



ANNUAL REPORT

2022

CHAIRMAN'S STATEMENT

There are two front lines in Ukraine. On the first one, the army is fighting the Russian aggressor. On the second one, business accelerates the victory in the rear.

Heroism of the Ukrainian military must be supported by successes in the socio-economic area. It is this belief that underlies what we call our "strategy of resilience". And working 30 km from the front lines, KSG Agro truly demonstrated what real resilience should be for a Ukrainian business.

We were fully aware of our responsibility to the country, to Ukrainian citizens, to the fighters of the Armed Forces of Ukraine. I know that many considered it crazy to work under such conditions. Some farmers decided to quit, because the risks to their business and even their life were too great. But we decided otherwise and made every effort to ensure that our contribution to the food security system of the Dnipropetrovsk region, and of the country as a whole, functioned without failures.

We consciously decided to work under any circumstances. We understood that the front on which the Ukrainian troops are fighting is the main one. And our front is economic, food. We are responsible for ensuring that the Ukrainian Army and the Ukrainian citizens are fed. Because a good soldier is a well-fed soldier.

Fresh pork is being shipped daily not only to customers in the Dnipropetrovsk region, where the market share of our products in 2022 had increased to 80%, but also to the regions of Kharkiv and Zaporizhzhia, the regions which, to a large extent, lost their production potential during the hostilities and occupation. Because we feel responsible not only for our base region, but for all Ukrainians. We try to feed our neighbors, lend a helping hand to those who suffered the most from the war. Who but us?

Another important component of the strategy of resilience is humanitarian assistance, which is provided to military units, local communities, and hospitals, with the help of our Charitable Foundation "Future".

Restoration of the country begins now. With the return of its defenders to their normal lives, the development of communities, the concern for safety and well-being of every Ukrainian.



Sergiy Kasianov

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PRINCIPAL ACTIVITIES

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

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

IMPACT OF THE WAR EVENTS IN UKRAINE

On 24 February 2022, Russia started a full-scale invasion of Ukraine. Because the Group’s key assets and operations are in Ukraine, the Group might be significantly affected by these events. Management’s analysis of the risks and uncertainties surrounding the Invasion, as well as management’s strategy and actions to mitigate those risks, are outlined in Note 3 to the consolidated financial statements. The outcome of the Invasion, however, is impossible to predict at this time.

Since the start of the Russian Invasion, no fighting occurred in close vicinity to the Group’s assets. And due to the successful counter-offensive by the Ukrainian Armed Forces, by the end of 2022 the front lines have moved even further away. The Group’s pig farm and its crop fields are located on the western bank of the Dnipro river, which is now fully controlled by the Ukrainian government.

During 2022, the Group had successfully completed its sowing and harvesting campaigns, and does not expect significant interruptions to its production cycle in the near future. As at the date of this report, the Group’s spring sowing campaign of 2023 has also started.

As presented in the accompanying consolidated financial statements as at and for the year ended 31 December 2022, the Group has negative equity and net loss for the current period.

Despite the above, management believes that the Group will still continue to operate as a going concern.

Where possible, the judgments and estimates used in the accompanying consolidated financial statements were updated to reflect the impact of the ongoing war events. However, adopting a more conservative approach, management only considered the events that had an unfavourable effect on such judgments and estimates. See Note 6 to the consolidated financial statements for details.

OPERATIONAL HIGHLIGHTS

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

Crop Farming

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

The weather in 2022 was not as graceful to agricultural producers as last year, but the yields on crops were no less than budgeted. Both the sowing and the harvesting campaigns were carried out as planned, without major interruptions. This was achieved by forming sufficient strategic reserves of seeds, fertilisers and fuel during March and April, and even earlier.

In March 2022, the Group also secured additional financing from TASCOMBANK, the Group’s main lender, to prepay key production costs (fertiliser, fuel, feed components, and salaries) ahead of their anticipated price increases, as well as to fund the wartime reserve of key production supplies.

Pig Breeding

Pig production and sales were in line with the previous year:

Marketable Pigs, in units	2022	2021
As at 1 January	43,701	41,416
Additions	106,044	108,158
Disposals	(106,771)	(105,515)
Transfers (to) / from nucleus herd, net	(715)	(358)
As at 31 December	42,259	43,701

In 2021, the Group purchased 900 new sows as part of its herd rejuvenation efforts and started reconstruction of the second stage of the pig-breeding complex, which will allow the Group to further increase its production capacity. And in October 2022, the Group put into operation a new fattening shop for 2,340 pigs.

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

FINANCIAL HIGHLIGHTS

Consolidated financial results of the Group for the years ended 31 December 2022 and 2021 were as follows:

<i>In thousands of US dollars</i>	2022	2021	Change, %
Revenue	16,202	30,746	(47)%
Gain/(loss) on biological transformation, net	4,602	5,915	(22)%
Cost of sales	(17,624)	(26,056)	(32)%
Gross profit	3,180	10,605	(70)%
Operating profit	442	8,312	(95)%
Depreciation and amortisation	1,351	1,625	(17)%
EBITDA	1,793	9,937	(82)%

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

Total revenue from crop farming for the year ended 31 December 2022 was USD 4.5 million as compared to USD 18.3 million for the year ended 31 December 2021. Net change in the fair value of crops was USD 4.6 million for the year ended 31 December 2022 and 5.9 million for the year ended 31 December 2021.

As an alternative revenue source to hedge against the unpredictability of weather conditions, the Group used its agricultural equipment and expertise to render land cultivation and similar land preparation services to other crop producers for a total amount of USD 1.3 million for the year ended 31 December 2022 as compared to USD 1.8 million for the year ended 31 December 2021.

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

PLANS FOR THE FUTURE

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

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

SUBSEQUENT EVENTS

All significant events that occurred after the end of the reporting period are described in Note 28 to the consolidated financial statements.

BUSINESS AND FINANCIAL RISKS

Credit risk

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

Credit risk concentration

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

As at 31 December 2022, the Group had 2 customers (2021: 5 customers) with aggregate receivable balances above USD 150 thousand each. The total amount of these balances as at 31 December 2022 was USD 2,698 thousand (2021: USD 3,900 thousand) or 95% (2021: 80%) of trade receivables.

Market risk

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

Interest rate risk

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

Currency risk

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by monitoring monthly rolling forecasts of the Group's cash flows. The Group seeks to maintain a stable funding base mostly through proper management of its working capital and using short-term bank and company loans (as defined in Note 17) to cover the cash gaps.

Capital Risk Management

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

<i>In thousands of US dollars</i>	31 December 2022	31 December 2021
Bank and other loans	27,735	27,591
Less: cash and cash equivalents	(271)	(637)
Net debt	27,464	26,954
Total equity	(12,458)	(4,950)
Net Debt to Equity Ratio	(2.2)	(5.4)

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

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

CORPORATE GOVERNANCE

The Board of Directors of the Company (the "Board") observes the corporate governance rules of the Warsaw Stock Exchange included in the "Code of Best Practice for WSE Listed Companies" in the form and to the extent determined by the Resolution No. 19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012. Code of Best Practice for WSE Listed Companies, in its latest version effective from 1 July 2021, is available at the official website of the Warsaw Stock Exchange.

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

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

Mr. Sergiy Kasianov, 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 modified Law of 10 August 1915 on commercial companies (hereinafter referred to as the "Company Law") govern the Company. A general meeting of the shareholders under the quorum may amend the Articles of Association from time to time and majority requirement provided for by the Company Law.

Powers of Directors

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

Rights of the shareholders

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

Transfer of shares

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

Meetings of the Board of Directors

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

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

The Board of Directors shall meet upon call by the Chairman, or any two Directors, at the place and time indicated in the notice of meeting, the person(s) convening the meeting setting the agenda. Written notice of any meeting of the Board of Directors shall be given to all Directors at least five (5) calendar days in advance of the hour set for such meeting, except in circumstances of emergency where 24 hours prior notice shall suffice. The notice shall duly set out the reason for the urgency.

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

Audit Committee

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

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

Internal Control

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

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

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

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

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

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

- provide reasonable assurance that receipts and expenditures of the Group are being made only in accordance with authorizations of management and directors of the Group;

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

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

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

Article 11 a) the structure of 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 eight million seven hundred and five thousand five hundred (8,705,500) shares, representing 57.96% of the issued share capital of the Company.
- KSG Agro S.A holds thirty-two thousand one hundred seventy-two (32,172) shares, representing 0.21% of the issued share capital of the Company.
- In free float there are six million two hundred and eighty-two thousand three hundred twenty-eight (6,282,328) shares, representing 41.83% of the issued share capital of the Company.

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

There are no special control rights.

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

There is no employee share scheme.

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

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

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

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

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

Pursuant to article 8 of the Articles, the Directors of the Company (the "Directors" or the "Board", as applicable) are to be appointed by the general meeting of the shareholders of the Company (the "General Meeting") for a period not exceeding six (6) years and until their successors are elected. Moreover, the decision to suspend or dismiss a Director must be adopted by the General Meeting with a majority of more than one-half (1/2) of all voting rights present or represented. When a legal person is appointed as Director, the legal entity must designate a permanent representative (representant permanent) in accordance with article 441-3 of the Company Law.

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

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

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

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

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

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

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

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

CORPORATE RESPONSIBILITY AND DIVERSITY

The following statement is prepared in observance of the requirements for publication of non-financial and diversity information for the year ended 31 December 2022. In preparation of this statement, where relevant, we have relied upon the Global Reporting Initiative framework and upon the Guidelines on non-financial reporting as issued by the European Commission.

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

From quarantines to bomb shelters. Our social response during wartime

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

KSG Agro continues to ship pork at the request of consumers, including into the Silpo and Varus retail chains. Deliveries are made not only in the Dnipropetrovsk region, where the share of the Group's pork market increased over the course of 2022 from 50% to 80%, but also in Zaporizhzhia and Kharkiv regions. In Zaporizhzhia region today there is a difficult humanitarian situation, including with the provision of food. Our drivers, risking their lives, make deliveries to the Silpo stores in the city of Zaporizhzhia and the Zaporizhzhia region.

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

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

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

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

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

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

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

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

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

General

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

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

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

Areas of focus

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

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

Employees

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

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

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

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

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

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

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

Support for local communities

A vital part of the Group's corporate responsibility initiatives is the program for reconstruction of heating systems in local communities of the Dnipropetrovsk region of Ukraine. Investing in biofuel boiler houses is one of the strategic priorities of the Group.

The pilot project started back in October 2016 at Novopokrovka secondary school, where a new modern boiler-house was put into operation. Currently, as a result of the modernization of five boiler houses in the Tomakivsky, Soloniansky and Apostolivsky districts of rural schools, the total heat generation at the heat supply facilities transferred by the holding for use of pellets almost doubled – from 4.25 MW to 8.35 MW. At the same time, the raw material was produced by the pellet shop in the village of Novopokrovka of Solonyansky district of Dnipropetrovsk region, financed by the Group.

The conversion of boiler-houses to biofuels can significantly save rural budgets. We are talking not only about the energy independence of the Dnipropetrovsk region, but also about the substantial saving of resources for territorial communities. Savings are up to 40% compared to natural gas and coal.

In 2022, the Group delivered three tons of humanitarian medical cargo from Germany to the Dnipro Military Hospital, the Mechnikov Dnipro Regional Clinical Hospital, Kryvyi Rih Second Clinical Hospital, as well as the hospitals in Mykolayiv. The cargo includes the most necessary medical equipment and supplies for the treatment of limb injuries of wounded Ukrainian servicemen.

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

A social store works in the Nyva Trudova village where meat is sold at almost its cost. And for several years, a program of food subsidies in the form of food packages has been operating. Many socially vulnerable families took part in the program. These are single mothers, people with disabilities and other categories. A major such category in 2022 has become the temporarily displaced families from regions that fell under Russian occupation. Special food packages, containing around 40 tonnes of stewed pork, were also delivered to the soldiers fighting on the front lines.

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

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

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

Environmental protection and animal welfare

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

Responsibilities of Environmental Safety Engineers include:

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

The Group periodically undergoes obligatory scheduled inspections by government agencies. No significant violations were reported by the agencies as a result of such inspections in 2022.

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

Respect for human rights, anti-corruption and bribery

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

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

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

Within the framework of the program are:

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

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

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

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

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

Diversity policy

The Group is committed:

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

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

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

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

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

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

All employees will be given help and encouragement to develop their full potential and utilise their unique talents. Therefore, the skills and resources of our organisation will be fully utilised and we will maximise the efficiency of our whole workforce.

Management and Board diversity

Representation of top and middle management by age and gender in 2022 was as follows:

Age group	Total top and middle management staff		Attended professional development programs or other training events in 2022 (*)	
	Men	Women	Men	Women
Less than 40	13	7	-	-
41 to 50	11	8	-	-
51 to 60	12	9	-	-
Over 60	2	2	-	-
Total	38	26	-	-

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

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

(*) Because of the war, and as agreed with employees, no training events were specifically organised in 2022.

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

Due diligence process

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

This management report for the year ended 31 December 2022 was approved for issue on 31 May 2023.



Andriy Skorokhod
Director A



Andrii Mudriievskiy
Director A

KSG Agro S.A.

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF THE REVISEUR D'ENTREPRISES AGREE
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022 and for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

The Board of Directors and management are also responsible for:

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

In accordance with Article 3 (2) (c) of the Law of Luxembourg of 11 January 2008 on the 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 2022, 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 2022 and for the year then ended were approved for issue on 31 May 2023.



Andriy Skorokhod
Director A



Andrii Mudriievskyi
Director A

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of KSG Agro S.A. (the "Group") and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for qualified opinion

As at 31 December 2022, the carrying amount of the property, plant and equipment included an amount of USD 6.4 million related to adjustments made in prior years to the deemed cost for the construction of the pig breeding farm and not allocated to any particular items of property, plant and equipment. We were unable to obtain sufficient appropriate audit evidence as to whether this accounting entry is reasonable. As a result, we were unable to determine the effect of this matter on the consolidated financial statements. Since opening balances enter into the determination of the financial performance, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of comprehensive income.

We were unable to obtain the confirmation from the custodian (warehouse) or to satisfy ourselves by any other alternative means concerning the inventory quantities of sunflower seeds amounting to USD 0.5 million. As a result, we were unable to determine whether any adjustments were necessary in respect of the carrying amount of inventories as at 31 December 2022.

Management was unable to provide appropriate supporting documentation or explanation regarding the adjustments made for one component, resulting in an increase of other gains of USD 0.3 million. As a result, we were unable to determine whether any adjustments to these items were necessary.

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

Material uncertainty related to going concern

We draw attention to Note 3 of the consolidated financial statements which describes the military conflict in Ukraine and any adverse economic, political and military developments that may adversely affect the operations, profitability and liquidity of the Group. However, these developments cannot be determined with certainty at this stage. In addition, the Group has negative equity due to the restatement of the value of biological assets and is dependent on continued external financing.

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

Our opinion is not modified in respect of these matters.

Other matter

The audit of the Group's financial statements for the financial year ended 31 December 2021 was performed by another auditor who issued an unmodified audit opinion on those consolidated financial statements on 13 October 2022.

Key Audit Matters

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

Valuation of biological assets

As at 31 December 2022, we considered the valuation of biological assets to be a key audit matter due to its significance in the statement of financial position and the required judgements and estimates needed in determining the carrying value. Biological assets amount to USD 10.7 million as at 31 December 2022. The net gain on biological transformation for the year ended on 31 December 2022 amounts to USD 4.6 million. Prior year figures have been restated to correct the value of biological assets from USD 39.4 million to USD 11.8 million as at 31 December 2021. Biological assets and information on the accounting policy and key judgements and estimates, and the related restatement of prior year consolidated financial statements, are disclosed in Notes 5, 8 and 11 of the consolidated financial statements. Given the high volume of non-financial data involved in the valuation model of biological assets, there is a risk that the data could be inaccurate or incorrectly included in the valuation model.

How our audit addressed the key audit matter

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

- Obtaining a detailed understanding and evaluating the design and implementation of the key controls that the Group has surrounding biological assets valuation.
- Using an external valuation expert to determine an independent valuation of the swines, being part of the biological assets.
- Evaluating the appropriateness of management's judgements and assumptions applied in arriving at the value of biological assets by:
 - Evaluating and challenging significant assumptions used in the valuation, through comparison to historical data, market data or any other data source as appropriate;
 - Verifying the mathematical accuracy of the valuation models and integrity of the calculations;
 - Using our internal valuation expert to assess the reasonableness of the discount rates and the market indicators.
- Reviewing the calculations made for the prior year restatement and valuation of biological assets.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” for the first year on this engagement.

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

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

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2022 with relevant requirements set out in the ESEF Regulation that are applicable to the consolidated financial statements.

For the Group, it relates to:

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


In our opinion, the consolidated financial statements of the Group as at 31 December 2022, identified as “2221005HTTH3XEY0HJ91-2022-12-31-en.zip” have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

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

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

Luxembourg, 31 May 2023

PKF Audit & Conseil Sàrl
Cabinet de révision agréé

DocuSigned by:

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Jean Medernach

<i>In thousands of US dollars</i>	Note	31 December 2022	31 December 2021 (*)	1 January 2021 (*)
ASSETS				
Non-current assets				
Property, plant and equipment	9	10636	15398	15568
Long-term biological assets	11	5779	4270	3499
Right-of-use assets	10	1053	1560	1776
Total non-current assets		17468	21228	20843
Current assets				
Current biological assets	11	4961	7578	6306
Inventories and agricultural produce	12	8508	9250	7952
Trade receivables	13	2837	3880	1890
Other financial assets		310	442	1132
Taxes recoverable		220	656	394
Prepaid assets		453	880	610
Cash and cash equivalents		271	637	108
Total current assets		17560	23323	18392
TOTAL ASSETS		35028	44551	39235
EQUITY				
Share capital	14	150	150	150
Share premium		37366	37366	37366
Treasury shares		-112	-112	-112
Retained earnings		-38681	-37134	-56363
Currency translation reserve		-11163	-5346	-1485
Equity attributable to the owners of the Company		-12440	-5076	-20444
Non-controlling interests		-18	126	1049
TOTAL EQUITY		-12458	-4950	-19395
LIABILITIES				
Non-current liabilities				
Bank and other loans	16	18167	24944	24520
Other financial liabilities		0	0	5941
Lease liabilities	10	881	1398	2498
Total non-current liabilities		19048	26342	32959
Current liabilities				
Trade payables		9123	8270	10118
Other financial liabilities	17	7817	7790	8514
Bank and other loans	16	9568	2647	2878
Advances from customers		748	2858	2796
Lease liabilities	10	1082	1142	1177
Tax liabilities		100	452	188
Total current liabilities		28438	23159	25671
TOTAL LIABILITIES		47486	49501	58630
TOTAL LIABILITIES AND EQUITY		35028	44551	39235

(*) Certain comparative amounts were restated due to changes in accounting policies and corrections of errors. Refer to Note 8 for details.

Approved for issue and signed on behalf of the Board of Directors on 31 May 2023.



Andriy Skorokhod
Director A



Andrii Mudriievskiy
Director A

<i>In thousands of US dollars</i>	Note	2022	2021 (*)
Revenue	18	16202	30746
Gain/(loss) on biological transformation, net	11	4602	5915
Cost of sales	18, 19	-17624	-26056
Gross profit		3180	10605
Selling, general and administrative expenses	20	-2738	-2293
Operating profit		442	8312
Finance expenses, net	22	-3500	-2579
Gain/(loss) on disposal of subsidiaries	7	9915	16820
Other gains and losses	21	-8538	-4842
Profit before tax		-1681	17711
Income tax expense	23	0	-5
Profit for the year		-1681	17706
Other comprehensive income/(loss), net of income tax			
Currency translation differences		-2629	-574
Total comprehensive income/(loss) for the year		-4310	17132
Profit attributable to:			
Owners of the Company		-1547	16139
Non-controlling interests		-134	1567
Profit for the year		-1681	17706
Total comprehensive income/(loss) attributable to:			
Owners of the Company		-4166	14496
Non-controlling interests		-144	2636
Total comprehensive income/(loss) for the year		-4310	17132
Earnings per share			
Weighted average number of common shares outstanding, thousand	15	15020	15020
Basic and diluted earnings per share, USD	15	-0,10	1,07

(*) Certain comparative amounts were restated due to changes in accounting policies and corrections of errors. Refer to Note 8 for details.

Approved for issue and signed on behalf of the Board of Directors on 31 May 2023.


Andriy Skorokhod
Director A


Andrii Mudriievskiy
Director A

<i>In thousands of US dollars</i>	Note	2022	2021 (*)
Cash flow from operating activities			
Profit before tax		-1681	17711
Adjustments for:			
Depreciation and amortisation	9, 10	1351	1625
(Gain)/loss on biological transformation, net	11	-4602	-5915
Finance expenses, net	22	3500	2579
Exchange differences		678	120
Impairment of inventory	12, 21	689	-2198
Impairment and write-offs of financial assets and taxes recoverable	21	7231	7313
Write-off of financial liabilities	21	-234	-706
Impairment and (gain)/loss on disposal of property, plant and equipment	21	795	8
(Gain)/loss on disposal of subsidiaries	7	-9915	-16820
Operating cash flow before working capital changes		-2188	3717
Change in trade receivables and other financial assets		-1831	-10319
Change in current biological assets		2421	4249
Change in inventories and agricultural produce		-2514	990
Change in tax assets and liabilities		23	157
Change in trade payables and other financial liabilities		4412	9222
Cash generated from operations		323	8016
Interest paid on loans and leases	16, 10	-2991	-2187
Income tax paid		0	-35
Cash generated from / (used in) operating activities		-2668	5794
Cash flow from investing activities			
Payments for acquisition of property, plant and equipment	9, 21	-875	-1243
Proceeds from disposal of property, plant and equipment	9, 21	151	0
Acquisition of long-term biological assets		0	-480
Acquisition of non-controlling interests	7	0	-2295
Disposal of subsidiaries, net of cash disposed	7	-16	0
Cash generated from / (used in) investing activities		-740	-4018
Cash flow from financing activities			
Proceeds from bank and other loans	16	4656	7388
Repayment of bank and other loans	16	-1480	-7842
Repayment of leases	10	-14	-797
Cash generated from / (used in) financing activities		3162	-1251
Net increase / (decrease) in cash and cash equivalents		-246	525
Cash and cash equivalents at 1 January		637	108
Effect of exchange rate differences on cash and cash equivalents		-120	4
Cash and cash equivalents at 31 December		271	637

(*) Certain comparative amounts were restated due to changes in accounting policies and corrections of errors. Refer to Note 8 for details.

Approved for issue and signed on behalf of the Board of Directors on 31 May 2023.



Andriy Skorokhod
Director A



Andrii Mudriievskyi
Director A

	Note	Attributable to owners of the Company					Total attributable to owners of the Company	Non- controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings			
<i>In thousands of US dollars</i>									
Balance as at 1 January 2021		150	37366	-112	-1485	-56363	-20444	1049	-19395
Profit for the year		0	0	0	0	16139	16139	1567	17706
Other comprehensive income/(loss) for the year		0	0	0	-1643	0	-1643	1069	-574
Total comprehensive income/(loss) for the year		0	0	0	-1643	16139	14496	2636	17132
Disposal of subsidiaries	7	0	0	0	-402	0	-402	0	-402
Acquisition of non- controlling interests	7	0	0	0	-1816	3080	1264	-3559	-2295
Balance as at 31 December 2021		150	37366	-112	-5346	-37134	-5076	126	-4950
Profit for the year		0	0	0	0	-1547	-1547	-134	-1681
Other comprehensive income/(loss) for the year		0	0	0	-2619	0	-2619	-10	-2629
Total comprehensive income/(loss) for the year		0	0	0	-2619	-1547	-4166	-144	-4310
Disposal of subsidiaries	7	0	0	0	-3198	0	-3198	0	-3198
Balance as at 31 December 2022		150	37366	-112	-11163	-38681	-12440	-18	-12458

(*) Certain comparative amounts were restated due to changes in accounting policies and corrections of errors. Refer to Note 8 for details.

Approved for issue and signed on behalf of the Board of Directors on 31 May 2023.



Andriy Skorokhod
Director A



Andrii Mudriievskiy
Director A

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

1. Corporate Information

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

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

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

Average number of staff employed by the Group in 2022 was 338, of which 64 were top and middle management and 274 were full-time employees (2021: 64 management and 274 employees).

2. Group Structure

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

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

Entity	Principal activity	Country of registration	Effective ownership ratio, % (ii)	
			31 December 2022	31 December 2021
KSG Agro S.A.	Holding company	Luxembourg		
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
Parisifia Trading LTD	Intermediate holding company	Cyprus	100%	100%
KSG Energy Group LTD	In liquidation	Cyprus	50%	50%
Abbondanza SA	Trade of agricultural products	Switzerland	50%	50%
KSG Agro Polska	Trade of agricultural products	Poland	100%	100%
KSG Dnipro LLC	Crop farming	Ukraine	100%	100%
Agro Golden LLC (Note 7)	Disposed	Ukraine	-	100%
SPE Promvok LLC	Pig breeding	Ukraine	100%	100%
Agro-Trade House Dniprovisky LLC	Dormant	Ukraine	100%	100%
Scorpio Agro LLC	Dormant	Ukraine	100%	100%
Hlebna Liga LLC (Note 7)	Disposed	Ukraine	-	100%
Enterprise #2 of Ukrainian Agricultural and Industrial Holding LLC	Dormant	Ukraine	100%	100%
Agroplaza LLC	Intermediate holding company	Ukraine	100%	100%
Kolosyste LLC	Dormant	Ukraine	100%	100%
Stepove LLC	Dormant	Ukraine	100%	100%
Dzhereho LLC	Dormant	Ukraine	100%	100%
Rantye LLC	Dormant	Ukraine	100%	100%
Strong-Invest LLC	Pig breeding	Ukraine	100%	100%
Modern Agricultural Investments LLC	Dormant	Ukraine	100%	100%
Ukrzernoprom - Prudy LLC (i)	Dormant	Ukraine	100%	100%
Ukrzernoprom - Uytne LLC (i)	Dormant	Ukraine	100%	100%
Ukrzernoprom - Kirovske LLC (i)	Disposed	Ukraine	-	100%
Ukrzernoprom - Yelizavetove LLC (i)	Disposed	Ukraine	-	100%

Notes to the Consolidated Financial Statements*for the year ended 31 December 2022**(All amounts in thousands of US dollars, unless otherwise stated)*

(i) Ukrzernoprom entities are located in Crimea and were not consolidated since October 2014, when the Group lost operating control over them and the carrying values of the associated investments were written down to zero. Over the course of 2022, the Group disposed of its 100% share in 'Ukrzernoprom-Kirovske LLC' and 'Ukrzernoprom-Yelizavetove LLC' for nominal consideration.

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

3. Operating Environment and Going Concern

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

KEY RISKS AND UNCERTAINTIES

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

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

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

RISKS AND UNCERTAINTIES: RUSSIA-UKRAINE WAR

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

2014-2022: Euromaidan, Annexation of Crimea, and the War in Donbas

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

By summer of 2021 the economy also mostly recovered. Overall macroeconomic stabilisation was evidenced by a rise in domestic investment, revival in household consumption, increase in agricultural and industrial production, construction activity and improved environment on external markets. Consumer price inflation has slowed down to, and was expected to remain around, 5% in future years.

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

2022: Russian Invasion

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

Facing heavy resistance from both the regular Ukrainian Armed Forces and government-supported Territorial Defence Forces (which include civilians), Russian ground troops failed to gain a significant foothold in Ukraine fast enough and, after two weeks, their ground progress has essentially stalled. For details refer to Note 27.

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

Management's Assessment of the Impact of the War

As at the date these consolidated financial statements are being issued, the War has been going on for 9 years already. But even amidst this war, Ukraine's economy and army have only been getting stronger. From 2016 and onwards, the exchange rates for the Ukraine's national currency Hryvnya have stabilised (data below is from NBU):

	2021	2020	2019	2018	2017	2016	2015	2014	2013
UAH for 1 EUR	32.3	30.8	28.9	32.1	30.1	28.3	24.2	15.7	10.6
UAH for 1 USD	27.3	27.0	25.8	27.2	26.6	25.6	21.8	11.9	7.9

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
GDP, USD billion	200	156	154	131	112	93	91	134	190
Inflation, %	9.4	2.7	7.8	10.9	14.4	13.9	48.6	12.1	(0.2)

All of the Group's major problems in the past 9 years were the result of the ongoing war, but despite the difficulties, the Group still managed to overcome the odds and continues to do so.

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

in USD million	2021	2020	2019	2018	2017	2016	2015	2014	2013
Non-current portion	24.9	24.5	17.5	20.5	22.5	20.9	17.5	11.1	43.6
Current portion	2.7	2.9	11.8	23.8	24.7	24.4	28.9	55.6	59.8
Total bank and other loans	27.6	27.4	29.3	44.3	47.2	45.3	46.4	66.7	103.4

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

in USD million	2021	2020	2019	2018	2017	2016	2015	2014	2013
Current Assets	23.3	18.4	20.4	22.4	17.5	13.9	20.3	20.6	88.0
Current Liabilities	(23.1)	(25.6)	(43.9)	(49.1)	(42.1)	(41.8)	(53.5)	(82.2)	(112.8)
Working Capital	0.2	(7.2)	(23.5)	(26.7)	(24.6)	(27.9)	(33.2)	(61.6)	(24.8)

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

in USD million	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue	30.7	21.3	23.9	28.3	23.2	20.9	19.3	26.3	58.0
EBITDA	9.9	6.0	9.3	2.9	8.3	11.3	16.4	6.8	2.0

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

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

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

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

During 2022, the Group had successfully completed its sowing and harvesting campaigns, and does not expect significant interruptions to its production cycle in the near future. As at the date these consolidated financial statements are being issued, the Group's spring sowing campaign of 2023 has also started.

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

RISKS AND UNCERTAINTIES: LONG-TERM FINANCING AND CASH GAPS

The Group had very low liquidity indicators in the past which, to a considerable extent, were a result of unpaid and overdue loans. By August 2020, those loans had been fully settled and the new loans attracted from TASCOMBANK now have a reasonable repayment schedule. Refer to Table 1 above which shows the gradual reduction in both, the overall balance of loans and their short-term portion.

In December 2022, the Group negotiated new credit terms with TASCOMBANK which better reflect the Group's financing needs during wartime (Note 16). The new terms are effective from the first quarter of 2023.

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

Under the new terms, the bulk of the loan principal will be due in December 2025. While under the previous terms, a total of USD 9,568 thousand was already due by the end of 2023.

In the first quarter of 2023, the Group repaid a total of 7,077 thousand of its existing TASCOMBANK loans and received new tranches in the total amount of USD 6,033 thousand, which would take advantage of the new terms (Note 28).

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

DEVELOPMENT STRATEGY: CONTINUING FOCUS ON CROP FARMING AND PIG BREEDING

The Group continues to implement its simple strategy of focusing on three winter crops, two summer crops and pigs of a single breed. The Group's products, being basic food products, are always in demand, and remained in especially high demand in 2022 and 2023, during war time.

Crop Farming

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

The weather in 2022 was not as graceful to agricultural producers as last year, but the yields on crops were no less than budgeted. Both the sowing and the harvesting campaigns were carried out as planned, without major interruptions. This was achieved by forming sufficient strategic reserves of seeds, fertilisers and fuel during March and April, and even earlier.

In March 2022, the Group also secured additional financing from TASCOMBANK, the Group's main lender, to prepay key production costs (fertiliser, fuel, feed components, and salaries) ahead of their anticipated price increases, as well as to fund the wartime reserve of key production supplies.

Pig Breeding

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

Marketable Pigs, in units	2022	2021
As at 1 January	43,701	41,416
Additions	106,044	108,158
Disposals	(106,771)	(105,515)
Transfers (to) / from nucleus herd, net	(715)	(358)
As at 31 December	42,259	43,701

In 2021, the Group purchased 900 new sows as part of its herd rejuvenation efforts and started reconstruction of the second stage of the pig-breeding complex, which will allow the Group to further increase its production capacity. And in October 2022, the Group put into operation a new fattening shop for 2,340 pigs.

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

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

DEVELOPMENT STRATEGY: IMPROVING KEY FINANCIAL RATIOS

The Group had very low liquidity indicators in the past which, to a considerable extent, were a result of unpaid and overdue loans. As discussed above, by August 2020, those loans had been fully settled and the new loans attracted from TASCOMBANK now have a reasonable repayment schedule.

Since September 2020, management have focused their efforts on further improving the Group's key financial ratios, specifically its negative net current assets. This goal was achieved by April of 2021, primarily through disposal of several subsidiaries.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

Improvements in the Group's net current assets (i.e. working capital) over the years are presented in Table 2 above. The adjusted working capital in 2022 as compared to 2021 was as follows:

in USD million	31 December 2022	31 December 2021
Current Assets minus Current Liabilities	(10.9)	0.2
less: Other financial assets	(0.3)	(0.4)
less: Other financial liabilities	7.8	7.8
less: refinanced loans (i)	6.0	-
Adjusted Working Capital	2.6	7.6

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

(i) As discussed above, in December 2022, the Group negotiated new credit terms with TASCOMBANK, effective from the first quarter of 2023. While under the previous terms, a total of USD 9.5 million of loans was already maturing by the end of 2023, under the new terms, the bulk of the loan principal will instead be due in December 2025. Because during the first quarter of 2023, the Group already refinanced a total of USD 6.0 million as long-term loans, management excludes them from their calculation of adjusted working capital for 2022.

Shareholders' Equity

The Group changed its approach to determining the fair value of productive swines (i.e. sows, which are the main component of the Group's long-term biological assets) as at 31 December 2022 and 2021. And the results of the prior-year valuation were revised due to an error in how the previous methodology was applied. The adjusted fair value should more consistently resemble the market value of sows with similar characteristics (such as weight, age and breed).

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

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

Management has also negotiated an extension on repayment of the loan from OLBIS Investments S.A., including all interest, in the total amount of USD 15.5 million, until 2036. OLBIS Investments S.A., which is owned and controlled by the Group's UBO, additionally confirmed it is open to extend this date even further, if it would be required to support future liquidity and solvency of the Group.

Based on management's five-year financial projections, the Group is expected to generate sufficient future profits to ensure the increase of total equity to a positive value in the long-term. Additionally, when Russia's war in Ukraine eventually ends and the economy starts to recover, the fair value of the Group's assets is also expected to naturally increase. Until then, the Group is dependent on continued external financing.

IN CONCLUSION

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

4. Adoption of New or Revised Standards and Interpretations

Accounting policies, amendments and interpretations endorsed by the European Union applicable from 1 January 2022 with effects on the Group Consolidated financial statements as at 31 December 2022.

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 2022:

- Amendment to IFRS 3 "Business Combinations for the purpose of updating the reference in IFRS 3 to the revised version of the Conceptual Framework, with no material changes to the accounting standard;
- Amendments to IAS 16 Property, Plant and Equipment, to prohibit the deduction from the cost of an item of property, plant and equipment any proceeds from the sale of items produced during the asset's testing phase. Such proceeds and the related costs will instead be recognized in profit or loss;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, to clarify that all costs relating directly to a contract must be considered when determining whether the contract is onerous. Therefore, an entity should consider both incremental costs (e.g. materials) as well as any costs it cannot avoid because it is a party to the contract (e.g. the depreciation of machinery used to fulfill the contract);
- Annual Improvements 2018-2021: the improvements concern IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and the Illustrative Examples of IFRS 16 Leases.

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. Management have also reviewed the amendments to IFRS Standards and Interpretations that would be effective in future periods and concluded that adoption of those amendments in future periods is not expected to have a material effect on the disclosures or on the amounts reported in the Group's consolidated financial statements of future periods.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union.

- In January 2021, the IASB published "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". These clarifying amendments will come into force on 1 January 2023;
- In May 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. They will be applicable as of 1 January 2023;
- In February 2022, the IASB published two amendments: "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The amendments improve the disclosure of accounting policies in order to provide more useful information to investors and to other primary users of financial statements, and help companies distinguish changes in accounting estimates from changes in accounting policies. They will be applicable as of 1 January 2023.

The standards listed herein are not applicable since they have not yet been endorsed by the European Union, which, during the endorsement process, may adopt only partially these standards or not adopt them at all.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

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.

Certain comparative amounts in these consolidated financial statements were restated due to changes in accounting policies and corrections of errors. Refer to Note 8 for details.

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

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.

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

(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.

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

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative 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.

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(ii) As a lessor

The Group did not act as a lessor in 2021 and 2022, but when it does, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

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

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

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

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

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell at each subsequent reporting date is 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 as 'land cultivation and harvesting' until the seeds are planted, at which point the accumulated costs are reclassified as production costs of the related biological assets and remeasured at fair value.

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

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

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.

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 as 'land cultivation and harvesting' until the seeds are planted, at which point the accumulated costs are reclassified as production costs of the related biological assets and remeasured at fair value. The cost of work in progress comprises fuel and other raw materials, direct labour, depreciation and amortization, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

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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.

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

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

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

VAT related to sales and purchases is 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 'Income from government grants' when significant.

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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.

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'.

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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 is 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.

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.

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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 material foreign currency balances were:

	USD/UAH	EUR/UAH
As at 31 December 2022	36.5686	38.9510
Average for the year ended 31 December 2022	32.3684	33.9954
As at 31 December 2021	27.2782	30.9226
Average for the year ended 31 December 2021	27.2835	32.3009
As at the date these financial statements are being issued	36.5686	39.3167

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.

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6. Critical Accounting Estimates and Judgements

Management make estimates and assumptions that affect the amounts recognised in the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also make certain judgements, apart from those involving estimations, in the process of applying the Group's accounting policies.

As disclosed in Note 27, the Russian Invasion of Ukraine had started in late February 2022 and is ongoing as at the date these consolidated financial statements are being issued. Because the Group's key assets and operations are in Ukraine, a number of the Group's estimates, assumptions and judgments used to compile these consolidated financial statements might be significantly affected by these events. Furthermore, some assumptions involve varying degrees of uncertainty and would even be impossible to formulate at this time; especially those relating to the outcome of the Russian Invasion.

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

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

Significant judgments and estimates	How they are determined, obtained, projected	Unfavourably affected by war events?	Updated in these financial statements?
Useful lives of property, plant and equipment	management expertise, based on historical patterns	No. No fighting occurred in close vicinity to the Group's assets	
Allowance for lifetime expected credit losses	measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive)	No. The Group does not have customers in Russia. Credit risk is concentrated in a few local customers in the Dnipropetrovsk region of Ukraine. No decrease in collectability in 2022, which makes it less likely to decrease in the future	
Fair value of agricultural produce (fair value less costs to sell at the date of harvest)	with reference to market prices for grains and meat, which are obtained from external sources (commodity exchanges, independent industry statistics, state purchase prices)	Yes	Yes
Fair value of crops			
expected crop yield on harvest	based on historical patterns	Not affected. As evidenced by the results of the current year's harvest	
market prices for grains	from external sources (commodity exchanges, independent industry statistics, state purchase prices)	Yes	Yes
cultivation, harvesting and other production costs, including land lease costs	based on historical information and adjusted, where necessary, to conform with new material requirements and production techniques currently in use	Yes. Most production costs were anticipated to increase	No. The Group prepaid key production costs ahead of their anticipated price increases (Note 16)
time of harvest	based on historical patterns	Not affected	
discount rate	weighted average cost of capital based on the Group's risk profile	Yes	Yes

Fair value of sows

The Group changed its approach to determining the fair value of sows. And the results of the prior-year valuation were revised due to an error in how the previous methodology was applied (Note 8). Because the income approach to valuation relies on a significant number of assumptions (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 forecast of which, in the context of ongoing hostilities, is associated with significant risks of uncertainty (reflected in the discount rate); sows were additionally valued using the market approach, with reference to local market prices for sows of similar characteristics (such as weight, age and breed).

Both approaches produced comparable estimates of fair value, however, because the inputs used in the market approach are categorised within Level 2 of the fair value hierarchy, and the inputs used in the income approach are in Level 3, the estimate produced by the market approach was selected as the final value of sows.

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7. Business Acquisitions and Disposals**Disposals in 2021.** Effect of disposals for the year ended 31 December 2021 was as follows:

	Souz-3 LLC	Agrofirm Vesna LLC	Trade House UAIH LLC	KSG Trade House LTD	Askoninteks LLC	TOTAL
Effective ownership ratio, %	100%	100%	100%	100%	100%	
Property, plant and equipment	512	71	224	-	-	807
Current biological assets	517	-	-	-	-	517
Inventories and agricultural produce	201	-	-	-	-	201
Trade receivables	29	-	415	-	-	444
Other financial assets	143	616	450	-	-	1,209
Taxes recoverable	51	-	-	-	-	51
Prepaid assets	-	-	257	-	-	257
Liabilities to Group subsidiaries, net	(1,252)	-	(7,000)	-	-	(8,252)
Trade payables	(476)	-	(194)	-	-	(670)
Other financial liabilities	(7,785)	(1,766)	(972)	(410)	-	(10,933)
Tax liabilities	(49)	-	-	-	-	(49)
Cash and cash equivalents	-	-	-	-	-	-
Net liabilities disposed	(8,109)	(1,079)	(6,820)	(410)	-	(16,418)
Currency translation reserve realised	314	(958)	(1,448)	1,270	420	(402)
Cash consideration received	-	-	-	-	-	-
Gain on disposal of subsidiaries	(7,795)	(2,037)	(8,268)	860	420	(16,820)
Cash consideration received	-	-	-	-	-	-
Net cash disposed with the subsidiary	-	-	-	-	-	-
Net cash flow on disposal	-	-	-	-	-	-

With effect as from 30 April 2021, the Group disposed of its subsidiaries Souz-3 LLC, Agrofirm Vesna LLC, Trade House of the Ukrainian Agroindustrial Holding LLC ("Trade House UAIH LLC").

Because the three disposed subsidiaries had negative equity and substantial liabilities, their disposal helped the Group considerably improve its liquidity and other key financial indicators, thereby achieving one of its top strategic priorities for 2021.

In September 2021, the Group disposed of its subsidiaries KSG Trade House LTD and Askoninteks LLC.

Agrofirm Vesna LLC, Trade House UAIH LLC, KSG Trade House LTD, Askoninteks LLC were all dormant entities.

Acquisitions in 2021.

On 28 December 2021, the Group acquired from minority investors their 50% of shares in Parisifia Trading LTD for the total price of USD 2,295 thousand, thereby increasing the Group's share in Parisifia Trading LTD, and, proportionately, the effective ownership ratio in all of the Group subsidiaries controlled through Parisifia Trading LTD (together referred to as "Parisifia LTD Group"), to 100%.

Because the Group had control over Parisifia Trading LTD both prior to and following the acquisition, this acquisition is accounted for as an equity transaction with owners.

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*(All amounts in thousands of US dollars, unless otherwise stated)***Disposals in 2022.** Effect of disposals for the year ended 31 December 2022 was as follows:

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

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

In December 2022, the Group disposed of yet another dormant subsidiary Hlebna Liga LLC.

Over the course of 2022, the Group also disposed of its 100% share in 'Ukrzernoprom-Kirovske LLC' and 'Ukrzernoprom-Yelizavetove LLC' (see Note 2). Because Ukrzernoprom entities were de-consolidated since October 2014, the effect of their disposal was already reflected in the consolidated financial statements of the year 2014, and is, therefore, not presented in the table above.

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for the year ended 31 December 2022

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

8. Restatement Due to Change of Accounting Policy and Correction of Prior Period Errors

Certain comparative amounts in these consolidated financial statements were restated due to changes in accounting policies and corrections of errors.

The effect of restatements on the consolidated statement of financial position as at 31 December 2021 is as follows:

	As originally presented	Restatement	As restated
Long-term biological assets (i)	29,688	(25,418)	4,270
Right-of-use assets (iii)	460	1,100	1,560
Total non-current assets	45,546	(24,318)	21,228
Current biological assets (ii)	9,670	(2,092)	7,578
Taxes recoverable (iii)	1,136	(480)	656
Total current assets	25,895	(2,572)	23,323
Total assets	71,441	(26,890)	44,551
Retained earnings	(9,149)	(27,985)	(37,134)
Currency translation reserve	(5,341)	(5)	(5,346)
Equity attributable to owners of the Company	22,914	(27,990)	(5,076)
Non-controlling interests	126	-	126
Total equity	23,040	(27,990)	(4,950)
Lease liabilities (iii)	798	600	1,398
Total non-current liabilities	25,742	600	26,342
Lease liabilities (iii)	642	500	1,142
Total current liabilities	22,659	500	23,159
Total liabilities	48,401	1,100	49,501
Total liabilities and equity	71,441	(26,890)	44,551

The effect of restatements on the consolidated statement of financial position as at 1 January 2021 is as follows:

	As originally presented	Restatement	As restated
Long-term biological assets (i)	27,816	(24,317)	3,499
Right-of-use assets (iii)	716	1,060	1,776
Total non-current assets	44,100	(23,257)	20,843
Taxes recoverable (iii)	854	(460)	394
Total current assets	18,852	(460)	18,392
Total assets	62,952	(23,717)	39,235
Retained earnings	(43,156)	(13,207)	(56,363)
Currency translation reserve	(2,074)	589	(1,485)
Equity attributable to owners of the Company	(7,826)	(12,618)	(20,444)
Non-controlling interests	13,208	(12,159)	1,049
Total equity	5,382	(24,777)	(19,395)
Lease liabilities (iii)	1,918	580	2,498
Total non-current liabilities	32,379	580	32,959
Lease liabilities (iii)	697	480	1,177
Total current liabilities	25,191	480	25,671
Total liabilities	57,570	1,060	58,630
Total liabilities and equity	62,952	(23,717)	39,235

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The effect of restatements on the consolidated profit for the year ended 31 December 2021 is as follows:

	As originally presented	Restatement	As restated
Gain/(loss) on biological transformation, net (i) (ii)	7,316	(1,401)	5,915
Cost of sales (ii)	(25,116)	(940)	(26,056)
Gross profit	12,946	(2,341)	10,605
Operating profit	10,653	(2,341)	8,312
Other gains and losses	(4,839)	(3)	(4,842)
Profit before tax	20,055	(2,344)	17,711
Profit for the year	20,050	(2,344)	17,706

The restatement resulted in a decrease in the Group's basic and diluted earnings per share for the year ended 31 December 2021 from USD 1.15 per share to USD 1.07 per share.

The restatement did not have any impact on the Group's total operating, investing or financing cash flows for the year ended 31 December 2021.

(i) The Group changed its approach to determining the fair value of sows. The results of the prior-year valuation were revised due to an error in how the previous methodology was applied. Specifically, when discounting future cash flows, the Group did not correctly account for the remaining productive lives of sows and for cash flows from their disposal at the end of productive life. The adjusted fair value model should more consistently resemble the market value of sows with similar characteristics (such as weight, age and breed) going forward.

(ii) The Group corrected an error in how it previously classified crops in the field. When the Group renders land cultivation and harvesting services to other crop producers, it often purchases either part of the resulting harvest, or rights to the work in progress on those fields. The Group only classifies such work-in-progress as biological assets, if the rights to the work-in-progress were acquired by the Group prior to the reporting date. Otherwise, the costs of land cultivation and harvesting services are recognised in profit or loss for the year ended 31 December 2021.

(iii) The Group discovered an error in its calculation of right-of-use assets and lease liabilities on their initial recognition. The Group also discovered an error in initial recognition of certain taxes recoverable. Because both these errors relate to prior periods, they do not have an effect on profit or loss for the year ended 31 December 2021.

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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
As at 1 January 2021					
Cost	16,823	4,734	694	1,030	23,281
Accumulated depreciation	(5,026)	(2,284)	(403)	-	(7,013)
Carrying amount as at 1 January 2021	11,797	2,450	291	1,030	15,568
Additions	-	148	183	1,011	1,342
Disposals	-	(14)	-	-	(14)
Disposal of subsidiaries (Note 7)	(389)	(408)	(10)	-	(807)
Transfers	226	66	8	(300)	-
Depreciation charge	(1,019)	(168)	(75)	-	(1,262)
Translation differences	433	92	9	37	571
Carrying amount as at 31 December 2021	11,048	2,166	406	1,778	15,398
As at 31 December 2021					
Cost	16,659	3,945	870	1,778	23,252
Accumulated depreciation	(5,611)	(1,779)	(464)	-	(7,854)
Carrying amount as at 31 December 2021	11,048	2,166	406	1,778	15,398
Additions	39	776	34	267	1,116
Disposals	-	(40)	(41)	-	(81)
Transfers	390	83	9	(482)	-
Depreciation charge	(787)	(300)	(47)	-	(1,134)
Impairment charge	-	-	-	(865)	(865)
Translation differences	(2,845)	(529)	(97)	(327)	(3,798)
Carrying amount as at 31 December 2022	7,845	2,156	264	371	10,636
As at 31 December 2022					
Cost	12,806	3,641	578	371	17,396
Accumulated depreciation	(4,961)	(1,485)	(314)	-	(6,760)
Carrying amount as at 31 December 2022	7,845	2,156	264	371	10,636

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

No borrowing costs were capitalised during 2021 and 2022.

Management tested the Group's most material cash-generating units, Crop Farming and Pig Breeding, for impairment as at 31 December 2022. The tests were based on discounted cash-flow projections for the next five years. The discount rates used for both cash-generating units were 30.75% in the forecasting period and 23.57% in the terminal period.

Results of these impairment tests indicated that the Group's assets are not carried above their recoverable amount and management did not recognise any impairment for the year ended 31 December 2022, except for specific impairment of certain items of construction in progress, in the total amount of USD 865 thousand, for which management does not have a clear plan of putting them into operation in the near future.

The Group did not have any contingent liabilities for acquisition of property, plant and equipment as at 31 December 2022 and 2021.

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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 purchase of agricultural land plots by legal entities. 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:

	2022	2021
Cost	2,768	2,615
Accumulated amortisation	(1,208)	(839)
Right-of-use assets as at 1 January	1,560	1,776
Recognition of lease liability	121	70
Amortisation charge	(217)	(363)
Translation differences	(411)	77
Right-of-use assets as at 31 December	1,053	1,560
Cost	2,147	2,768
Accumulated amortisation	(1,094)	(1,208)
Right-of-use assets as at 31 December	1,053	1,560

Changes in lease liabilities were as follows:

	2022	2021
Lease liabilities as at 1 January	2,540	3,675
Recognition of lease liability	121	70
Interest accrued (Note 22)	333	445
Leases repaid	(14)	(797)
Interest paid	(333)	(445)
Write-off of lease liability (Note 21)	-	(525)
Translation differences	(684)	117
Lease liabilities as at 31 December	1,963	2,540

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

	2022		2021	
	Future lease payments	Present value	Future lease payments	Present value
Within one year	1,282	1,082	1,423	1,142
Within two to five years	1,107	636	1,825	1,080
After five years	492	245	514	318
less: future interest expenses	(918)	-	(1,222)	-
Total lease liabilities	1,963	1,963	2,540	2,540

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11. Biological Assets

	31 December 2022		31 December 2021	
	Units	Amount	Units	Amount
Non-current biological assets (swines)				
Sows and gilts	5,937	5,729	5,560	4,238
Boars	42	50	38	32
Total non-current biological assets		5,779		4,270
Current biological assets (swines)				
Pigs and piglets	42,259	3,977	43,701	3,960
Current biological assets (crops)				
	Hectares	Amount	Hectares	Amount
Wheat	1,440	300	2,511	1,789
Barley	662	43	855	952
Rapeseed	1,730	239	423	614
Other		402		263
Total current biological assets		4,961		7,578
Total biological assets		10,740		11,848

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

In 2021, the Group started the project to gradually renew its sow population to increase the birth rate of piglets. For this purpose, the Group is working with Genesus, a Canadian genetics company. During the year ended 31 December 2021, the Group purchased 900 sows from Genesus.

Changes in biological assets were as follows:

	Crops	Swines	Total
Carrying amount as at 1 January 2021	4,402	5,403	9,805
Purchases	-	403	403
Production costs (i)	12,981	13,211	26,192
Gain/(loss) on biological transformation, net (ii)	6,320	(405)	5,915
Farrow	-	156	156
Harvest (iii)	(19,699)	(267)	(19,966)
Sales	-	(10,583)	(10,583)
Disposal of subsidiaries (Note 7)	(517)	-	(517)
Translation differences	131	312	443
Carrying amount as at 31 December 2021	3,618	8,230	11,848
Purchases	-	45	45
Production costs (i)	4,100	11,344	15,444
Gain/(loss) on biological transformation, net (ii)	(880)	5,482	4,602
Farrow	-	129	129
Harvest (iii)	(5,158)	(399)	(5,557)
Sales	-	(12,482)	(12,482)
Translation differences	(696)	(2,593)	(3,289)
Carrying amount as at 31 December 2022	984	9,756	10,740

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(i) Costs incurred during the year ended 31 December 2021 on production of crops and swines were as follows:

	Crops	Swines	Total
Seeds, fertilisers, crop protection products	6,503	-	6,503
Fodder, medication	-	10,758	10,758
Land cultivation and harvesting	5,196	-	5,196
Utilities and veterinary services	-	1,221	1,221
Staff costs	453	444	897
Depreciation of property, plant and equipment	466	788	1,254
Amortisation of land lease rights	363	-	363
Total production costs	12,981	13,211	26,192

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

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

(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.

	2022	2021
Crops in the field	53	2,779
Agricultural produce	(933)	3,541
Sows	3,991	169
Pigs and piglets	1,491	(574)
Total gain on biological transformation, net	4,602	5,915

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

	2022 in tonnes	2021 in tonnes
Wheat	7,943	22,054
Barley	1,898	5,577
Rapeseed	983	760
Sunflower	8,933	11,955
Corn	2,456	6,335
Total harvest, tonnes	22,213	46,681

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Unobservable inputs used to estimate fair value of biological assets and the respective valuation techniques applied as at 31 December 2022 were as follows:

Description	Fair value as at 31 December 2022	Valuation technique	Unobservable inputs	Range of unobservable inputs
Winter wheat	300	Discounted cash flows	Yield, tonnes per hectare	3.3
			Price, USD per tonne	154
			Discount rate	36.50%
Winter barley	43	Discounted cash flows	Yield, tonnes per hectare	3.0
			Price, USD per tonne	139
			Discount rate	36.50%
Winter rapeseed	239	Discounted cash flows	Yield, tonnes per hectare	2.0
			Price, USD per tonne	371
			Discount rate	36.50%
Sows	5,729	Market price	Price, USD per head	1,100
Pigs and piglets	3,977	Market Price	Price, USD per tonne	1,580 and 4,240

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	396
10 % decrease in price for meat	(396)
10 % increase in prices for crops	241
10 % decrease in prices for crops	(241)
10 % increase in yield for crops	773
10 % decrease in yield for crops	(773)
10 % increase in production costs until harvest	5,219
10 % decrease in production costs until harvest	(5,219)
5 pp increase in discount rate for crops	(156)
5 pp decrease in discount rate for crops	168

12. Inventories and Agricultural Produce

	31 December 2022	31 December 2021
Agricultural produce	4,436	4,603
Land cultivation and harvesting (i)	285	988
Seeds, fertilisers, crop protection products	1,656	2,688
Construction materials	183	141
Fodder (raw materials)	744	145
Fodder (processed)	345	201
Fuel	689	344
Other materials	170	140
Total inventories and agricultural produce	8,508	9,250

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. For inventories as at 31 December 2022, a write-down to their net realisable value was recognised in the total amount of USD 689 thousand (2021: a reversal of a previous write-down for USD 2,198 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.

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13. Trade Receivables

	31 December 2022	31 December 2021
Receivables from customers	3,676	4,875
Less: impairment	(839)	(995)
Total trade receivables	2,837	3,880

Changes in impairment of trade receivables were as follows:

	2022	2021
Carrying amount as at 1 January	995	5,592
Impairment charge	437	357
Impairment write-off	(328)	(5,157)
Translation differences	(265)	203
Carrying amount as at 31 December	839	995

Credit risk profile of trade receivables was as follows:

	Expected credit loss rate, %	31 December 2022	31 December 2021
Not past due		-	-
Less than 90 days past due	3%	1,848	3,538
91 to 180 days past due	16%	1,247	890
Over 180 days past due	100%	581	447
Total trade receivables, gross		3,676	4,875
Less: impairment		(839)	(995)
Total trade receivables		2,837	3,880

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

Trade receivables include a net amount of USD 1,599 thousand due from related parties, net of impairment of USD 191 thousand (2021: USD 1,861 thousand, net of impairment of USD 194 thousand). Balances with related parties are disclosed in Note 24.

Maximum exposure to credit risk at the reporting date is equal to the fair value of trade receivables. The fair value of trade receivables as at 31 December 2022 and 2021 approximates their carrying amount as at these dates.

14. Share Capital

As of 31 December 2022 and 2021, 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.

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15. Earnings Per Share

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

	2022	2021
Profit for the year attributable to owners of the Company, USD thousand	(1,547)	16,139
Weighted average number of common shares outstanding, thousand	15,020	15,020
Basic and diluted earnings per share, USD	(0.10)	1.07

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

16. Bank and Other Loans

	31 December 2022	31 December 2021
Bank loans	11,978	11,878
Loan from Parent	10,714	11,059
Interest payable	5,043	4,654
Total bank and other loans	27,735	27,591

As at 31 December 2022 and 2021, the Group's bank loans were represented by the long-term credit line with TASCOMBANK.

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

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

Under the new terms, the bulk of the loan principal will be due in December 2025. While under the previous terms, a total of USD 9,568 thousand was already due by the end of 2023.

During the first quarter of 2023, the Group repaid a total of 7,077 thousand of its existing TASCOMBANK loans and received new tranches in the total amount of USD 6,033 thousand, which would take advantage of the new terms (see Note 28).

As at 31 December 2022, bank loans were secured by collateral in the form of property, plant and equipment pledged by the Group with a total net book value of USD 6,746 thousand (2021: USD 9,505 thousand) and real estate pledged by related parties.

As at 31 December 2022, the ultimate controlling party and other related parties each pledged real estate of estimated value, according to the pledge agreement, of, respectively, USD 4,803 thousand and USD 9,501 thousand, as collateral for the Group's bank loans in the amount of USD 12,246 thousand (2021: respectively, USD 5,511 thousand and USD 8,647 thousand for the Group's bank loans in the amount of USD 12,037 thousand).

Loan from Parent, OLBIS Investments LTD S.A., becomes due in December 2026, together with all interest accrued up to that date. Interest rate on the loan is 3% per annum and interest accrued as at 31 December 2022 was USD 4,775 thousand (2021: USD 4,495 thousand). At the date these consolidated financial statements are being issued, OLBIS Investments LTD S.A. agreed to extend the maturity date past 2026, but such extension hasn't been formalised as of this date.

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

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Bank and other loans were denominated in the following currencies:

	31 December 2022	31 December 2021
US Dollar (USD)	15,489	15,554
Ukrainian Hryvnia (UAH)	12,246	12,037
Total bank and other loans	27,735	27,591

Changes in bank and other loans were as follows:

	2022	2021
Carrying amount as at 1 January	27,591	27,398
Loans received (i)	4,656	7,388
Loans repaid	(1,480)	(7,842)
Interest accrued (Note 22)	3,176	2,117
Interest paid	(2,726)	(1,742)
Translation differences	(3,482)	272
Carrying amount as at 31 December (ii)	27,735	27,591

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

(ii) Based on management's assessment, fair value of the Group's bank and other loans as at 31 December 2022 amounted to USD 28,326 thousand while the carrying amount was USD 27,735 thousand (2021: USD 28,374 thousand while the carrying amount was USD 27,591 thousand).

Compliance with financial covenants

The fair value of the Group's biological assets significantly decreased following a prior-year restatement (Note 8), and resulted in a negative total equity as at 31 December 2022. The Group also earned a net loss for the year ended 31 December 2022.

Because maintaining a positive total equity and a profit were financial covenants under the Group's loans with TASCOMBANK, this also resulted in the breach of these covenants by the Group, giving the bank the right to impose sanctions – specifically, to demand immediate repayment of all loans and to impose fines. The carrying amount of these loans from TASCOMBANK as at 31 December 2022 is USD 12,246 thousand.

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

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*(All amounts in thousands of US dollars, unless otherwise stated)***17. Other Financial Liabilities**

	31 December 2022	31 December 2021
Other payables	3,507	3,944
Short-term promissory notes issued (i)	1,918	1,999
Company loans received	2,106	1,619
Wages and salaries payable	286	228
Total other financial liabilities	7,817	7,790

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

Balances with related parties are disclosed in Note 24.

The fair value of other financial liabilities as at 31 December 2022 and 2021 approximates their carrying amount as at these dates.

(i) In December 2021, the Group had reached a settlement agreement with one of its noteholders and made the first payment of EUR 265 thousand. The Group was to make the second payment of EUR 265 thousand by July 2022 to settle this debt at a discount, but had to postpone the second payment due to the Russian Invasion. As at 31 December 2022, the outstanding balance on these notes is USD 1,539 thousand.

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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.

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

Seasonality of operations

Both winter and summer crops are harvested in the second half of the year, so segment results for Crop Farming in the first half of the year mainly reflect the sales of crops in stock from last season and revaluation of crops still growing in the field. Also, crop farming has seasonal requirements for working capital increase during November-May, to finance land cultivation work. Other segments are not significantly exposed to seasonal fluctuations.

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

	2022	2021
Ukraine	15,512	30,609
Slovakia	474	-
Poland	216	-
Libya	-	137
Total revenue	16,202	30,746

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

	Note	Crop Farming	Pig Breeding	Other	Total
Revenue, including:					
- total sales of goods		6,278	11,308	396	17,982
- less: inter-segment sales of goods		(3,096)	-	(22)	(3,118)
- rendering of services		1,338	-	-	1,338
Revenue from external customers		4,520	11,308	374	16,202
Gain/(loss) on biological transformation, net	11	(880)	5,482	-	4,602
Cost of sales, including:					
- incurred costs		(1,251)	(9,000)	(265)	(10,516)
- fair value effects		(2,942)	(4,166)	-	(7,108)
Cost of sales		(4,193)	(13,166)	(265)	(17,624)
Segment profit		(553)	3,624	109	3,180
Other segment information:					
Depreciation of property, plant and equipment		394	719	21	1,134
Amortisation of right-of-use assets		217	-	-	217
Capital expenditure		692	424	-	1,116

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

Information about operating segments for the year ended 31 December 2021 is as follows:

	Note	Crop Farming	Pig Breeding	Other	Total
Revenue, including:					
- sales of goods		18,190	11,240	689	30,119
- less: inter-segment sales of goods		(1,750)	-	-	(1,750)
- rendering of services		1,845	-	532	2,377
Revenue from external customers		18,285	11,240	1,221	30,746
Gain/(loss) on biological transformation, net	11	6,320	(405)	-	5,915
Cost of sales, including:					
- incurred costs		(12,257)	(10,120)	(331)	(22,708)
- fair value effects		(5,348)	2,000	-	(3,348)
Cost of sales		(17,605)	(8,120)	(331)	(26,056)
Segment profit		7,000	2,715	890	10,605
Other segment information:					
Depreciation of property, plant and equipment		439	798	25	1,262
Amortisation of right-of-use assets		363	-	-	363
Capital expenditure		944	398	-	1,342

19. Cost of Sales

Cost of sales by nature of expenses was as follows:

	2022	2021
Fodder, medication	2,939	8,488
Seeds, fertilisers, crop protection products	1,995	4,601
Goods for resale	-	2,066
Fuel and other materials	1,031	1,876
Depreciation of property, plant and equipment	1,113	1,237
Land cultivation and harvesting	637	1,206
Utilities and veterinary services	1,020	1,027
Staff costs	762	969
Maintenance of equipment	410	558
Amortisation of land lease rights	217	363
Slaughter and processing services	240	200
Taxes, other than income tax	152	117
Fair value effects	7,108	3,348
Total cost of sales	17,624	26,056

20. Selling, General and Administrative Expenses

	2022	2021
Delivery costs	701	390
Professional services (i)	472	393
Staff costs	437	763
Office maintenance costs	433	308
Storage costs	333	228
Short-term lease of vehicles	281	-
Fuel and other materials	30	61
Bank services	14	48
Business trips	11	31
Taxes, other than income tax	5	46
Depreciation of property, plant and equipment	21	25
Total selling, general and administrative expenses	2,738	2,293

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

Fees accrued for the year 2021 with respect to auditors C-Clerc comprise USD 73 thousand for the Luxembourg statutory and group audit and USD nil for other services. Fees accrued for the year 2021 with respect to other auditors comprise USD 60 thousand for the statutory audits in Cyprus and Ukraine and USD nil for other services.

21. Other Gains and Losses

	2022	2021
Disposal of property, plant and equipment	70	(8)
Impairment of property, plant and equipment	(865)	-
Impairment of inventories (Note 12)	(689)	2,198
Impairment of receivables (Note 13)	(437)	(357)
Direct write-offs of financial and prepaid assets (i)	(8,342)	(7,079)
Reversal of previous write-offs of financial and prepaid assets	1,563	-
Lease liabilities write-off (Note 10)	-	525
Other payables write-off	234	181
Impairment of VAT recoverable	(15)	123
Foreign currency exchange differences	(57)	(421)
Fines and penalties	-	(4)
Total other gains and losses	(8,538)	(4,842)

(i) For the years ended 31 December 2022 and 2021, direct write-offs of financial and prepaid assets mainly comprised both, write-offs of receivables from subsidiaries disposed during that particular year and the write-offs recognised by the disposed subsidiaries themselves in preparation for their respective disposals.

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22. Finance Expenses, net

	2022	2021
Interest expense on loans (Note 16)	3,176	2,117
Interest expense on leases	333	445
Other finance expenses	2	48
less: finance income	(11)	(31)
Total finance expenses	3,500	2,579

23. Income Taxes

For the years ended 31 December 2022 and 2021, key Ukrainian subsidiaries of the Group elected to pay the special Fixed Agricultural Tax ("FAT") in lieu of corporate income tax. FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty and Trade Patent. FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is 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 2021 and 2022, and for the foreseeable future, was set at 18%.

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

Components of income tax expense were as follows:

	2022	2021
Current tax expense	-	(5)
Deferred tax expense	-	-
Income tax expense	-	(5)

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

	2022	2021
Profit/(loss) before tax	(1,681)	17,711
- Profit/(loss) attributable to Ukrainian FAT payers	(2,165)	4,728
- Profit/(loss) attributable to Ukrainian CIT payers	(1,761)	(3,864)
- Profit/(loss) attributable to other Group entities	(7,670)	27
- Gain/(loss) on disposal of subsidiaries (Note 7)	9,915	16,820
Income tax expense / (benefit) related to Ukrainian CIT payers	317	(696)
Income tax expense / (benefit) related to other Group entities	(281)	3
Adjusted for tax effects of:		
· (non-taxable income) / non-deductible expenses, net	281	698
Change in deferred taxes not recognised	(317)	-
Income tax expense	-	(5)

No deferred tax assets or liabilities were recognised as at 31 December 2022 and 2021.

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24. Related Parties

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

	2022		2021	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Assets				
Trade receivables	-	1,599	-	2,055
Less: impairment of trade receivables	-	(191)	-	(194)
Other financial assets	-	320	-	-
Less: impairment of other financial assets	-	(10)	-	-
Prepaid assets	94	34	-	-
Liabilities				
Loan from Parent (i)	10,714	-	11,059	-
Interest on loan from Parent (i)	4,775	-	4,495	-
Trade payables	111	94	-	57
Company loans received	1,130	191	-	208
Other payables	-	12	-	727
Advances from customers	-	45	-	60

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

	2022		2021	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Income				
Sales of pigs and pork	-	6,858	-	5,034
Other services	-	415	-	89
Expenses				
Purchases of goods and services	466	202	-	-
Interest expense on loans	311	-	317	-

'Parent and owners' include the Company's immediate parent, OLBIS Investments LTD S.A., and the ultimate controlling party, Mr. Sergiy Kasianov.

'Entities under common control' are other entities controlled by OLBIS Investments LTD S.A. and Mr. Sergiy Kasianov.

(i) 'Loan from Parent' and related interest refer to a loan from OLBIS Investments LTD S.A. The loan originated based on the transfer agreement from ICD Investments SA to OLBIS Investments LTD S.A., 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. At the date these consolidated financial statements are being issued, OLBIS Investments LTD S.A. agreed to extend the maturity date past 2026, but such extension hasn't been formalised as of this date.

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

As at 31 December 2022, the ultimate controlling party and other related parties each pledged real estate of estimated value, according to the pledge agreement, of, respectively, USD 4,803 thousand and USD 9,501 thousand, as collateral for the Group's bank loans in the amount of USD 12,246 thousand (2021: respectively, USD 5,511 thousand and USD 8,647 thousand for the Group's bank loans in the amount of USD 12,037 thousand).

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.

Remuneration of key management personnel for 2022 comprised short-term benefits totalling USD 131 thousand (2021: USD 155 thousand).

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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	2022	2021
Financial assets			
Trade receivables	13	2,837	3,880
Other financial assets		310	442
Cash and cash equivalents		271	637
Total financial assets		3,418	4,959

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 2022, the Group had 2 customers (2021: 5 customers) with aggregate receivable balances above USD 150 thousand each. The total amount of these balances as at 31 December 2022 was USD 2,698 thousand (2021: USD 3,900 thousand) or 95% (2021: 80%) 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 2022, 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 1,117 thousand lower or higher (2021: USD 1,238 thousand).

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

	USD	EUR	PLN	Total	Carrying amount
Financial assets					
Trade receivables	-	79	-	79	2,837
Other financial assets	-	-	-	-	310
Cash and cash equivalents	-	127	-	127	271
Total financial assets	-	206	-	206	3,418
Financial liabilities					
Trade payables	203	-	-	203	9,123
Bank and other loans (i)	15,489	-	-	15,489	27,735
Other financial liabilities	-	1,539	160	1,699	7,817
Total financial liabilities	15,692	1,539	160	17,391	44,675
Net foreign currency position	(15,692)	(1,333)	(160)	(17,185)	(41,257)

As of 31 December 2021, the Group's financial assets and liabilities denominated in foreign currency were as follows:

	USD	EUR	PLN	Total	Carrying amount
Financial assets					
Trade receivables	317	-	-	317	3,880
Other financial assets	215	66	-	281	442
Cash and cash equivalents	97	-	-	97	637
Total financial assets	629	66	-	695	4,959
Financial liabilities					
Trade payables	686	-	-	686	8,270
Bank and other loans (i)	15,554	-	-	15,554	27,591
Other financial liabilities	-	1,703	160	1,863	7,790
Total financial liabilities	16,240	1,703	160	18,103	43,651
Net foreign currency position	(15,611)	(1,637)	(160)	(17,408)	(38,692)

Due to this exposure, if the US dollar were to strengthen or weaken by 1% against a functional currency, it would, respectively, decrease or increase the Group's net foreign currency position by USD 157 thousand (2021: USD 156 thousand).

Due to this exposure, if the Euro were to strengthen or weaken by 1% against a functional currency, it would, respectively, decrease or increase the Group's net foreign currency position by USD 13 thousand (2021: USD 16 thousand).

(i) Bank and other loans as at 31 December 2022 include a long-term loan from a related party in the amount of USD 15,489 thousand (2021: USD 15,554 thousand) (Note 16). This loan is denominated in USD, which is the functional currency of the Group subsidiary that owes the loan and is, therefore, not considered a foreign-currency balance from a stand-alone perspective. However, since most of the Group's revenue is generated in UAH, repayment of this loan upon maturity will likely be financed by UAH proceeds. Because of this, management includes this loan in the assessment of its net foreign-currency position.

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Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by monitoring monthly rolling forecasts of the Group's cash flows. The Group seeks to maintain a stable funding base mostly through proper management of its working capital and using short-term bank and company loans (as defined in Note 17) to cover the cash gaps.

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

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

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

Remaining contractual maturity of financial liabilities as at 31 December 2021 was as follows:

	Within one year	Within two to five years	After five years	Total	Carrying amount
Bank and other loans	2,647	24,944	-	27,591	27,591
Future interest on loans	1,323	1,190	-	2,513	-
Lease liabilities	1,142	1,080	318	2,540	2,540
Future interest on lease liabilities	281	745	196	1,222	-
Trade payables	8,270	-	-	8,270	8,270
Other financial liabilities	7,790	-	-	7,790	7,790
Total	21,453	27,959	514	49,926	46,191

(i) In December 2022, the Group negotiated new credit terms with TASCOMBANK which better reflect the Group's financing needs during wartime. The new terms are effective from the first quarter of 2023. While under the previous terms, a total of USD 9,568 thousand of loans was already maturing by the end of 2023, under the new terms, the bulk of the loan principal will instead be due in December 2025 (see Note 16).

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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 2022	31 December 2021
Bank and other loans	27,735	27,591
Less: cash and cash equivalents	(271)	(637)
Net debt	27,464	26,954
Total equity	(12,458)	(4,950)
Net Debt to Equity Ratio	(2.2)	(5.4)

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.

26. Contingencies and Commitments

The Group did not have any material contingent liabilities and/or commitments as at 31 December 2022 and 2021.

27. Russian Invasion of Ukraine. Current Situation

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

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

Ukraine's response

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

The Government of Ukraine issued several rounds of war bonds to finance its additional military spending.

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

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

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

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International response

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

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

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

While sanctions are intended to weaken the Russian economy, financial support from governments and international financial institutions towards Ukraine are instead directed to support the Ukrainian economy and help it stay afloat.

For that purpose, the frozen (or otherwise ceased) Russian assets could be provided to Ukraine as reparations.

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

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

Group's response

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

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

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

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

The Group also secured additional financing from TASCOMBANK, the Group's main lender. These funds were used to prepay key production costs (fertiliser, fuel, feed components, and salaries) ahead of their anticipated price increases, as well as to fund the wartime reserve of key production supplies.

Current situation

Facing heavy resistance from both the regular Ukrainian Armed Forces and Territorial Defence Forces, Russian ground troops failed to gain a significant foothold in Ukraine fast enough and, after two weeks, their ground progress has essentially stalled. As of 1 April 2022, the Russian battalions attacking the northern regions of Ukraine ceased their assault and withdrew back to Russia, to join the other Russian forces in a unified attack on Donbas, in the east of Ukraine. Then, in autumn of 2022, a Ukrainian counter-offensive liberated all territories west of the Dnipro river, pushing the Russian forces even further away from the Group's locations.

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

As at the date these consolidated financial statements are being issued, the Group does not expect significant interruptions to its production cycle from the war activities.

28. Events After the Reporting Period

Any relevant developments relating to the Russian Invasion of Ukraine have been disclosed in Note 27.

During the first quarter of 2023, the Group repaid a total of 7,077 thousand of its existing TASCOMBANK loans and received new tranches in the total amount of USD 6,033 thousand. The new tranches will take advantage of the new credit terms agreed with TASCOMBANK in December 2022. Refer to Note 16 for details.