

**KSG Agro S.A.**

Société Anonyme  
24, rue Astrid  
L-1143 Luxembourg  
R.C.S. B 156.864

**CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

## TABLE OF CONTENTS

### **Management Report on the Unaudited Consolidated Financial Statements**

Principal Activities	1
Strategy Implementation	1
Impact of the Coronavirus COVID-19	2
Key Financial and Operational Results	2
Subsequent Events	2
Business and Financial Risks	2
Corporate Governance	4

<b>Statement of the Board of Directors and management's responsibility for the preparation and approval of the consolidated financial statements</b>	<b>8</b>
--	----------

### **Unaudited Consolidated Financial Statements**

Unaudited Consolidated Statement of Financial Position	9
Unaudited Consolidated Statement of Comprehensive Income	10
Unaudited Consolidated Statement of Cash Flows	11
Unaudited Consolidated Statement of Changes in Equity	12

<b>Notes to the Unaudited Consolidated Financial Statements</b>	<b>13-45</b>
---	--------------

## KSG Agro S.A.

### Management Report on the Unaudited Consolidated Financial Statements

for the year ended 31 December 2020

#### 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.

#### STRATEGY IMPLEMENTATION

Despite the sudden emergence and rapid development of the coronavirus, as discussed further in this management report, the Group’s operations in 2020 were not directly affected. The Group continues to grow wheat, barley, rapeseed in the winter and sunflower, corn in the summer. Current year harvest was comparable to the previous year:

Crops harvested, in tonnes	Season	2020	2019
Wheat	Winter	17,952	14,536
Barley	Winter	4,865	3,953
Rapeseed	Winter	2,734	1,125
Sunflower	Summer	11,745	13,007
Corn	Summer	2,744	5,427
<b>Total</b>		<b>40,040</b>	<b>38,048</b>

The total area of agricultural land used by the Group as at 31 December 2020 is 21 thousand hectares, of which 10 thousand hectares are currently under winter crops and are expected to yield a total of 23.6 thousand tonnes of wheat, barley and rapeseed at harvest.

The Group manages to maintain crop farming revenue at comparable levels to pig breeding, but because crops are exposed to weather conditions, revenues from pig breeding are still considered by management to be more reliable and remain the key strategic focus:

Segment revenue, in USD million	2020	2019	Y-O-Y decrease, in USD-equivalent	Y-O-Y decrease, in contract currency
Crop Farming	8.4	10.8	-22%	-19%
Pig Breeding	10.3	11.2	-8%	-4%

Current year harvest was comparable to the previous year, so the relative decrease in sales is mostly attributable to the general slowing down in business when the first coronavirus prevention measures were introduced, and people were beginning to adapt to the new reality. After that, demand for crops and pork, as well as other goods used to manufacture food products, returned to the previous levels.

As for pig breeding, pig production and sales were also in line with the previous year:

Marketable Pigs, in units	2020	2019
<b>As at 1 January</b>	<b>38,420</b>	<b>47,426</b>
Farrow	113,634	111,049
Sold in live weight	(84,881)	(93,222)
Sold in dead weight	(25,077)	(26,915)
Transfers to/from nucleus herd, net	(680)	82
<b>As at 31 December</b>	<b>41,416</b>	<b>38,420</b>

The construction of an additional fattening shop for 2,340 pigs and an additional sow house for 360 sows should provide the Group with another production facility for fattening pigs and will offer an opportunity to increase the birth rate of piglets and improve their performance even more. Construction works on both projects are still under way.

By August 2020, the Group has fully repaid its loan from LBBW, which was the Group’s last overdue bank loan, thereby successfully completing the first major phase of the debt restructuring project. Since September 2020, in the second phase of the project, management have focused their efforts on restructuring of the Group’s working capital.

The Group has already managed to increase its net current assets from a negative USD 23.5 million as at 1 January 2020 to a negative USD 6.3 million as at 31 December 2020 and plans to complete the second phase by the end of 2021, thereby bringing net current assets to a positive value.

**IMPACT OF THE CORONAVIRUS COVID-19**

With the rapid development of the Coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments of all countries where the Group operates have implemented restrictions on travelling as well as strict quarantine measures.

Some industries were more affected than others. Agriculture specifically is expected to be indirectly affected in the long-term. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management have considered all available information about the future, which was obtained after 31 December 2020, including the impact of the COVID-19 outbreak on customers, suppliers and staff, as well as actual and projected foreseeable impact from various factors, such as the following:

- whether the Group can continue to operate if staff were not able to physically be present;
- the duration that the Group could survive given the availability of cash resources and the flexibility of its cost base;
- whether there has been a significant decline in revenue;
- whether there has been a significant erosion of profits due to higher costs or incurrence of unforeseen expenses;
- whether there is a likelihood of potential breach of debt covenants as a result of the adverse impact on its financials;
- whether there have been any concerns on the continuation of receipt of goods and services from suppliers.

The Board of Directors and management have concluded that there had been no significant impact on the Group's profitability position so far. The pandemic is not expected to have an immediate material impact on business operations.

Management will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption becomes prolonged.

**KEY FINANCIAL AND OPERATIONAL RESULTS**

<i>In thousands of US dollars</i>	<b>2020</b>	<b>2019</b>	<b>Change, %</b>
Revenue	21,338	23,889	(11)%
Gross profit	6,758	2,608	159%
Operating profit	4,856	412	1,079%
Profit for the year	1,272	4,126	(69)%
EBITDA	6,532	2,098	211%

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

**SUBSEQUENT EVENTS**

As at the date of this report, the Group is in the process of negotiating the restructuring of the next portion of its current liabilities, which will be disclosed in the Group's audited consolidated financial statements, if successfully finished by the date those financial statements would be issued. There were no other material subsequent events.

**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.

## **KSG Agro S.A.**

### **Management Report on the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

---

As at 31 December 2020, the Group had 4 customers (2019: 4 customers) with aggregate receivable balances above USD 150 thousand each. The total amount of these balances as at 31 December 2020 was USD 1,592 thousand (2019: USD 1,925 thousand) or 84% (2019: 81%) of trade receivables.

#### **Market risk**

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

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 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.

Starting from the first quarter of 2021, in order to mitigate the associated currency risk, management have arranged for the change in currency of the loans from TASCOMBANK to the Group's functional currency at the cost of switching from a fixed interest rate to a variable rate. The annualised rate on these loans for 2021 is not expected to be higher than 12.5% while the average of fixed rates on the same loans in 2020 was around 10%. Refer to Note 16 for details.

#### **Currency risk**

Foreign currency exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. During the years ended 31 December 2020 and 2019, the Group has been most susceptible to the currency risk with regard to its bank loans and intercompany loans.

As at 31 December 2020, the total amount of foreign-currency bank loans was USD 12,201 thousand (2019: USD 14,423 thousand). To mitigate the currency risk, management have arranged for the change in currency of the loans from TASCOMBANK to the Group's functional currency at the cost of switching from a fixed interest rate to a variable rate. Refer to Note 16 for details.

At the date these consolidated financial statements are being issued, as a result of the new arrangement, which became effective from the first quarter of 2021, the total amount of foreign-currency bank loans is USD nil. For comparison, while the increase in interest rates on these loans in 2021 from 2020 is expected to be not higher than 2.5%, foreign currency exchange rates for the respective borrowers have first decreased by 14% in 2019 and then increased by 19% in 2020.

#### **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>	<b>31 December 2020</b>	<b>31 December 2019</b>
Bank and other loans	27,398	29,260
Less: cash and cash equivalents	(108)	(299)
Net debt	27,290	30,951
Total equity	5,382	11,322
<b>Net Debt to Equity Ratio</b>	<b>5.07</b>	<b>2.73</b>

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

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

## **CORPORATE GOVERNANCE**

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

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

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

There are no restrictions on voting rights.

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

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

### **Powers of Directors**

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

### **Rights of the shareholders**

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

### **Transfer of shares**

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

### **Meetings of the board**

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

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

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

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

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

### **Audit Committee**

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

## **KSG Agro S.A.**

### **Management Report on the Unaudited Consolidated Financial Statements**

*for the year ended 31 December 2020*

---

#### **Internal Control**

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

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

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

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Ukrainian generally adopted accounting principles and transformation to International Financial Reporting Standards as adopted by European Union;
- that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

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

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

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

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

On 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:

- OLBIS Investments LTD S.A. holds nine million seven hundred and five thousand five hundred (9,705,500) shares, representing 64.62% 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 five million two hundred and eighty-two thousand three hundred twenty-eight (5,282,328) shares, representing 35.17% of the issued share capital of the Company.

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

There are no special control rights.

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

There is no employee share scheme.

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

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

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

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

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

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

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

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

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

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

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

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

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

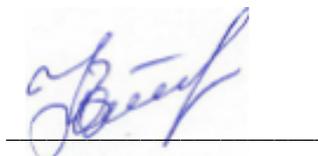
To the extent of our knowledge there are no such agreements.

This management report for the year ended 31 December 2020 was approved for issue on 30 April 2021.



---

A.V. Skorokhod  
(Chief Executive Officer)



---

Y.V. Kyselova  
(Chief Financial Officer)

**KSG Agro S.A.**

**Statement of the Board of Directors and management's responsibility 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 2020 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.

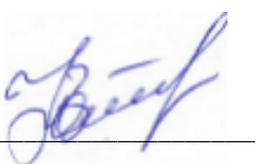
In accordance with Article 4 (2) (c) of the Law of Luxembourg of 11 January 2008 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2020, 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 2020 and for the year then ended were approved for issue on 30 April 2021.



---

A.V. Skorokhod  
(Chief Executive Officer)



---

Y.V. Kyselova  
(Chief Financial Officer)

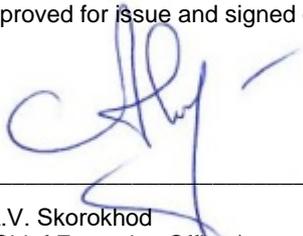
**KSG Agro S.A.****Unaudited Consolidated Statement of Financial Position**

as at 31 December 2020

<i>In thousands of US dollars</i>	Note	31 December 2020	31 December 2019 (*)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	15,568	19,559
Long-term biological assets	11	27,816	33,194
Deferred tax assets	23	-	236
Right-of-use assets	10	716	1,298
<b>Total non-current assets</b>		<b>44,100</b>	<b>54,287</b>
<b>Current assets</b>			
Current biological assets	11	6,306	6,066
Inventories and agricultural produce	12	7,952	8,420
Trade receivables	13	1,890	2,365
Other financial assets	14	882	2,753
Taxes recoverable		854	300
Prepaid assets		860	204
Cash and cash equivalents		108	299
<b>Total current assets</b>		<b>18,852</b>	<b>20,407</b>
<b>TOTAL ASSETS</b>		<b>62,952</b>	<b>74,694</b>
<b>EQUITY</b>			
Share capital	15	150	150
Share premium		37,366	37,366
Treasury shares		(112)	(112)
Retained earnings		(43,156)	(37,901)
Currency translation reserve		(448)	(3,877)
<b>Equity attributable to the owners of the Company</b>		<b>(6,200)</b>	<b>(4,374)</b>
<b>Non-controlling interests</b>	8	<b>11,582</b>	<b>15,696</b>
<b>TOTAL EQUITY</b>		<b>5,382</b>	<b>11,322</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other loans	16	24,520	17,475
Other financial liabilities	17	5,941	-
Lease liabilities	10	1,918	2,004
<b>Total non-current liabilities</b>		<b>32,379</b>	<b>19,479</b>
<b>Current liabilities</b>			
Trade payables	4,25	10,118	17,833
Other financial liabilities	17	8,514	9,605
Bank and other loans	16	2,878	11,785
Advances from customers		2,796	2,841
Lease liabilities	10	697	738
Tax liabilities	26	188	1,091
<b>Total current liabilities</b>		<b>25,191</b>	<b>43,893</b>
<b>TOTAL LIABILITIES</b>		<b>57,570</b>	<b>63,372</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>62,952</b>	<b>74,694</b>

(\*) Certain comparative amounts have been reclassified to conform with changes in presentation of the current year. Refer to Note 5 for details.

Approved for issue and signed on behalf of the Board of Directors on 30 April 2021.



A.V. Skorokhod  
(Chief Executive Officer)



Y.V. Kyselova  
(Chief Financial Officer)

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

**KSG Agro S.A.****Unaudited Consolidated Statement of Comprehensive Income**

for the year ended 31 December 2020

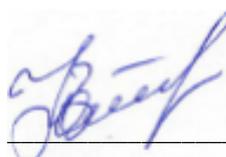
<i>In thousands of US dollars</i>	<b>Note</b>	<b>2020</b>	<b>2019 (*)</b>
Revenue	18	21,338	23,889
Gain/(loss) on biological transformation	11	4,434	5,652
Cost of sales	18	(19,014)	(26,933)
<b>Gross profit</b>		<b>6,758</b>	<b>2,608</b>
Selling, general and administrative expenses	20	(1,902)	(2,196)
<b>Operating profit</b>		<b>4,856</b>	<b>412</b>
Finance income		4	7
Finance expenses	22	(2,071)	(3,215)
Gain/(loss) on foreign currency exchange	21	(3,528)	2,835
Gain/(loss) on debt restructuring	21	10,564	9,240
Gain/(loss) on disposal of subsidiaries	7	(196)	(3,710)
Other gains and losses	21	(8,146)	(1,428)
<b>Profit before tax</b>		<b>1,483</b>	<b>4,141</b>
Income tax expense	23	(211)	(15)
<b>Profit for the year</b>		<b>1,272</b>	<b>4,126</b>
<b>Other comprehensive income/(loss)</b>			
Currency translation differences		(807)	1,942
<b>Total comprehensive income/(loss)</b>		<b>465</b>	<b>6,068</b>
<b>Profit attributable to:</b>			
Owners of the Company		2,718	2,373
Non-controlling interest		(1,446)	1,753
<b>Profit for the year</b>		<b>1,272</b>	<b>4,126</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		4,579	2,580
Non-controlling interests		(4,114)	3,488
<b>Total comprehensive income/(loss)</b>		<b>465</b>	<b>6,068</b>
<b>Earnings per share</b>			
Weighted average number of common shares outstanding, thousand	15	15,020	15,020
Basic and diluted earnings per share, USD	15	0.18	0.16

(\*) Certain comparative amounts have been reclassified to conform with changes in presentation of the current year. Refer to Note 5 for details.

Approved for issue and signed on behalf of the Board of Directors on 30 April 2021.



A.V. Skorokhod  
(Chief Executive Officer)



Y.V. Kyselova  
(Chief Financial Officer)

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

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

for the year ended 31 December 2020

<i>In thousands of US dollars</i>	Note	2020	2019 (*)
<b>Cash flow from operating activities</b>			
Profit before tax		1,483	4,141
Adjustments for:			
Depreciation and amortisation	9, 10	1,676	1,686
(Gain)/loss on biological transformation	11	(4,434)	(5,652)
Finance income		(4)	(7)
Finance expenses	22	2,071	3,215
Exchange differences		6,302	(3,892)
(Gain)/loss on debt restructuring	21	(10,564)	(9,240)
Impairment of inventory	21	4,642	542
Impairment of financial assets and taxes recoverable	21	938	529
Impairment of property, plant and equipment	21	2,543	-
(Gain)/loss on disposal of subsidiaries	7	196	3,710
<b>Operating cash flow before working capital changes</b>		<b>4,849</b>	<b>(4,968)</b>
Change in trade receivables and other financial assets		(4,424)	(6,088)
Change in biological assets		(5,630)	(9,200)
Change in inventories and agricultural produce		3,400	6,410
Change in tax assets and liabilities		(1,126)	251
Change in trade payables and other financial liabilities		5,848	15,602
<b>Cash generated from operations</b>		<b>2,916</b>	<b>2,007</b>
Interest paid on loans and leases	16, 10	(1,426)	(1,142)
Income tax paid		(13)	(15)
<b>Cash generated from / (used in) operating activities</b>		<b>1,477</b>	<b>850</b>
<b>Cash flow from investing activities</b>			
Acquisition and disposal of property, plant and equipment		(2,712)	(594)
Interest received		4	7
Disposal of subsidiaries, net of cash disposed	7	-	(21)
<b>Cash generated from / (used in) investing activities</b>		<b>(2,708)</b>	<b>(608)</b>
<b>Cash flow from financing activities</b>			
Proceeds from bank and other loans	16	8,805	1,909
Repayment of bank and other loans	16	(7,724)	(1,941)
Repayment of leases	10	-	(230)
<b>Cash generated from / (used in) financing activities</b>		<b>1,081</b>	<b>(262)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(150)</b>	<b>112</b>
Cash and cash equivalents at the beginning of the period		299	229
Effect of exchange rate differences on cash and cash equivalents		(41)	5
<b>Cash and cash equivalents at the end of the period</b>		<b>108</b>	<b>346</b>

(\*) Certain comparative amounts have been reclassified to conform with changes in presentation of the current year. Refer to Note 5 for details.

Approved for issue and signed on behalf of the Board of Directors on 30 April 2021.



A.V. Skorokhod  
(Chief Executive Officer)



Y.V. Kyselova  
(Chief Financial Officer)

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

**KSG Agro S.A.****Unaudited Consolidated Statement of Changes in Equity**

for the year ended 31 December 2020

	Note	Attributable to owners of the Company					Total attributable to owners of the Company	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings			
<i>In thousands of US dollars</i>									
<b>Balance as at 1 January 2019</b>		<b>150</b>	<b>37,366</b>	<b>(112)</b>	<b>(10,659)</b>	<b>(40,274)</b>	<b>(13,529)</b>	<b>7,167</b>	<b>(6,362)</b>
Profit for the year		-	-	-	-	2,373	2,373	1,753	4,126
Other comprehensive income/(loss)		-	-	-	207	-	207	1,735	1,942
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>207</b>	<b>2,373</b>	<b>2,580</b>	<b>3,488</b>	<b>6,068</b>
Disposal of subsidiaries	7				6,575	-	6,575	5,041	<b>11,616</b>
<b>Balance as at 31 December 2019</b>		<b>150</b>	<b>37,366</b>	<b>(112)</b>	<b>(3,877)</b>	<b>(37,901)</b>	<b>(4,374)</b>	<b>15,696</b>	<b>11,322</b>
Profit for the year		-	-	-	-	2,718	2,718	(1,446)	1,272
Other comprehensive income/(loss)		-	-	-	1,861	-	1,861	(2,668)	(807)
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,861</b>	<b>2,718</b>	<b>4,579</b>	<b>(4,114)</b>	<b>465</b>
Disposal of subsidiaries	7	-	-	-	1,568	-	1,568	-	<b>1,568</b>
Acquisition of subsidiaries	7	-	-	-	-	(7,973)	(7,973)	-	<b>(7,973)</b>
<b>Balance as at 31 December 2020</b>		<b>150</b>	<b>37,366</b>	<b>(112)</b>	<b>(448)</b>	<b>(43,156)</b>	<b>(6,200)</b>	<b>11,582</b>	<b>5,382</b>

Approved for issue and signed on behalf of the Board of Directors on 30 April 2021.


A.V. Skorokhod  
(Chief Executive Officer)

Y.V. Kyselova  
(Chief Financial Officer)

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

## KSG Agro S.A.

### Notes to the Unaudited Consolidated Financial Statements

for the year ended 31 December 2020

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

#### 1. Corporate Information

KSG Agro S.A. (the "Company") was incorporated under the name Borquest S.A. on 16 November 2010 as a "Société Anonyme" under Luxembourg Company Law for an unlimited period. On 08 March 2011 the Company's name was changed to KSG Agro S.A.

The registered office of the Company is at 24, rue Astrid, L-1143 Luxembourg and the Company number with the Registre de Commerce is B 156 864.

The Company and its subsidiaries (together referred to as the "Group") produces, stores, processes and sells agricultural products, mostly crops, pork and pigs in live weight, and its business activities are conducted mainly in Ukraine.

Average number of staff employed by the Group in 2020 was 350, of which 45 were top and middle management and 305 were full-time employees (2019: 37 management and 311 employees).

#### 2. Group Structure

The Company's immediate parent is OLBIS Investments LTD SA, registered in Panama, and the ultimate controlling party is Mr. Sergiy Kasianov. OLBIS Investments LTD S.A. holds 64.62% of the issued share capital of the Company, 0.21% of shares are treasury shares and the remaining 35.17% of shares 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 were as follows:

Entity	Principal activity	Country of registration	Effective ownership ratio, %	
			2020	2019
KSG Agro S.A.	Holding company	Luxembourg		
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Agro Polska (i)	In liquidation	Poland	-	100%
KSG Energy Group LTD (i)	In liquidation	Cyprus	-	50%
Parisifia LTD (i)	Intermediate holding company	Cyprus	50%	50%
Abbondanza SA	Trade of agricultural products	Switzerland	50%	50%
KSG Dnipro LLC	Crop farming	Ukraine	100%	100%
Agro Golden LLC	Crop farming	Ukraine	100%	100%
Souz-3 LLC (Note 7)	Crop farming	Ukraine	100%	-
Agro-Trade House Dniprovsky LLC	Crop farming	Ukraine	100%	100%
SPE Promvok LLC	Crop farming	Ukraine	100%	100%
Scorpio Agro LLC	Crop farming	Ukraine	100%	100%
Agrofirm Vesna LLC	Dormant	Ukraine	100%	100%
Trade House of the Ukrainian Agroindustrial Holding LLC	Dormant	Ukraine	100%	100%
Hlebna Liga LLC	Dormant	Ukraine	100%	100%
Enterprise #2 of Ukrainian Agricultural and Industrial Holding LLC	Dormant	Ukraine	100%	100%
KSG Trade House LTD	Dormant	Ukraine	100%	100%
Askoninteks LLC	Dormant	Ukraine	100%	100%
Trade House Rantye LLC (Note 7)	Trade of agricultural products	Ukraine	-	100%
Agro LLC (Note 7)	Liquidated	Ukraine	-	100%
Agroplaza LLC	Intermediate holding company	Ukraine	50%	50%
Kolosyste LLC	Dormant	Ukraine	50%	50%
Stepove LLC	Dormant	Ukraine	50%	50%
Dzhereho LLC	Dormant	Ukraine	50%	50%
Rantye LLC	Pig breeding	Ukraine	50%	50%
Strong-Invest LLC	Pig breeding	Ukraine	50%	50%
Modern Agricultural Investments LLC (Note 7)	Pig breeding	Ukraine	50%	-

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

Entity	Principal activity	Country of registration	Effective ownership ratio, %	
			31 December 2020	31 December 2019
Pererobnyk PE LLC (ii)	Dormant	Ukraine	25%	25%
Ukrzernoprom - Prudy LLC (iii)		Ukraine	50%	50%
Ukrzernoprom - Uyutne LLC (iii)	Dormant, assets are on occupied territory	Ukraine	50%	50%
Ukrzernoprom - Kirovske LLC (iii)		Ukraine	50%	50%
Ukrzernoprom - Yelizavetove LLC (iii)		Ukraine	50%	50%

(\*) Not consolidated due to immateriality.

(\*\*) The Group has no operating control over the company and accounts for this investment under the equity method, although it is not separately presented in the consolidated financial statements due to its immateriality.

(\*\*) Ukrzernoprom entities are located in Crimea and are not consolidated, as the Group has no operating control over them since October 2014. Carrying values of the associated investments had been written down to zero.

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

### 3. Operating Environment and Going Concern

In determining the appropriate basis for preparation of the consolidated financial statements, the Board of Directors and management are required to consider whether the Group can continue in operational existence for the foreseeable future. Financial performance of the Group is naturally dependent upon weather conditions in areas of operation and the wider economic environment of Ukraine. In addition, the Group had to tackle the challenges of low liquidity and the coronavirus.

With the rapid development of the Coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments of all countries where the Group operates have implemented restrictions on travelling as well as strict quarantine measures.

Some industries were more affected than others. Agriculture specifically is expected to be indirectly affected in the long-term. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management have considered all available information about the future, which was obtained after 31 December 2020, including the impact of the COVID-19 outbreak on customers, suppliers and staff, as well as actual and projected foreseeable impact from various factors. The Board of Directors and management have concluded that there had been no significant impact on the Group's profitability position so far. The pandemic is not expected to have an immediate material impact on business operations.

Management will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption becomes prolonged.

By August 2020, the Group has fully repaid its loan from LBBW, which was the Group's last overdue bank loan, thereby successfully completing the first major phase of the debt restructuring project. Since September 2020, in the second phase of the project, management have focused their efforts on restructuring of the Group's working capital.

The Group has already managed to increase its net current assets from a negative USD 23.5 million as at 1 January 2020 to a negative USD 6.3 million as at 31 December 2020 and plans to complete the second phase by the end of 2021, thereby bringing net current assets to a positive value.

Considering the above, the Board of Directors and management have concluded that there is reasonable expectation that the Group can continue its operations in the foreseeable future and that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2020 on a going concern basis.

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

#### **4. Adoption of New or Revised Standards and Interpretations**

The Group has adopted the following new and amended IFRS Standards and Interpretations that are effective for annual periods beginning on or after 1 January 2020:

- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3: Definition of a business;
- Amendments to IAS 1 and IAS 8: Definition of material;
- Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards.

The adoption of the above Standards and Interpretations has not had any material effect on the disclosures or on the amounts reported in these consolidated financial statements.

However, following the clarified guidance of the new Conceptual Framework in respect of 'obscuring information', management have elected to change the order and format of certain disclosures, as well as changed the names of certain financial statement and disclosure line items, where such change would improve the presentation of information to the primary users. Where presentation changes were introduced in the current year, respective comparative amounts have also been reclassified to conform with the new changes. Refer to Note 5 for details.

#### **5. 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.

##### ***Changes in presentation***

Where necessary, comparative amounts have been reclassified to conform with changes in presentation of the current year. In the comparative statement of financial position as at 31 December 2019, items have been reclassified as follows:

	<b>As originally presented</b>	<b>Change</b>	<b>As reclassified</b>
<b>Current assets</b>			
Trade and other accounts receivable	5,322	(5,322)	-
Trade receivables	-	2,365	2,365
Other financial assets	-	2,753	2,753
Prepaid assets	-	204	204
Taxes recoverable and prepaid	300	(300)	-
Taxes recoverable	-	300	300
<b>Current liabilities</b>			
Trade and other accounts payable	29,290	(29,290)	-
Trade payables	-	17,833	17,833
Other financial liabilities	-	9,605	9,605
Advances from customers	-	2,841	2,841
Promissory notes issued	1,990	(1,990)	-
Taxes payable	90	(90)	-
Tax liabilities	-	1,091	1,091

## KSG Agro S.A.

### Notes to the Unaudited Consolidated Financial Statements

for the year ended 31 December 2020

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

In the comparative statement of comprehensive income for 2019, items have been reclassified as follows:

	As originally presented	Change	As reclassified
Government grants received	3	(3)	-
Other operating income	7,172	(7,172)	-
Finance income	12,573	(12,566)	7
Impairment gain/(loss) on financial receivables	(4,624)	4,624	-
Other expenses	(7,305)	7,305	-
Gain/(loss) on debt restructuring	-	-	9,240
Other gains and losses	-	-	(1,428)

#### Consolidated financial statements

Group recognises 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.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

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 unrealised gains on transactions between Group subsidiaries are eliminated. Unrealised 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.

**Goodwill.** Goodwill on acquisitions of subsidiaries is presented within intangible assets in the consolidated statement of financial position. It is carried at cost less accumulated impairment, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business from which the goodwill arose. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

**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.

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

**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 recognised is derecognised 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 derecognised.

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

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 recognised in profit or loss. An impairment recognised 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 recognised 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.

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

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 stand-alone 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 recognises 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 amortised 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 recognise 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 recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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.

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

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

**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.

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 recognised 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 capitalised 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.

**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.

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

**Prepaid assets.** Prepaid assets are carried at cost less allowance for impairment. A prepaid asset is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. 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 recognised 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 recognised 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 recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, 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 recognised as administrative expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual entities of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

**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).

**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 recognised 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 government grants.

#### **Financial instruments**

##### *Key measurement terms*

Depending on their classification financial instruments are carried at fair value or amortised 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.

*Amortised cost* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment. Accrued interest includes amortisation 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 amortised 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 amortised 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.

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

**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 derecognises 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 amortised 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 amortised 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

**Impairment of financial assets carried at amortised 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 realising 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. ECLs 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 reorganisation;
- 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 amortised 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 are always recognised 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 collateralised 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.

**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.

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

**Bank and other loans.** Loans are initially recognised at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised 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.

**Trade payables.** Trade payables are recognised initially at fair value and subsequently measured at amortised 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.

**Employee benefits - defined contribution plan.** The Group makes statutory unified social contribution to the Pension Fund of Ukraine in respect of its Ukrainian based employees. The contributions are calculated as a percentage of current gross salary and are expensed when incurred. Wages, salaries, unified social contribution to the Pension Fund of Ukraine, paid annual leave and sick leave, bonuses are accrued in the period in which the associated services are rendered by employees of the Group.

**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 thousand, 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 recognised 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 recognised 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 recognised 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used for translating foreign currency balances were:

	USD	EUR
As at 31 December 2020	28.2746	34.7396
Average for the year ended 31 December 2020	26.9639	30.8011
As at 31 December 2019	23.6862	26.4220
Average for the year ended 31 December 2019	25.8373	28.9406

**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 recognises revenue when it transfers control of a product or service to a customer. Revenues from sales of goods are recognised when control of the goods has transferred. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenues from rendering of services are recognised 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 and exchange differences on borrowings.

## **6. Critical Accounting Estimates and Judgements**

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

**Allowance for lifetime expected credit losses.** 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 realising 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. ECLs 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).

At each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**Biological assets.** In the absence of observable market prices for biological assets in their condition at the reporting dates, the fair value of biological assets was estimated as the present value of future net cash flows expected to be generated from the assets discounted at a current market-determined pre-tax rate.

Fair values of biological assets are based on the following key assumptions:

- expected crop yield on harvest is based on the prior years results;
- the average productive life of livestock is determined based on internal statistical information;
- evaluation of non-current livestock based on restorable principle;
- market prices for grains and meat are obtained from external sources (commodity exchanges, purchase prices stipulated by the State Reserve Fund in Ukraine etc.);
- cultivation, treatment, harvesting and production costs, including land lease costs are projected based on historical information and adjusted, where necessary, to conform with new raw materials and production techniques currently in use;
- time of harvest is estimated based on the historical data;
- the discount rate is estimated as weighted average cost of capital.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual numbers.

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

**KSG Agro S.A.**

**Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

**Cost of inventories.** At each reporting date the Group carries out assessment of goods for signs impairment of initial value. The assessment is made for each individual batch of goods based on its date of delivery.

**Useful lives.** Management estimates are necessary to identify the useful lives of property, plant and equipment. Management uses its expertise and judgment in reassessing the remaining useful lives of major items at each reporting date.

**Subsidiaries.** The Group consolidates Rantye LLC, Strong-Invest LLC and Abbondanza S.A. (Switzerland) although it only holds 50% of the voting rights in these subsidiaries, because it has the power to govern their financial and operating policies through arrangements with the other 50% shareholder(s). Majority of the supervisory and management board members are employees of other entities of the Group. Judgement is required to determine whether the substance of the relationship between the Group and a subsidiary indicates that the entity is controlled by the Group. In making this judgement management considered arrangements with the other shareholders of the subsidiaries.

The Group accounts for its investment in Pererobnyk PE LLC, an entity in which it holds 25% of the voting rights, under the equity method, although it is not separately presented in these financial statements due to its immateriality.

**Income tax and deferred taxes** The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**Fair value measurement.** Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

**7. Business Acquisitions and Disposals****Disposals in 2019.** Effect of disposals for the year ended 31 December 2019 was as follows:

	<b>Goncharovo ALLC</b>	<b>Agrotrade LLC</b>	<b>Factor D LLC</b>	<b>Pererobnyk PrJSC</b>	<b>TOTAL</b>
Effective ownership ratio, %	100%	50%	50%	25%	
Property, plant and equipment	314	-	533	-	847
Deferred tax assets	-	-	140	-	140
Current biological assets	381	-	-	-	381
Inventories and agricultural produce	572	6	-	-	578
Trade and other accounts receivable	264	424	355	252	1,295
Loans and borrowings – current	-	-	(3,513)	-	(3,513)
Deferred tax liabilities	-	-	(96)	-	(96)
Trade and other accounts payable	(442)	(246)	(2,954)	(2,806)	(6,448)
Taxes payable	-	-	(469)	(642)	(1,111)
Cash and cash equivalents	-	6	2	13	21
<b>Net assets disposed</b>	<b>1,089</b>	<b>190</b>	<b>(6,002)</b>	<b>(3,183)</b>	<b>(7,906)</b>
Currency translation reserve realised	770	88	12,287	(1,529)	11,616
Cash consideration received	-	-	-	-	-
<b>Gain/(loss) on disposal of subsidiaries</b>	<b>1,859</b>	<b>278</b>	<b>6,285</b>	<b>(4,712)</b>	<b>3,710</b>
<b>Group's share in:</b>					
- net assets disposed	1,089	95	(3,001)	(796)	(2,613)
- currency translation reserve realised	770	44	6,143	(382)	6,575
<b>Non-controlling interests share in:</b>					
- net assets disposed	-	95	(3,001)	(2,387)	(5,293)
- currency translation reserve realised	-	44	6,144	(1,147)	5,041
<b>Gain/(loss) on disposal of subsidiaries</b>	<b>1,859</b>	<b>278</b>	<b>6,285</b>	<b>(4,712)</b>	<b>3,710</b>
Cash consideration received	-	-	-	-	-
Net cash disposed with the subsidiary	-	(6)	(2)	(13)	(21)
<b>Net cash flow on disposal</b>	<b>-</b>	<b>(6)</b>	<b>(2)</b>	<b>(13)</b>	<b>(21)</b>

In March 2019, the Group has disposed of its shares in Goncharovo Agricultural LLC. Fair value of consideration received for the shares was set off against the remainder of the restructured loan from Big Dutchman Pig Equipment (Note 16).

In April 2019, the Group has disposed of its shares in Agrotrade LLC, Factor D LLC, and Pererobnyk PrJSC for a nominal consideration.

**Disposals in 2020.** Effect of disposals for the year ended 31 December 2020 was as follows:

	<b>Trade House Rantye LLC</b>	<b>Agro LLC</b>	<b>TOTAL</b>
Effective ownership ratio, %	100%	100%	
Other financial assets	44	-	44
Taxes recoverable	26	-	26
Trade payables	(1,350)	-	(1,350)
Other financial liabilities	(92)	-	(92)
Cash and cash equivalents	-	-	-
<b>Net liabilities disposed</b>	<b>(1,512)</b>	<b>-</b>	<b>(1,512)</b>
Currency translation reserve realised	60	1,508	1,568
Cash consideration received	-	-	-
<b>Gain/(loss) on disposal of subsidiaries</b>	<b>1,312</b>	<b>(1,508)</b>	<b>(196)</b>
Cash consideration received	-	-	-
Net cash disposed with the subsidiary	-	-	-
<b>Net cash flow on disposal</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **KSG Agro S.A.**

### **Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

In May 2020, the Group has disposed of its shares in Trade House Rantye LLC for a nominal consideration.

In July 2020, Agro LLC was liquidated. As part of the liquidation process, property, plant and equipment in the total amount of USD 664 thousand were transferred to a related party in February 2020. All other assets and liabilities were written off.

#### **Acquisitions in 2020.**

Modern Agricultural Investments LLC was principally established in May 2020 through transfer of property rights as capital contribution from Strong-Invest LLC. The transferred assets were the core infrastructure facilities later used as foundation for the construction of the new sow house, adjacent to the pig complex (Note 9).

In October 2020, mandated by the ruling of the Central Commercial Court of Appeal of Ukraine, control over 100% of shares of Souz-3 LLC was restored to the Group.

Souz-3 LLC was undergoing a bankruptcy procedure since 2015. The court had appointed a bankruptcy manager and the Group lost control over the subsidiary. Souz-3 LLC was removed from consolidation in 2015 and carrying value of the associated investment had been written down to zero.

In 2020, the bankruptcy manager negotiated a settlement agreement with the creditors of Souz-3 LLC as a means to end the bankruptcy procedure under the clause of 'financial reorganisation'. The Settlement Agreement defined the terms of the financial reorganisation. In October 2020, the Central Commercial Court of Appeal of Ukraine ruled to approve the Settlement Agreement and ended the bankruptcy procedure.

Effect of the acquisition (at fair value) was as follows:

	<b>Souz-3 LLC</b>
Effective ownership ratio, %	100%
Property, plant and equipment	557
Current biological assets	161
Intercompany balances	(2,720)
Other financial liabilities – current (i)	(5,941)
Other financial liabilities – current	(30)
Cash and cash equivalents	-
<b>Net liabilities acquired</b>	<b>(7,973)</b>
Cash consideration paid	-
<b>Net liabilities acquired</b>	<b>(7,973)</b>

The terms of financial reorganisation of Souz-3 LLC mandate two stages for settlement of the restructured debts which cover the total of USD 1,926 thousand and USD 4,015 thousand of debts, respectively. 50% of the first stage debts have to be repaid in monthly instalments during the years 2022 to 2025. If the company manages to successfully repay 50% of the first stage debts, the other 50% together with 100% of the second stage debts become eligible for write-off.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

**8. Non-controlling Interests**

Material non-controlling interests ("NCI") for the years ended 31 December 2020 and 2019 were presented by interests in Parisifia LTD Group and Abbondanza SA (for both years), as well as PrJSC Pererobnyk (only for 2019). Non-controlling interests in KSG Energy Group LTD are deemed immaterial.

As at 31 December 2020, Parisifia LTD Group comprises Parisifia LTD itself and its subsidiaries Agroplaza LLC, Stepove LLC, Dzherelo LLC, Kolosyste LLC, Rantye LLC, Strong-Invest LLC, Modern Agricultural Invesmtents LLC.

Parisifia LTD Group previously also included Agrottrade LLC, Factor D LLC and PrJSC Pererobnyk, all disposed in 2019.

The summarised financial information of these subsidiaries as at and for the years ended 31 December 2020 and 2019, including the impact of consolidation fair value adjustments, but before intercompany eliminations, was as follows:

	Portion	Voting rights	Profit or loss attributable to NCI	OCI attributable to NCI	Net assets attributable to NCI	Dividends paid to NCI
<b>As at 31 December 2020</b>						
Parisifia LTD Group	50%	50%	(1,544)	(2,673)	13,779	-
Abbondanza SA	50%	50%	98	5	63	-
<b>Total</b>			<b>(1,446)</b>	<b>(2,668)</b>	<b>13,842</b>	<b>-</b>
<b>As at 31 December 2019</b>						
Parisifia LTD Group	50%	50%	1,791	2,110	15,422	-
Abbondanza SA	50%	50%	(38)	(30)	274	-
PrJSC Pererobnyk	-	-	-	(345)	-	-
<b>Total</b>			<b>1,753</b>	<b>1,735</b>	<b>15,696</b>	<b>-</b>

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
<b>As at 31 December 2020</b>					
Parisifia LTD Group	10,199	41,920	(20,840)	(3,721)	27,558
Abbondanza SA	973	-	(847)	-	126
<b>Total</b>	<b>11,172</b>	<b>41,920</b>	<b>(21,687)</b>	<b>(3,721)</b>	<b>27,684</b>
<b>As at 31 December 2019</b>					
Parisifia LTD Group	12,570	50,835	(32,439)	(122)	30,844
Abbondanza SA	937	-	(389)	-	548
<b>Total</b>	<b>13,507</b>	<b>50,835</b>	<b>(32,828)</b>	<b>(122)</b>	<b>31,392</b>

	Revenue	Profit or loss	Total comprehensive income/(loss)
<b>For the year ended 31 December 2020</b>			
Parisifia LTD Group	10,064	(3,088)	(8,433)
Abbondanza SA	1,588	196	205
<b>Total</b>	<b>11,652</b>	<b>(2,892)</b>	<b>(8,228)</b>
<b>For the year ended 31 December 2019</b>			
Parisifia LTD Group	7,584	3,582	7,801
Abbondanza SA	1,684	(76)	(136)
PrJSC Pererobnyk	-	-	(460)
<b>Total</b>	<b>9,268</b>	<b>3,506</b>	<b>7,205</b>

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

**9. Property, Plant and Equipment**

Changes in property, plant and equipment were as follows:

	Buildings	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
<b>As at 1 January 2019</b>					
Cost	15,681	7,114	5,446	2,153	30,394
Accumulated depreciation	(5,839)	(4,921)	(1,658)	-	(12,418)
<b>Carrying amount</b>	<b>9,842</b>	<b>2,193</b>	<b>3,788</b>	<b>2,153</b>	<b>17,976</b>
Additions (i)	-	-	35	1,007	1,042
Disposals	(265)	(109)	(56)	(18)	(448)
Disposal of subsidiaries (Note 7)	(211)	(379)	(257)	-	(847)
Transfers	3,936	1,204	(3,535)	(1,605)	-
Depreciation charge	(913)	(255)	(49)	-	(1,217)
Translation differences	1,907	385	357	404	3,053
<b>Carrying amount</b>	<b>14,296</b>	<b>3,039</b>	<b>283</b>	<b>1,941</b>	<b>19,559</b>
<b>As at 31 December 2019</b>					
Cost	18,436	5,517	681	1,941	26,575
Accumulated depreciation	(4,140)	(2,478)	(398)	-	(7,016)
<b>Carrying amount</b>	<b>14,296</b>	<b>3,039</b>	<b>283</b>	<b>1,941</b>	<b>19,559</b>
Additions (i)	538	395	120	1,475	2,528
Disposals (ii)	(715)	(504)	-	-	(1,219)
Acquisition of subsidiaries (Note 7)	400	151	6	-	557
Transfers	798	99	8	(905)	-
Depreciation charge	(916)	(259)	(71)	-	(1,246)
Impairment charge (iii)	(306)	-	-	(1,195)	(1,501)
Translation differences	(2,298)	(471)	(55)	(286)	(3,110)
<b>Carrying amount</b>	<b>11,797</b>	<b>2,450</b>	<b>291</b>	<b>1,030</b>	<b>15,568</b>
<b>As at 31 December 2020</b>					
Cost	16,823	4,734	694	1,030	23,281
Accumulated depreciation	(5,026)	(2,284)	(403)	-	(7,713)
<b>Carrying amount</b>	<b>11,797</b>	<b>2,450</b>	<b>291</b>	<b>1,030</b>	<b>15,568</b>

(i) For 2019, additions mainly include the costs of upgrade works on the manure separation station at the pig complex. For 2020, additions to construction in progress represent construction costs of an additional fattening shop and an additional sow house at the pig complex.

(ii) In February 2020, property, plant and equipment in the total amount of USD 664 thousand were transferred to a related party as part of the liquidation process of Agro LLC (Note 7).

(iii) As part of the annual impairment test, management have determined that carrying value for some of the uninstalled irrigation equipment has dropped way below the recoverable amount due to low prospects of land bank expansion in the near future and decided to recognise an impairment allowance on this asset in the amount of USD 1,195 thousand.

Included in agricultural equipment are assets held under finance leases with a carrying value of USD 108 thousand (2019: USD 200 thousand). The leased assets are used as collateral under these lease agreements.

For details on property, plant and equipment pledged to secure bank loans refer to Note 16.

Management have determined that fair value of property, plant and equipment approximates the carrying amount as at 31 December 2020 and 2019.

The Group did not have any contingent liabilities for acquisition of property, plant and equipment as at 31 December 2020 and 2019.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

*(All amounts in thousands of US dollars, unless otherwise stated)***10. Leases**

The Group leases land plots, mostly from individuals, and agricultural equipment for producing crops. The Group does not own agricultural land and Ukrainian legislation provides for a ban on sales of agricultural land plots. As a result, the Group is forced to lease from individuals who hold land lease rights, rather than own the land itself.

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

	2020	2019
Cost	1,810	1,560
Accumulated amortisation	(512)	-
<b>Right-of-use assets as at 1 January</b>	<b>1,298</b>	<b>1,560</b>
Recognition of lease liability	40	186
Write-off of lease liability	-	(216)
Amortisation charge	(430)	(469)
Translation differences	(192)	237
<b>Right-of-use assets as at 31 December</b>	<b>716</b>	<b>1,298</b>
Cost	1,555	1,810
Accumulated amortisation	(839)	(512)
<b>Right-of-use assets as at 31 December</b>	<b>716</b>	<b>1,298</b>

Changes in lease liabilities were as follows:

	2020	2019
<b>Lease liabilities as at 1 January</b>	<b>2,742</b>	<b>2,526</b>
Recognition of lease liability	40	246
Interest accrued	475	499
Leases repaid	-	(230)
Interest paid	(250)	(499)
Write-off of lease liability	-	(216)
Translation differences	(392)	416
<b>Lease liabilities as at 31 December</b>	<b>2,615</b>	<b>2,742</b>

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

	2020		2019	
	Future lease payments	Present value	Future lease payments	Present value
Within one year	771	697	885	738
Within two to five years	2,161	1,810	2,891	1,545
After five years	212	108	1,421	459
less: future interest expenses	(529)	-	(2,455)	-
<b>Total lease liabilities</b>	<b>2,615</b>	<b>2,615</b>	<b>2,742</b>	<b>2,742</b>

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

**11. Biological Assets**

	31 December 2020		31 December 2019	
	Units	Amount	Units	Amount
<b>Non-current biological assets (swines)</b>				
Sows	5,404	27,808	4,777	33,191
Boars	39	8	32	3
<b>Total non-current biological assets</b>		<b>27,816</b>		<b>33,194</b>
<b>Current biological assets (swines)</b>				
Pigs and piglets	41,416	1,904	38,420	1,822
<b>Current biological assets (crops)</b>				
	Hectares	Amount	Hectares	Amount
Wheat	7,061	3,295	4,948	2,640
Barley	1,176	565	1,176	711
Rapeseed	1,856	290	2,038	678
Other		252		215
<b>Total current biological assets</b>		<b>6,306</b>		<b>6,066</b>
<b>Total biological assets</b>		<b>34,122</b>		<b>39,260</b>

The total arable land used by the Group in 2020 was 21 thousand hectares of which 10 thousand hectares were designated for winter crops (2019: 21 thousand hectares and 8 thousand hectares for winter crops).

Most of the sows are Danish Landrace sows, initially purchased specifically to produce piglets of this breed, and a steady percentage of pigs are chosen each year as replacement sows in order to maintain the quality of the herd.

Changes in biological assets were as follows:

	Crops	Swines	Total
<b>Carrying amount as at 1 January 2019</b>	<b>4,008</b>	<b>24,379</b>	<b>28,387</b>
Purchases	-	-	-
Production costs (i)	8,930	13,656	22,586
Gain/(loss) on biological transformation (ii)	(546)	6,071	5,525
Farrow	-	127	127
Harvest (iii)	(8,389)	(493)	(8,882)
Sales	-	(13,386)	(13,386)
Disposal of subsidiaries (Note 7)	(381)	-	(381)
Translation differences	622	4,662	5,284
<b>Carrying amount as at 31 December 2019</b>	<b>4,244</b>	<b>35,016</b>	<b>39,260</b>
Purchases	-	32	32
Production costs (i)	5,895	11,686	17,581
Gain/(loss) on biological transformation (ii)	3,292	1,142	4,434
Farrow	-	133	133
Harvest (iii)	(8,445)	(474)	(8,919)
Sales	-	(12,116)	(12,116)
Acquisition of subsidiaries (Note 7)	161	-	161
Translation differences	(745)	(5,699)	(6,444)
<b>Carrying amount as at 31 December 2020</b>	<b>4,402</b>	<b>29,720</b>	<b>34,122</b>

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

(i) Costs incurred during the year ended 31 December 2019 on production of crops and swines were as follows:

	<b>Crops</b>	<b>Swines</b>	<b>Total</b>
Seeds, fertilisers, crop protection products	6,841	-	6,841
Fodder, medication	-	11,678	11,678
Land cultivation and harvesting	1,213	-	1,213
Utilities and veterinary services	-	763	763
Staff costs	254	336	590
Depreciation of property, plant and equipment	153	879	1,032
Amortisation of land lease rights	469	-	469
<b>Total production costs</b>	<b>8,930</b>	<b>13,656</b>	<b>22,586</b>

Costs incurred during the year ended 31 December 2020 on production of crops and swines were as follows:

	<b>Crops</b>	<b>Swines</b>	<b>Total</b>
Seeds, fertilisers, crop protection products	4,108	-	4,108
Fodder, medication	-	9,867	9,867
Land cultivation and harvesting	1,193	-	1,193
Utilities and veterinary services	-	894	894
Staff costs	227	329	556
Depreciation of property, plant and equipment	236	596	832
Amortisation of land lease rights	131	-	131
<b>Total production costs</b>	<b>5,895</b>	<b>11,686</b>	<b>17,581</b>

(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.

	<b>2020</b>	<b>2019</b>
Crops in the field	3,088	147
Agricultural produce	204	(693)
Sows	(809)	6,665
Pigs and piglets	1,951	(467)
<b>Total gain on biological transformation, net</b>	<b>4,434</b>	<b>5,652</b>

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

	<b>2020</b>	<b>2019</b>
	<b>in tonnes</b>	<b>in tonnes</b>
Wheat	17,952	14,536
Barley	4,865	3,953
Rapeseed	2,734	1,125
Sunflower	11,745	13,007
Corn	2,744	5,427
<b>Total harvest, tonnes</b>	<b>40,040</b>	<b>38,048</b>

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

Unobservable inputs used to estimate fair value of biological assets and the respective valuation techniques applied as at 31 December 2020 were as follows:

Description	Fair value as at 31 December 2020	Valuation technique	Unobservable inputs	Range of unobservable inputs
Winter wheat	3,295	Discounted cash flows	Yield, tonnes per hectare	2.62
			Price, USD per tonne	239
			Discount rate	10.05%
Winter barley	565	Discounted cash flows	Yield, tonnes per hectare	2.69
			Price, USD per tonne	207
			Discount rate	10.05%
Winter rapeseed	290	Discounted cash flows	Yield, tonnes per hectare	1.12
			Price, USD per tonne	499
			Discount rate	10.05%
Sows	27,808	Discounted cash flows	Farrow, heads per year	148,033
			Price, USD per tonne	1,324 – 1,612
			Discount rate	10.62%
Pigs	1,904	Market Price	Price, USD per tonne	1,061

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	190
10 % decrease in price for meat	(190)
10 % increase in prices for crops	(1,667)
10 % decrease in prices for crops	1,667
10 % increase in yield for crops	(968)
10 % decrease in yield for crops	968
10 % increase in production costs until harvest	5,533
10 % decrease in production costs until harvest	(5,533)
5 pp increase in discount rate	(121)
5 pp decrease in discount rate	131

**12. Inventories and Agricultural Produce**

	31 December 2020	31 December 2019
Agricultural produce	1,544	1,839
Land cultivation and harvesting (i)	1,903	2,070
Seeds, fertilisers, crop protection products	1,267	1,791
Construction materials (ii)	1,154	39
Fodder (raw materials)	860	574
Fodder (processed)	142	120
Fuel	758	266
Goods for resale	232	513
Semi-finished products (iii)	-	1,091
Other	92	117
<b>Total inventories and agricultural produce</b>	<b>7,952</b>	<b>8,420</b>

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 realisable value. Inventories as at 31 December 2020 were written down to their net realisable value for a total amount of USD 4,642 thousand (2019: USD 807 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 capitalised 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.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

(ii) Increase in the stock of construction materials as at 31 December 2020 is related to the ongoing construction works on the additional fattening shop and the additional sow house at the pig complex (Note 9).

(iii) Semi-finished products refer to refrigerated pork products. Since the Group's major customers have their own meat processing facilities, the need to maintain a large stock of such products has become less relevant. In the beginning of 2020, management had performed an inventory of its refrigerated warehouses to determine the physical and marketable condition of the refrigerated pork products, after which the remaining stock of these products was sold. As a result, a write-down to net realisable value in the amount of USD 547 thousand was recognised.

**13. Trade Receivables**

	31 December 2020	31 December 2019
Receivables from customers	7,482	6,637
Less: impairment	(5,592)	(4,272)
<b>Total trade receivables</b>	<b>1,890</b>	<b>2,365</b>

Changes in impairment of trade receivables were as follows:

	2020	2019
<b>Carrying amount as at 1 January</b>	<b>4,272</b>	<b>3,059</b>
Impairment charge	2,111	638
Translation differences	(791)	575
<b>Carrying amount as at 31 December</b>	<b>5,592</b>	<b>4,272</b>

Credit risk profile of trade receivables was as follows:

	Expected credit loss rate, %	31 December 2020	31 December 2019
Not past due		-	-
Less than 90 days past due	3%	1,254	838
91 to 180 days past due	16%	775	1,844
Over 180 days past due	100%	5,453	3,955
<b>Total trade receivables, gross</b>		<b>7,482</b>	<b>6,637</b>
Less: impairment		(5,592)	(4,272)
<b>Total trade receivables</b>		<b>1,890</b>	<b>2,365</b>

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. All receivables past 90 days are also planned for future restructuring, through either netting or offset arrangements. Receivables which have been overdue for three years are written off if not prohibited by law in the relevant jurisdiction.

Balances with related parties are disclosed in Note 24. Carrying amounts approximate their fair value.

**14. Other Financial Assets**

	31 December 2020	31 December 2019
Company loans issued	3,635	5,661
Less: impairment of company loans issued	(3,039)	(3,350)
Other receivables (i)	784	3,521
Less: impairment of other receivables	(498)	(3,079)
<b>Total other financial assets</b>	<b>882</b>	<b>2,753</b>

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.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

Balances with related parties are disclosed in Note 24. Carrying amounts approximate their fair value.

Changes in impairment of other financial assets were as follows:

	31 December 2020		31 December 2019	
	Company loans issued	Other receivables	Company loans issued	Other receivables
<b>Carrying amount as at 1 January</b>	<b>3,350</b>	<b>3,079</b>	<b>1,456</b>	<b>2,538</b>
Impairment charge	244	-	1,511	103
Impairment reversal (i)	-	(2,183)	-	-
Translation differences	(555)	(398)	383	438
<b>Carrying amount as at 31 December</b>	<b>3,039</b>	<b>498</b>	<b>3,350</b>	<b>3,079</b>

(i) Other receivables as at 31 December 2019 include previously impaired receivables from Souz-3 LLC, a company which became part of the Group in 2020 (Note 7). Receivables from Souz-3 LLC as at 31 December 2020 therefore became intercompany receivables and were eliminated for consolidation purposes, while the associated impairment loss was reversed and recognised in profit or loss for the year 2020.

Ageing profile of other financial assets was as follows:

	Expected credit loss rate, %	2020		2019	
		Company loans issued	Other receivables	Company loans issued	Other receivables
Less than 90 days	3%	479	59	2,284	442
91 to 180 days	16%	151	-	866	-
Over 180 days	100%	3,005	725	2,511	3,079
<b>Total other financial assets, gross</b>		<b>3,635</b>	<b>784</b>	<b>5,661</b>	<b>3,521</b>
Less: impairment		(3,039)	(498)	(3,350)	(3,079)
<b>Total other financial assets</b>		<b>596</b>	<b>286</b>	<b>2,311</b>	<b>442</b>

As the Group's historical credit loss experience does not show significantly different loss patterns between trade receivables and other financial assets, impairment allowance for company loans issued and other receivables is charged at the same expected credit loss rates that are applied to trade receivables and is based on the ageing profile of other financial assets, irrespective of their maturity dates.

All amounts older than 90 days are planned for future restructuring, through either netting or offset arrangements. Balances which have been overdue for three years are written off if not prohibited by law in the relevant jurisdiction.

**15. Share Capital and Earnings Per Share**

As of 31 December 2020 and 2019, 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.

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:

	2020	2019
Profit for the year attributable to owners of the Company, USD thousand	2,718	2,373
Weighted average number of common shares outstanding, thousand	15,020	15,020
<b>Basic and diluted earnings per share, USD</b>	<b>0.18</b>	<b>0.16</b>

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

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

**16. Bank and Other Loans**

	31 December 2020	31 December 2019
Bank loans	12,187	10,882
Loan from Parent	10,937	10,973
Other loans (ii)	-	1,500
Interest payable	4,274	5,905
<b>Total bank and other loans</b>	<b>27,398</b>	<b>29,260</b>

Bank and other loans were denominated in the following currencies:

	31 December 2020	31 December 2019
US Dollar (USD)	27,316	22,879
Ukrainian Hryvnia (UAH)	82	-
Euro (EUR)	-	6,381
<b>Total bank and other loans</b>	<b>27,398</b>	<b>29,260</b>

Changes in bank and other loans were as follows:

	2020	2019
<b>Carrying amount as at 1 January</b>	<b>29,260</b>	<b>44,176</b>
Loans received (i)	8,805	1,909
Loans repaid (i)	(7,724)	(1,941)
Loan set-off (Note 7)	-	(404)
Interest accrued	1,535	2,578
Interest paid	(1,176)	(643)
Loan write-off (ii)	(3,609)	(12,566)
Disposal of subsidiaries	-	(3,513)
Translation differences	307	(336)
<b>Carrying amount as at 31 December (iii)</b>	<b>27,398</b>	<b>29,260</b>

Loan from Parent, Olbis Investments SA, becomes due in December 2026, together with all interest accrued up to that date. Interest rate on the loan is 3% per annum and interest accrued as at 31 December 2020 was USD 4,178 thousand (2019: USD 3,864 thousand).

As at 31 December 2020, bank loans were secured by collateral in the form of property, plant and equipment in the amount of USD 9,805 thousand (2019: USD 1,651 thousand) and real estate provided by related parties.

(i) In the first half of 2020, TASCOMBANK increased its credit line to the Group up to USD 12.2 million. The funds were used by the Group to fully refinance loans from Credit Dnipro Bank and Pivdennyi Bank in the total amount of USD 3.9 million which were maturing in 2020.

By August 2020, the Group has fully repaid its loan from LBBW, which was the Group's last overdue bank loan, thereby successfully completing the first major phase of the debt restructuring project. Since September 2020, management have focused their efforts on restructuring of the Group's working capital (Notes 4, 25).

(ii) In January 2018, a third party purchased the Group's overdue debts under several loans from Credit Agricole Bank. Total remaining debt balance as at 31 December 2019 was USD 1,950 thousand, including interest of USD 450 thousand. In 2020, the Group negotiated a full write-off of these debts as part of a netting arrangement with that third party.

Total remaining loan balance payable to LBBW as at 31 December 2019 included a provision for non-timely repayment of the outstanding debt, in the form of additional interest accrued by the bank. Because the Group has managed to complete main repayments by August 2020 and fulfilled all other conditions precedent, the debt was fully settled, additional interest did not become due and was written off.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

(iii) As at 31 December 2020, the Group's only long-term bank loans were in the form of a credit line with TASCOMBANK, in the total amount of USD 12,201 thousand and denominated in US Dollar. The fact that US Dollar is not the functional currency of the Group subsidiaries who received the loans, made the Group highly susceptible to currency risk.

To mitigate the currency risk, management have arranged for the change in currency of the loans from TASCOMBANK to the functional currency at the cost of switching from a fixed interest rate to a variable rate.

At the date these consolidated financial statements are being issued, as a result of the new arrangement, which became effective from the first quarter of 2021, the total amount of foreign-currency bank loans is USD nil. The annualised rate on the revised loans for 2021 is not expected to be higher than 12.5% while the average of fixed rates on the same loans in 2020 was around 10%. For comparison, while the increase in interest rates is expected to be not higher than 2.5%, foreign currency exchange rates have first decreased by 14% in 2019 and then increased by 19% in 2020.

Based on management's assessment, fair value of the Group's bank and other loans as at 31 December 2020 amounted to USD 28,181 thousand while the carrying amount was USD 27,398 thousand (2019: USD 28,754 thousand while the carrying amount was USD 29,260 thousand).

**17. Other Financial Liabilities**

	31 December 2020	31 December 2019
Other payables	10,268	6,016
Short-term promissory notes issued	2,344	1,990
Company loans received	1,683	1,495
Wages and salaries payable	160	104
<b>Total other financial liabilities</b>	<b>14,455</b>	<b>9,605</b>
Less: non-current portion of other payables (i)	(5,941)	-
<b>Total current portion</b>	<b>8,514</b>	<b>9,605</b>

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. Carrying amounts approximate their fair value.

(i) Non-current portion of other payables as at 31 December 2020 represents the carrying amount of liabilities assumed with the acquisition of Souz-3 LLC (Note 7).

Planned settlement schedule for other financial liabilities as at 31 December 2020 is as follows:

	Within one year	Within two to five years (ii)	After five years (ii)
<b>To be repaid in cash:</b>			
Other payables	8	963	-
Company loans received	1,305	-	-
Wages and salaries payable	160	-	-
<b>Total cash outflow</b>	<b>1,473</b>	<b>963</b>	<b>-</b>
<b>Non-cash settlement (netting, discounting, write-off):</b>			
Other payables	3,644	963	4,015
Short-term promissory notes issued	2,344	-	-
Company loans received	1,053	-	-
<b>Total non-cash settlement</b>	<b>7,041</b>	<b>963</b>	<b>4,015</b>
<b>Total other financial liabilities as at 31 December 2020</b>	<b>8,514</b>	<b>1,926</b>	<b>4,015</b>

(ii) The terms of financial reorganisation of Souz-3 LLC mandate two stages for settlement of the restructured debts which cover the total of USD 1,926 thousand and USD 4,015 thousand of debts, respectively. 50% of the first stage debts have to be repaid in monthly instalments during the years 2022 to 2025. If the company manages to successfully repay 50% of the first stage debts, the other 50% together with 100% of the second stage debts become eligible for write-off.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

**18. 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 at least 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.

Starting in 2020, 'Livestock/Pigs Breeding' and 'Food Processing' segments were merged as one segment 'Pig breeding'. Previously, livestock also included cows and food production included milk and flour, but, this no longer being the case, the Group has decided to change the way it presents segment information.

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.

Information about operating segments for the year ended 31 December 2020 is as follows:

	Note	Crop Farming	Pig Breeding	Other	Total
Revenue, including:					
- sales of goods		6,219	10,317	2,410	18,946
- rendering of services		2,164	-	228	2,392
<b>Revenue from external customers</b>		<b>8,383</b>	<b>10,317</b>	<b>2,638</b>	<b>21,338</b>
<b>Gain/(loss) on biological transformation</b>	<b>11</b>	<b>3,292</b>	<b>1,142</b>	<b>-</b>	<b>4,434</b>
Cost of sales, including:					
- incurred costs		(8,177)	(9,863)	(2,211)	(20,251)
- revaluation effects		215	1,022	-	1,237
<b>Cost of sales</b>		<b>(7,962)</b>	<b>(8,841)</b>	<b>(2,211)</b>	<b>(19,014)</b>
<b>Segment profit/(loss)</b>		<b>3,713</b>	<b>2,618</b>	<b>427</b>	<b>6,758</b>
<b>Other segment information:</b>					
Depreciation of property, plant and equipment		377	829	40	1,246
Amortisation of right-of-use assets		430	-	-	430
Capital expenditure		705	1,800	23	2,528

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

Information about operating segments for the year ended 31 December 2019 is as follows:

	Note	Crop Farming	Pig Breeding	Other	Total
Revenue, including:					
- sales of goods		8,744	11,191	1,790	21,725
- rendering of services		2,080	-	84	2,164
<b>Revenue from external customers</b>		<b>10,824</b>	<b>11,191</b>	<b>1,874</b>	<b>23,889</b>
<b>Gain/(loss) on biological transformation</b>	<b>11</b>	<b>(546)</b>	<b>6,198</b>	<b>-</b>	<b>5,652</b>
Cost of sales, including:					
- incurred costs		(10,565)	(13,990)	(2,021)	(26,576)
- revaluation effects		932	(1,289)	-	(357)
<b>Cost of sales</b>		<b>(9,633)</b>	<b>(15,279)</b>	<b>(2,021)</b>	<b>(26,933)</b>
<b>Segment profit/(loss)</b>		<b>645</b>	<b>2,110</b>	<b>(147)</b>	<b>2,608</b>
<b>Other segment information:</b>					
Depreciation of property, plant and equipment		263	836	118	1,217
Amortisation of right-of-use assets		469	-	-	469
Capital expenditure		671	301	70	1,042

*Seasonality of operations*

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

**19. Cost of Sales**

Cost of sales by nature of expenses would be disclosed in the audited consolidated financial statements.

**20. Selling, General and Administrative Expenses**

	2020	2019
Wages and salaries	679	236
Informational, expert and consulting services (i)	364	307
Storage costs	236	318
Delivery costs	204	42
Office maintenance costs	167	68
Bank services	98	39
Depreciation and amortisation	59	167
Business trips	36	31
Fuel and other materials	30	3
Taxes, other than income tax	29	11
Other costs	-	621
<b>Total selling, general and administrative expenses</b>	<b>1,902</b>	<b>2,196</b>

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

*(All amounts in thousands of US dollars, unless otherwise stated)***21. Non-Operating Gains and Losses**

	<b>2020</b>	<b>2019</b>
Gain/(loss) on foreign currency exchange	(3,528)	2,835

Foreign currency exchange gains and losses arise when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the subsidiary's functional currency. During the years ended 31 December 2020 and 2019, the Group has been most susceptible to currency risk with regard to its bank loans and intercompany loans. Refer to Note 25 for details on the Group's net foreign currency position and the resulting exposure to currency risk.

	<b>2020</b>	<b>2019</b>
Loan write-off (Note 16)	3,609	12,566
Trade payables write-off	7,298	7,175
Reversal of impairment loss on financial assets (Note 14)	3,278	
Reversal of provision for tax liabilities (Note 26)	879	-
Impairment of financial assets	(4,500)	(10,501)
<b>Gain/(loss) on debt restructuring</b>	<b>10,564</b>	<b>9,240</b>

	<b>2020</b>	<b>2019</b>
Impairment of inventories (Note 12)	(4,642)	(542)
Impairment of property, plant and equipment (Note 9)	(1,501)	-
Disposal of property, plant and equipment (Note 9)	(1,042)	-
Impairment of VAT recoverable	(618)	(575)
Derecognition of financial assets	(320)	-
Fines and penalties	(23)	(311)
<b>Total other gains and losses</b>	<b>(8,146)</b>	<b>(1,428)</b>

**22. Finance Expenses**

	<b>2020</b>	<b>2019</b>
Interest expense on loans (Note 16)	1,535	2,578
Interest expense on leases (Note 10)	475	499
Other finance expenses	61	138
<b>Total finance expenses</b>	<b>2,071</b>	<b>3,215</b>

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

*(All amounts in thousands of US dollars, unless otherwise stated)***23. Income Taxes**

As at 31 December 2020, six Ukrainian subsidiaries of the Group (2019: four) 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 recognised 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 2019 and 2020, and for the foreseeable future, was set at 18%.

Deferred income tax assets and liabilities as of 31 December 2020 and 2019 were measured based on the tax rates expected to be applied to the periods when the temporary differences are expected to reverse.

Components of income tax expense were as follows:

	2020	2019
Current tax expense	(4)	(15)
Deferred tax expense	(207)	-
<b>Income tax expense</b>	<b>(211)</b>	<b>(15)</b>

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

	2020	2019
<b>Profit before tax</b>	<b>1,483</b>	<b>4,141</b>
- Profit/(loss) attributable to Ukrainian FAT payers	(277)	(1,230)
- Profit/(loss) attributable to Ukrainian CIT payers	1,734	2,028
- Profit/(loss) attributable to other Group entities	222	7,053
- Gain/(loss) on disposal of subsidiaries	(196)	(3,710)
Income tax (expense) / benefit related to Ukrainian CIT payers	(312)	(365)
Income tax (expense) / benefit related to other Group entities	(3)	-
Adjusted for tax effects of:		
• non-taxable income	311	350
• non-deductible expenses	-	-
Change in deferred taxes	(207)	-
<b>Income tax expense</b>	<b>(211)</b>	<b>(15)</b>

Change in deferred taxes for the year ended 31 December 2020 was as follows:

	1 January 2020	Charged to profit or loss	Translation differences	31 December 2020
<b>Tax effect of deductible temporary differences</b>				
Trade receivables	236	(207)	(29)	-
<b>Recognised deferred tax asset</b>	<b>236</b>	<b>(207)</b>	<b>(29)</b>	<b>-</b>

Change in deferred taxes for the year ended 31 December 2019 was as follows:

	1 January 2019	Disposal of subsidiaries	Translation differences	31 December 2019
<b>Tax effect of deductible temporary differences</b>				
Trade receivables	328	(140)	48	236
<b>Gross deferred tax asset</b>	<b>328</b>	<b>(140)</b>	<b>48</b>	<b>236</b>
<b>Tax effect of taxable temporary differences</b>				
Property, plant and equipment	(92)	96	(4)	-
<b>Gross deferred tax liability</b>	<b>(92)</b>	<b>96</b>	<b>(4)</b>	<b>-</b>
<b>Recognised deferred tax asset / (liability)</b>	<b>236</b>	<b>(44)</b>	<b>44</b>	<b>236</b>

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

**24. Related Parties**

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

	2020		2019	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
<b>Assets</b>				
Trade receivables	-	505	-	424
Company loans issued	-	347	-	1,230
Other financial assets	-	-	-	6
Prepaid assets	-	10	-	54
<b>Liabilities</b>				
Loan from Parent (i)	10,937	-	10,973	-
Interest on loan from Parent (i)	4,178	-	3,864	-
Trade payables	-	609	25	128
Company loans received	-	59	-	11
Other financial liabilities	25	848	-	702
Advances from customers	-	9	-	90

Significant transactions with related parties were as follows:

	2020		2019	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
<b>Income</b>				
Sales of pigs and pork (ii)	-	2,427	-	-
Other services	-	54	-	-
<b>Expenses</b>				
Interest expense on loans	311	-	311	-

'Parent and owners' include the Company's immediate parent, Olbis Investments SA, and the ultimate controlling party, Mr. Sergiy Kasianov.

'Entities under common control' are other entities controlled by Olbis Investments SA and Mr. Sergiy Kasianov.

(i) 'Loan from Parent' and related interest refer to a loan from Olbis Investments SA. The loan originated based on the transfer agreement from ICD Investments SA to Olbis Investments SA, signed in November 2016, and becomes due in December 2026, together with all interest accrued up to that date. Interest rate on the loan is 3% per annum.

(ii) Sales of pigs and pork to related parties are made at market prices.

In February 2020, property, plant and equipment in the total amount of USD 664 thousand were transferred to a related party as part of the liquidation process of Agro LLC (Note 7).

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

## KSG Agro S.A.

### Notes to the Unaudited Consolidated Financial Statements

for the year ended 31 December 2020

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

## 25. 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.

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 current 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 summarised below:

	Note	2020	2019
<b>Financial assets</b>			
Trade receivables	13	1,890	2,365
Other financial assets	14	882	2,753
Cash and cash equivalents		109	299
<b>Total financial assets</b>		<b>2,881</b>	<b>5,417</b>

**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.

As at 31 December 2020, the Group had 4 customers (2019: 4 customers) with aggregate receivable balances above USD 150 thousand each. The total amount of these balances as at 31 December 2020 was USD 1,592 thousand (2019: USD 1,925 thousand) or 84% (2019: 81%) of trade receivables.

**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 2020, 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 1,082 thousand lower or higher (2019: USD 836 thousand).

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

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

As of 31 December 2020, the Group's financial assets and liabilities denominated in foreign currency were as follows:

	USD	EUR	PLN	Total	Carrying amount
<b>Financial assets</b>					
Trade receivables	149	-	-	149	1,890
Other financial assets	-	65	-	65	882
Cash and cash equivalents	23	5	-	28	109
<b>Total financial assets</b>	<b>172</b>	<b>70</b>	<b>-</b>	<b>242</b>	<b>2,881</b>
<b>Financial liabilities</b>					
Trade payables	639	13	-	652	10,118
Bank and other loans (i)	12,201	-	-	12,201	27,398
Other financial liabilities	2	2,029	160	2,191	14,455
<b>Total financial liabilities</b>	<b>12,842</b>	<b>2,042</b>	<b>160</b>	<b>15,044</b>	<b>56,594</b>
<b>Net foreign currency position</b>	<b>(12,670)</b>	<b>(1,972)</b>	<b>(160)</b>	<b>(14,802)</b>	<b>(53,713)</b>

As of 31 December 2019, the Group's financial assets and liabilities denominated in foreign currency were as follows:

	USD	EUR	PLN	Total	Carrying amount
<b>Financial assets</b>					
Trade receivables	40	120	-	160	2,365
Cash and cash equivalents	38	15	-	53	299
<b>Total financial assets</b>	<b>78</b>	<b>135</b>	<b>-</b>	<b>213</b>	<b>2,664</b>
<b>Financial liabilities</b>					
Trade payables	51	651	-	702	17,833
Bank and other loans	8,042	6,381	-	14,423	29,260
Other financial liabilities	-	1,800	158	1,958	9,501
<b>Total financial liabilities</b>	<b>8,093</b>	<b>8,832</b>	<b>158</b>	<b>17,083</b>	<b>56,594</b>
<b>Net foreign currency position</b>	<b>(8,015)</b>	<b>(8,697)</b>	<b>(158)</b>	<b>(16,870)</b>	<b>(53,930)</b>

Due to this exposure, if the US dollar were to strengthen or weaken by 10% against a functional currency, it would, respectively, decrease or increase the Group's profit before tax by USD 1,267 thousand (2019: USD 801 thousand).

Due to this exposure, if the Euro were to strengthen or weaken by 10% against a functional currency, it would, respectively, decrease or increase the Group's profit before tax by USD 197 thousand (2019: USD 870 thousand).

(i) To mitigate the currency risk, management have arranged for the change in currency of the loans from TASCOMBANK to the functional currency at the cost of switching from a fixed interest rate to a variable rate. Refer to Note 16 for details.

At the date these consolidated financial statements are being issued, as a result of the new arrangement, which became effective from the first quarter of 2021, the total amount of foreign-currency bank loans is USD nil. For comparison, while the increase in interest rates on these loans in 2021 from 2020 is expected to be not higher than 2.5%, foreign currency exchange rates for the respective borrowers have first decreased by 14% in 2019 and then increased by 19% in 2020.

**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by monitoring monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base mostly through proper management of its working capital and using short-term bank and company loans to cover the cash gaps.

**KSG Agro S.A.****Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

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 2020 was as follows:

	Within one year	Within two to five years	After five years	Total	Carrying amount
Bank and other loans	2,878	9,405	15,115	27,398	27,398
Future interest on loans	1,103	1,419	-	2,522	-
Lease liabilities	697	1,810	108	2,615	2,615
Future interest on lease liabilities	74	351	104	529	-
Trade payables	10,118	-	-	10,118	10,118
Other financial liabilities	8,514	1,926	4,015	14,455	14,455
<b>Total</b>	<b>23,384</b>	<b>14,911</b>	<b>19,342</b>	<b>57,637</b>	<b>54,586</b>

Remaining contractual maturity of financial liabilities as at 31 December 2019 was as follows:

	Within one year	Within two to five years	After five years	Total	Carrying amount
Bank and other loans	11,785	2,638	14,837	29,260	29,260
Future interest on loans	580	891	2,022	3,493	-
Lease liabilities	738	1,545	459	2,742	2,742
Future interest on lease liabilities	147	1,346	962	2,455	-
Trade payables	17,833	-	-	17,833	17,833
Other financial liabilities	9,501	-	-	9,501	9,501
<b>Total</b>	<b>40,584</b>	<b>6,420</b>	<b>18,280</b>	<b>65,284</b>	<b>59,336</b>

**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 2020	31 December 2019
Bank and other loans	27,398	29,260
Less: cash and cash equivalents	(108)	(299)
Net debt	27,290	30,951
Total equity	5,382	11,322
<b>Net Debt to Equity Ratio</b>	<b>5.07</b>	<b>2.73</b>

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.

**KSG Agro S.A.**

**Notes to the Unaudited Consolidated Financial Statements**

for the year ended 31 December 2020

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

---

**26. Contingencies and Commitments**

As at 31 December 2019, tax liabilities in the consolidated statement of financial position include a provision for litigations in the amount of USD 1,001 thousand. Considering the results of ongoing proceedings and the age of the lawsuits, management's current assessment is that probability of an unfavourable outcome for the Group with regard to these lawsuits is low. A reversal for the total amount of the provision is therefore recognised in profit or loss for the year 2020.

As at 31 December 2020 and 2019, the Group had no other pending or ongoing litigation that could result in material outflow of economic benefits.

The Group did not have any other material contingent liabilities and/or commitments as at 31 December 2020 and 2019.

**27. Events After the Reporting Period**

As at the date of this report, the Group is in the process of negotiating the restructuring of the next portion of its current liabilities, which will be disclosed in the Group's audited consolidated financial statements, if successfully finished by the date those financial statements would be issued. There were no other material subsequent events.