,454	612	236	2,302	2,302
Future interest on lease liabilities	192	453	237	882	-
Trade payables	4,792	-	-	4,792	4,792
Other financial liabilities	8,492	-	-	8,492	8,492
Total	26,742	4,157	2,473	33,372	31,424

Remaining contractual maturity of financial liabilities as at 31 December 2022 was as follows

	Within one year	Within two to five years	After five years	Total	Carrying amount
Bank and other loans (i)	9,568	18,167	-	27,735	27,735
Future interest on loans	2,189	439	-	2,628	-
Lease liabilities	1,082	636	245	1,963	1,963
Future interest on lease liabilities	200	471	247	918	-
Trade payables	9,123	-	-	9,123	9,123
Other financial liabilities	7,817	-	-	7,817	7,817
Total	29,979	19,713	492	50,184	46,638

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(i) The format of the Group's credit line with TASCOMBANK assumes that the Group will be repaying and re-drawing tranches within the credit line's limit each year, so the bank formally classifies all debt under this credit line as short-term.

As a result, all bank loan balances are presented in the consolidated financial statements as short-term liabilities, even though full repayment of the credit line is not actually due until December 2025.

In 2023, the Group repaid all TASCOMBANK loan balances existing as at 31 December 2022 and received new tranches in similar amounts. The same is expected for 2024. Refer to Note 16 for details.

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.

<i>In thousands of US dollars</i>	31 December 2023	31 December 2022
Bank and other loans	15,838	27,735
Less: cash and cash equivalents	(206)	(271)
Net debt	15,632	27,464
Total equity	(834)	(12,458)

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.

25. Contingencies and Commitments

As at 31 December 2023, the Group had the following guarantees presented below:

Creditors	Amount (excluding interests)	Interest %	Comments
EKF Denmark's Export Credit Agency	1,604,013.00 EUR	5,5 following default event	This amount in overdue corresponds to the sum of the 18 bills received initially by KSH AIH from Breeders of Denmark based on the agreement n°01.40.2012 signed on 18/10/2012. During 2015, collection of this debt was assigned to EKF. On June 19, 2019, KSH AIH was offered a Settlement agreement which has not been respected. As a consequence, the total outstanding amount of € 1.604.013, - is due by KSG AIH as at 31.12.2023, at a rate of 5,5 per year. The Group was initially acting as guarantor and is still a guarantor following the transfer to EKF.

26. Events After the Reporting Period

During the first quarter of 2024, the Group repaid a total of USD 4 282 thousand of its existing TASCOMBANK loans and received new tranches in the total amount of USD 2 304 thousand. On January, 29, 2024, KSG Dnipro, the Group's key operating subsidiary in Ukraine, have successfully registered issues of series C and D of interest-bearing, ordinary, unsecured, USD denominated, corporate bonds with Ukraine's National Securities and Stock Market Commission. The bonds are being offered to a number of private investors, in two rounds: Series C bonds in February-April 2024 and Series D bonds in April-May 2024. The total nominal value of registered bonds (series C and series D total), in USD-equivalent, is around USD 5 million. Total amount of proceeds from bonds realization (Series C) is approx. USD 1 400 thousand.