KSG Agro

INTERIM REPORT

January – March 2021

KSG Agro S.A.

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

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PRINCIPAL ACTIVITIES

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

STRATEGY IMPLEMENTATION

In the first quarter of 2021, management have focused their efforts on improving the Group’s key financial ratios, specifically its negative net current assets and negative shareholders’ equity.

During the year 2020, the Group 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.

At the date these financial statements are being issued, the total balance of ‘other financial liabilities’ as at 31 December 2020 has further decreased by USD 9.4 million, with the current portion of this amount being USD 3.4 million. It was partly settled in cash and partly through disposal of subsidiaries Vesna Agrofirm LLC, Trade House UAIH LLC and Souz-3 LLC as disclosed in detail in Note 15 to the interim condensed consolidated financial statements.

Since all three subsidiaries had negative equity, their disposal has resulted in an increase in consolidated ‘equity attributable to owners of the parent’ from a negative USD 6.2 million as at 31 December 2020 closer to a positive value as of the date these financial statements are being issued.

Improvements in the Group’s net current assets and working capital are as follows:

in USD million	**14 May 2021**	**31 March 2021**	**31 December 2020**
Current Assets minus Current Liabilities	**(2.9)**	**(5.8)**	**(6.3)**
less: Other financial assets	(1.2)	(1.2)	(0.9)
less: Other financial liabilities	5.7	9.1	8.5
Adjusted Working Capital	**1.6**	**2.1**	**1.3**

In assessing day-to-day performance of the business, management excludes ‘other financial assets’ and ‘other financial liabilities’, as those mostly comprise old non-trade balances subject to restructuring, and analyses the change in the resultant ‘adjusted working capital’. Based on management’s assessment, the adjusted working capital at the date these financial statements are being issued is positive.

IMPACT OF THE CORONAVIRUS COVID-19

The Board of Directors and management have concluded that there was no significant impact on the Group’s profitability position to date from the effects of the coronavirus pandemic. The event is not expected to have a material impact on business operations in future periods. Management’s analysis of the factors is provided in the last annual consolidated financial statements.

FINANCIAL AND OPERATIONAL RESULTS

Financial results of the Group's operations for the three months ended 31 March 2021 and 2020 derived from the consolidated financial statements were as follows:

In thousands of US dollars	**Three months 2021**	**Three months 2020**	**Change, %**
Revenue	3,521	3,242	9%
Gain/(loss) on biological transformation, net	211	1,247	(83)%
Cost of sales	(2,471)	(3,424)	(28)%
Gross profit	**1,261**	**1,065**	**18%**
Selling, general and administrative expenses	(250)	(339)	(26)%
Operating profit	**1,011**	**726**	**39%**
Finance income	-	1	(100)%
Finance expenses	(424)	(524)	(19)%
Gain/(loss) on foreign currency exchange, net	392	(2,641)	(115)%
Other gains and losses	(227)	(582)	(61)%
Profit before tax	**752**	**(3,020)**	**(125)%**
Income tax expense	-	-	0%
Profit for the period	**752**	**(3,020)**	**(125)%**
Operating profit	**1,011**	**726**	**39%**
Depreciation and amortisation	375	419	(10)%
EBITDA	**1,386**	**1,145**	**21%**

Details by segment are disclosed in Note 13 to the interim condensed consolidated financial statements.

SUBSEQUENT EVENTS

All significant events that occurred after the end of the reporting period are described in Note 15 to the interim condensed consolidated financial statements.

BUSINESS AND FINANCIAL RISKS

Credit risk

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

Credit risk concentration

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

Market risk

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

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 fist 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 11 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 year ended 31 December 2020, 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. 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 11 for details.

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.

During the year 2020, the Group 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.

At the date these financial statements are being issued, the total balance of 'other financial liabilities' as at 31 December 2020 has further decreased by USD 9.4 million, with the current portion of this amount being USD 3.4 million. It was partly settled in cash and partly through disposal of subsidiaries Vesna Agrofirm LLC, Trade House UAIH LLC and Souz-3 LLC as disclosed in detail in Note 15 to the interim condensed consolidated financial statements.

Improvements in the Group's net current assets and working capital are as follows:

in USD million	14 May 2021	31 March 2021	31 December 2020
Current Assets minus Current Liabilities	**(2.9)**	**(5.8)**	**(6.3)**
less: Other financial assets	(1.2)	(1.2)	(0.9)
less: Other financial liabilities	5.7	9.1	8.5
Adjusted Working Capital	**1.6**	**2.1**	**1.3**

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

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.

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.

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 generaly 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 three months ended 31 March 2021 was approved for issue on 14 May 2021.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(Chief Financial Officer)

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

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

The Board of Directors and management of the Group are responsible for preparation of the interim condensed consolidated financial statements of the Group as at 31 March 2021 and for the three months then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

The Board of Directors and management are also responsible for:

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

In accordance with Article 4 (2) (c) of the Law of Luxembourg of 11 January 2008 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the interim condensed consolidated financial statements for the three months ended 31 March 2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the financial position, financial performance and cash flows of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole.

In addition, the interim management report includes a fair review of the performance, position, progress and development prospects of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

These interim condensed consolidated financial statements as at 31 March 2021 and for the three months then ended were approved for issue on 14 May 2021.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(Chief Financial Officer)

KSG Agro S.A.

Unaudited Interim Condensed Consolidated Statement of Financial Position

as at 31 March 2021

In thousands of US dollars	**Note**	**31 March 2021**	**31 December 2020 (*)**
ASSETS			
Non-current assets			
Property, plant and equipment		15,641	15,568
Long-term biological assets	7	28,204	27,816
Right-of-use assets		726	716
Total non-current assets		**44,571**	**44,100**
Current assets			
Current biological assets	7	7,702	6,306
Inventories and agricultural produce	8	7,215	7,952
Trade receivables	9	1,012	1,890
Other financial assets	10	1,234	882
Taxes recoverable		785	854
Prepaid assets		1,260	860
Cash and cash equivalents		154	108
Total current assets		**19,362**	**18,852**
TOTAL ASSETS		**63,933**	**62,952**
EQUITY			
Share capital		150	150
Share premium		37,366	37,366
Treasury shares		(112)	(112)
Retained earnings		(42,672)	(43,156)
Currency translation reserve		(510)	(448)
Equity attributable to the owners of the Company		**(5,778)**	**(6,200)**
Non-controlling interests		**12,043**	**11,582**
TOTAL EQUITY		**6,265**	**5,382**
LIABILITIES			
Non-current liabilities			
Bank and other loans	11	24,554	24,520
Other financial liabilities	12	6,022	5,941
Lease liabilities		1,945	1,918
Total non-current liabilities		**32,521**	**32,379**
Current liabilities			
Trade payables		8,098	10,118
Other financial liabilities	12	9,070	8,514
Bank and other loans	11	2,950	2,878
Advances from customers		4,249	2,796
Lease liabilities		692	697
Tax liabilities		88	188
Total current liabilities		**25,147**	**25,191**
TOTAL LIABILITIES		**57,668**	**57,570**
TOTAL LIABILITIES AND EQUITY		**63,933**	**62,952**

(*) Comparative amounts as at 31 December 2020 in the statement of financial position and related notes are as presented in the unaudited consolidated financial statements issued on 30 April 2021.

Approved for issue and signed on behalf of the Board of Directors on 14 May 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 Interim Condensed Consolidated Statement of Comprehensive Income

for the three months ended 31 March 2021

In thousands of US dollars	**Note**	**Three months 2021**	**Three months 2020**
Revenue	13	3,521	3,242
Gain/(loss) on biological transformation, net	13	211	1,247
Cost of sales	13	(2,471)	(3,424)
Gross profit		**1,261**	**1,065**
Selling, general and administrative expenses		(250)	(339)
Operating profit		**1,011**	**726**
Finance income		-	1
Finance expenses		(424)	(524)
Gain/(loss) on foreign currency exchange, net		392	(2,641)
Other gains and losses		(227)	(582)
Profit before tax		**752**	**(3,020)**
Income tax expense		-	-
Profit for the period		**752**	**(3,020)**
Other comprehensive income/(loss)			
Currency translation differences		131	(3,070)
Total comprehensive income/(loss)		**883**	**(6,090)**
Profit attributable to:			
Owners of the Company		484	(2,924)
Non-controlling interest		268	(96)
Profit for the period		**752**	**(3,020)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		422	(3,148)
Non-controlling interests		461	(2,942)
Total comprehensive income/(loss)		**883**	**(6,090)**
Earnings per share			
Weighted average number of common shares outstanding, thousand		15,020	15,020
Basic and diluted earnings per share, USD		0.03	(0.19)

Approved for issue and signed on behalf of the Board of Directors on 14 May 2021.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(Chief Financial Officer)

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

In thousands of US dollars	**Three months 2021**	**Three months 2020**
Cash flow from operating activities		
Profit before tax	**752**	**(3,020)**
Adjustments for:		
Depreciation and amortisation	375	419
Gain on biological transformation, net	(211)	(1,247)
Finance income	-	(1)
Finance expenses	424	524
Exchange differences	(334)	3,688
Other gains and losses	-	(582)
Operating cash flow before working capital changes	**1,006**	**945**
Change in trade receivables and other financial assets	1,973	(1,206)
Change in biological assets	(1,191)	(1,820)
Change in inventories and agricultural produce	844	404
Change in tax assets and liabilities	(19)	(51)
Change in trade payables and other financial liabilities	(2,145)	1,174
Cash generated from operations	**468**	**(554)**
Interest paid on loans and leases	(317)	(333)
Income tax paid	(2)	-
Cash generated from / (used in) operating activities	**149**	**(887)**
Cash flow from investing activities		
Acquisition of property, plant and equipment	(105)	(142)
Interest received	-	1
Cash generated from / (used in) investing activities	**(105)**	**(141)**
Cash flow from financing activities		
Proceeds from bank and other loans	-	8,689
Repayment of bank and other loans	-	(4,090)
Repayment of leases	-	-
Cash generated from / (used in) financing activities	**-**	**4,599**
Net (decrease) / increase in cash and cash equivalents	**44**	**3,571**
Cash and cash equivalents at the beginning of the period	108	249
Effect of exchange rate differences on cash and cash equivalents	2	(436)
Cash and cash equivalents at the end of the period	**154**	**3,384**

Approved for issue and signed on behalf of the Board of Directors on 14 May 2021.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(Chief Financial Officer)

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

In thousands of US dollars	**Note**	**Attributable to owners of the Company** **Share capital**	**Share premium**	**Treasury shares**	**Currency translation reserve**	**Retained earnings**	**Total attributable to owners of the Company**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2020		**150**	**37,366**	**(112)**	**(3,877)**	**(37,901)**	**(4,374)**	**15,696**	**11,322**
Profit for the period		-	-	-	-	(2,924)	(2,924)	(96)	(3,020)
Other comprehensive income/(loss)		-	-	-	(224)	-	(224)	(2,846)	(3,070)
Total comprehensive income/(loss)		**-**	**-**	**-**	**(224)**	**(2,924)**	**(3,148)**	**(2,942)**	**(6,090)**
Balance as at 31 March 2020		**150**	**37,366**	**(112)**	**(4,101)**	**(40,825)**	**(7,522)**	**12,754**	**5,232**
Balance as at 1 January 2021		**150**	**37,366**	**(112)**	**(448)**	**(43,156)**	**(6,200)**	**11,582**	**5,382**
Profit for the period		-	-	-	-	484	484	268	752
Other comprehensive income/(loss)		-	-	-	(62)	-	(62)	193	131
Total comprehensive income/(loss)		**-**	**-**	**-**	**(62)**	**484**	**422**	**461**	**883**
Balance as at 31 March 2021		**150**	**37,366**	**(112)**	**(510)**	**(42,672)**	**(5,778)**	**12,043**	**6,265**

Approved for issue and signed on behalf of the Board of Directors on 14 May 2021.

A.V. Skorokhod
(Chief Executive Officer)

Y.V. Kyselova
(Chief Financial Officer)

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

1. Corporate Information

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

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

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

2. Group Structure

The Company's immediate parent is OLBIS Investments LTD 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 March 2021 and 31 December 2020 were as follows:

Entity	Principal activity	Country of registration	Effective ownership ratio, %	
			31 March 2021	31 December 2020
KSG Agro S.A.	Holding company	Luxembourg		
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Dnipro LLC	Crop farming	Ukraine	100%	100%
Agro Golden LLC	Crop farming	Ukraine	100%	100%
Souz-3 LLC (Note 15)	Crop farming	Ukraine	100%	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 (Note 15)	Dormant	Ukraine	100%	100%
Trade House of the Ukrainian Agroindustrial Holding LLC (Note 15)	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%
Abbondanza SA	Trade of agricultural products	Switzerland	50%	50%
Parisifia LTD	Intermediate holding company	Cyprus	50%	50%
Agroplaza LLC	Intermediate holding company	Ukraine	50%	50%
Kolosyste LLC	Dormant	Ukraine	50%	50%
Stepove LLC	Dormant	Ukraine	50%	50%
Dzherelo LLC	Dormant	Ukraine	50%	50%
Rantye LLC	Pig breeding	Ukraine	50%	50%
Strong-Invest LLC	Pig breeding	Ukraine	50%	50%
Modern Agricultural Investments LLC	Pig breeding	Ukraine	50%	-
Pererobnyk PE LLC (ii)	Dormant	Ukraine	25%	25%
Ukrzernoprom - Prudy LLC (iii)	Dormant, assets are on occupied territory	Ukraine	50%	50%
Ukrzernoprom - Uyutne LLC (iii)		Ukraine	50%	50%
Ukrzernoprom - Kirovske LLC (iii)		Ukraine	50%	50%
Ukrzernoprom - Yelizavetove LLC (iii)		Ukraine	50%	50%

(ii) 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.

(iii) 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.

As discussed in the Group’s last annual financial statements, the Board of Directors and management are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern.

Based on their analysis of the impact on the Group’s business from the operating environment and the ongoing coronavirus pandemic, based on the successful results of loan restructuring and current improvements in key financial ratios of the Group, the Board of Directors and management believe that the Group can continue as a going concern for the next twelve months from the date these financial statements are being issued.

4. Adoption of New or Revised Standards and Interpretations

Management have reviewed the following new and amended IFRS Standards and Interpretations and adopted the ones that are effective for annual periods beginning on or after 1 January 2021:

- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts' deferral of IFRS 9;
- Amendment to IFRS 16 ‘Leases’ – Covid-19 related rent concessions;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2;
- Amendments to IAS 1 ‘Presentation of financial statements’ on classification of liabilities;
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;
- IFRS 17 'Insurance contracts'.

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

5. Summary of Significant Accounting Policies

Basis of preparation

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

Specifically, these financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2020 (‘last annual financial statements’).

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

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

The accounting policies applied in these interim financial statements are the same as those applied in the Group's last annual financial statements. Any changes in accounting policies during the interim period are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2021.

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 use USD when monitoring operating results and financial condition of the Group, the presentation currency of these financial statements is USD.

The exchange rates used for translating foreign currency balances were:

	USD	**EUR**
As at 31 December 2020	28.2746	34.7396
Average for the three months ended 31 March 2020	25.0525	27.6154
As at 31 March 2021	27.8852	32.7233
Average for the three months ended 31 March 2021	27.9694	33.7569
As at the date these financial statements are being issued	27.6273	33.3738

6. Critical Accounting Estimates and Judgements

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

The significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last annual financial statements.

7. Biological Assets

	31 March 2021		**31 December 2020**	
Non-current biological assets (swines)	**Units**	**Amount**	**Units**	**Amount**
Sows	5,627	28,196	5,404	27,808
Boars	36	8	39	8
Total non-current biological assets		**28,204**		**27,816**
Current biological assets (swines)	**Units**	**Amount**	**Units**	**Amount**
Pigs and piglets	40,716	2,585	41,416	1,904
Current biological assets (crops)	**Hectares**	**Amount**	**Hectares**	**Amount**
Wheat	7,061	3,814	7,061	3,295
Barley	1,176	678	1,176	565
Rapeseed	1,856	348	1,856	290
Other		277		252
Total current biological assets		**7,702**		**6,306**
Total biological assets		**35,906**		**34,122**

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

8. Inventories and Agricultural Produce

	31 March 2021	31 December 2020
Agricultural produce	1,214	1,544
Land cultivation and harvesting	2,643	1,903
Seeds, fertilisers, crop protection products	748	1,267
Construction materials	1,170	1,154
Fodder (raw materials)	315	860
Fodder (processed)	164	142
Fuel	633	758
Goods for resale	213	232
Semi-finished products	-	-
Other	115	92
Total inventories and agricultural produce	**7,215**	**7,952**

9. Trade Receivables

	31 March 2021	31 December 2020
Receivables from customers	6,659	7,482
Less: impairment	(5,647)	(5,592)
Total trade receivables	**1,012**	**1,890**

10. Other Financial Assets

	31 December 2020	31 December 2019
Company loans issued	3,998	3,635
Less: impairment of company loans issued	(3,081)	(3,039)
Other receivables (i)	822	784
Less: impairment of other receivables	(505)	(498)
Total other financial assets	**1,234**	**882**

11. Bank and Other Loans

Bank and other loans were denominated in the following currencies:

	31 March 2021	31 December 2020
US Dollar (USD)	15,192	27,316
Ukrainian Hryvnia (UAH)	12,312	82
Total bank and other loans	**27,504**	**27,398**

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.

As at 31 March 2021, as a result of the new arrangement, which became effective from the fist 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.

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

12. Other Financial Liabilities

	31 December 2020	31 December 2019
Other payables	11,579	10,268
Short-term promissory notes issued	2,349	2,344
Company loans received	973	1,683
Wages and salaries payable	191	160
Total other financial liabilities	**15,092**	**14,455**
Less: non-current portion of other payables (i)	(6,022)	(5,941)
Total current portion	**9,070**	**8,514**

(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. As at the date these financial statements are being issued, Souz-3 LLC has been disposed (Note 15).

At the date these financial statements are being issued, the total balance of ‘other financial liabilities’ as at 31 December 2020 has further decreased by USD 9.4 million, with the current portion of this amount being USD 3.4 million. It was partly settled in cash and partly through disposal of subsidiaries Vesna Agrofirm LLC, Trade House UAIH LLC and Souz-3 LLC (Note 15).

13. Operating Segments

Information about operating segments for the three months ended ended 31 March 2021 is as follows:

	Crop Farming	Pig Breeding	Other	Total
Revenue, including:				
- sales of goods	112	2,508	177	2,797
- rendering of services	724	-	-	724
Revenue from external customers	**836**	**2,508**	**177**	**3,521**
Gain/(loss) on biological transformation	(73)	284	-	211
Cost of sales	(209)	(2,067)	(195)	(2,471)
Segment profit/(loss)	**554**	**725**	**(18)**	**1,261**

Information about operating segments for the three months ended 31 March 2020 is as follows:

	Crop Farming	Pig Breeding	Other	Total
Revenue, including:				
- sales of goods	124	2,595	255	2,974
- rendering of services	268	-	-	268
Revenue from external customers	**392**	**2,595**	**255**	**3,242**
Gain/(loss) on biological transformation	662	585	-	1,247
Cost of sales	(215)	(2,996)	(213)	(3,424)
Segment profit/(loss)	**839**	**184**	**42**	**1,065**

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.

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

14. Related Parties

Significant transactions with related parties were as follows:

	Three months 2021		Three months 2020	
	Parent and owners	**Entities under common control**	**Parent and owners**	**Entities under common control**
Income				
Sales of pigs and pork	-	1,034	-	40
Other services	-	31	-	1
Expenses				
Interest expense on loans	78	-	78	-

15. Events After the Reporting Period

In the period through May 2021, the balance of 'other financial liabilities' has decreased by USD 9.4 million. It was partly settled in cash and partly through disposal of subsidiaries Vesna Agrofirm LLC, Trade House UAIH LLC and Souz-3 LLC. The effect on liabilities was as follows:

in USD thousand	
TOTAL other financial liabilities as at 31 December 2020	**14,455**
Settled in cash (during the period)	
Company loans received	(726)
Wages and salaries payable	(160)
Disposal of Souz-3	
Other payables	(5,941)
Disposal of Vesna Agrofirm	
Other payables	(1,680)
Disposal of TH UAIH	
Other payables	(859)
TOTAL other financial liabilities as at 1 May 2021	**5,089**

Since all three subsidiaries had negative equity, their disposal has resulted in an increase in consolidated 'equity attributable to owners of the parent' from a negative USD 6.2 million as at 31 December 2020 closer to a positive value as of the date these financial statements are being issued.

Disposal of the three subsidiaries has also decreased the balances of old and fully impaired 'trade receivables' and 'other financial assets' by USD 4.9 million. In addition, fully impaired 'trade receivables' of USD 1.7 million from a liquidated debtor were written off.

The effect on trade receivables was as follows:

in USD thousand	
TOTAL impairment of trade receivables as at 31 December 2020	**5,592**
Disposal of Vesna Agrofirm	
Trade receivables	(500)
Disposal of TH UAIH	
Trade receivables	(1,932)
Write off due to liquidation of debtor	
Trade receivables	(1,752)
TOTAL impairment of trade receivables as at 1 May 2021	**1,408**

The effect on other financial assets was as follows:

in USD thousand	
TOTAL impairment of other financial assets as at 31 December 2020	**3,537**
Disposal of TH UAIH	
Company loans issued	(2,165)
Other receivables	(326)
TOTAL impairment of other financial assets as at 1 May 2021	**1,046**

Agrofirm Vesna LLC and Trade House of the Ukrainian Agroindustrial Holding LLC are dormant entities. Souz-3 LLC is a production entity involved in crop farming, but had been acquired with massive liabilities and shall remain outside of the legal holding structure of the Group until such liabilities are settled. Details on the acquisition of Souz-3 are provided in the last annual financial statements.