

KSG Agro S.A.

**Unaudited Interim Condensed
Consolidated Financial Statements
and Interim Management Report**

30 September 2018

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

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

The Board of Directors and the Group's management are responsible for the preparation of the interim condensed consolidated financial statements of the Group as of 30 September 2018 and for the nine months then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

The Board of Directors and management are also responsible for:

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

In accordance with Article 4 (2) (c) of the law of Luxembourg of 11 January 2008 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the interim condensed consolidated financial statements for the nine months ended 30 September 2018, prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the period 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.

The interim condensed consolidated financial statements as of 30 September 2018 and for the nine months then ended were approved on 12 November 2018.



A.V. Skorokhod
(Chief Executive Officer)



L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.**Unaudited Interim Condensed Consolidated Statement of Financial Position***as at 30 September 2018*

<i>In thousands of US dollars</i>	Note	30 September 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	16,945	18,097
Long-term biological assets		22,256	22,558
Deferred expense		618	618
Deferred tax assets		231	233
Total non-current assets		40,050	41,506
Current assets			
Current biological assets	8	7,922	7,701
Inventories and agricultural produced	7	10,442	2,332
Trade and other accounts receivable	9	8,244	6,197
Term deposits		-	534
Cash and cash equivalents		553	760
Total current assets		27,161	17,524
TOTAL ASSETS		67,211	59,030
EQUITY			
Share capital		150	150
Share premium		37,366	37,366
Treasury shares		(112)	(112)
Retained earnings		(36,870)	(39,082)
Currency translation reserve		(11,130)	(10,987)
Equity attributable to the owners of the Company		(10,596)	(12,665)
Non-controlling interests		6,993	7,078
TOTAL EQUITY		(3,603)	(5,587)
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	21,687	22,531
Total non-current liabilities		21,687	22,531
Current liabilities			
Loans and borrowings	10	25,483	24,659
Trade and other accounts payable	11	22,037	15,712
Promissory notes issued		1,384	1,384
Taxes payable		223	331
Total current liabilities		49,127	42,086
TOTAL LIABILITIES		70,814	64,617
TOTAL LIABILITIES AND EQUITY		67,211	59,030

Approved for issue and signed on behalf of the Board of Directors on 12 November 2018.



A.V. Skorokhod
(Chief Executive Officer)



L.L. Omelchenko
(Chief Financial Officer)

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

KSG Agro S.A.**Unaudited Interim Condensed Consolidated Income Statement***for the nine months ended 30 September 2018*

<i>In thousands of US dollars</i>	Note	30 September 2018	30 September 2017
Revenue	12	20,019	17,225
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs		3,383	10,312
Cost of sales	13	(19,012)	(16,688)
Gross profit		4,390	10,849
Government grant received		13	243
Selling, general and administrative expenses	14	(880)	(877)
Other operating income		853	478
Operating profit		4,376	10,693
Finance income	16	83	536
Finance expenses	16	(1,108)	(2,014)
Foreign currency exchange gain/(loss), net	17	(207)	(1,210)
Other expenses	15	(898)	(964)
Profit before tax		2,246	7,041
Income tax benefit		(13)	(7)
Profit for the period		2,233	7,034
Profit attributable to:			
Owners of the Company		2,212	6,295
Non-controlling interest		21	739
Profit for the period		2,233	7,034
Earnings per share			
Weighted-average number of common shares outstanding		15,020,000	15,020,000
Basic earnings per share, USD		0.15	0.42
Diluted earnings per share, USD		0.15	0.42

Approved for issue and signed on behalf of the Board of Directors on 12 November 2018.



A.V. Skorokhod
(Chief Executive Officer)




L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.**Unaudited Interim Condensed Consolidated Statement of Other Comprehensive Income***for the nine months ended 30 September 2018*

<i>In thousands of US dollars</i>	Note	30 September 2018	30 September 2017
Profit for the period		2,233	7,034
Other comprehensive income, net of income tax			
Currency translation differences		(249)	116
Total comprehensive income for the period		1,984	7,150
Total comprehensive income attributable to:			
Owners of the Company		2,069	6,136
Non-controlling interests		(85)	1,014
Total comprehensive income for the period		1,984	7,150

Approved for issue and signed on behalf of the Board of Directors on 12 November 2018.


A.V. Skorokhod
(Chief Executive Officer)
L.L. Omelchenko
(Chief Financial Officer)

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

KSG Agro S.A.**Unaudited Interim Condensed Consolidated Statement of Cash Flows***for the nine months ended 30 September 2018**In thousands of US dollars*

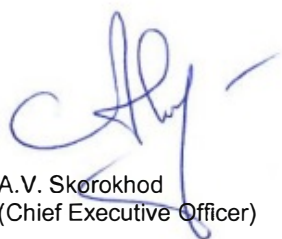
	Note	30 September 2018	30 September 2017
Cash flows from operating activities			
Profit before tax		2,246	7,041
Adjustments for:			
Depreciation and amortization		1,089	998
Impairment and write-off of trade and other accounts receivable and VAT	15	311	450
Write off of accounts payable		(485)	(341)
Impairment of inventory	15	6	-
Write-off cost of crop production and loss of harvest	15	12	30
Gain on initial recognition of biological assets and agricultural produced		(3,383)	(10,312)
Exchange differences	17	207	1,210
Finance expenses	16	1,108	2,014
Finance income	16	(83)	(536)
Gain/(loss) on disposal of subsidiaries	15	-	56
Operating cash flows before working capital changes		1,028	610
Change in trade and other accounts receivable		(2,047)	(2,168)
Change in current biological assets		(221)	853
Change in inventories and agricultural produce		(6,110)	317
Change in trade and other accounts payable		8,458	1,547
Cash generated from operations		1,108	1,159
Interest paid		(500)	(925)
Income tax paid		(34)	(7)
Cash generated from / (used in) operating activities		574	227
Cash flow from investment activities			
Acquisition of property, plant and equipment		(491)	(125)
Interest received		19	466
Deposits received		534	-
Disposal of subsidiaries, net of cash disposed		-	(20)
Settlement of accounts payable related to investment activities		(530)	(89)
Net cash generated from / (used in) investment activities		(468)	232

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

KSG Agro S.A.**Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)***for the nine months ended 30 September 2018*

<i>In thousands of US dollars</i>	Note	30 September 2018	30 September 2017
Cash flow from financing activities			
Proceeds from bank loans and other borrowings		150	33
Repayment of bank loans		(421)	(696)
Repayment of financial lease liabilities		(49)	(27)
Net cash (used in) / received from financing activities		(320)	(690)
Net (decrease)/increase in cash and cash equivalents		(214)	(231)
Cash and cash equivalents at the beginning of the period		760	1,107
Effect of exchange rate differences on cash and cash equivalents		7	149
Cash and cash equivalents at the end of the period		553	1,025

Approved for issue and signed on behalf of the Board of Directors on 12 November 2018.



A.V. Skorokhod
(Chief Executive Officer)



L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2018

		Attributable to owners of the Company					Non-controlling interest	Total equity
	Note	Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings	Total attributable to owners of the Company	
<i>In thousands of US dollars</i>								
Balance as at 31 December 2016 (audited)		150	37,366	(112)	(9,103)	(39,440)	(11,139)	(4,351)
Profit for the period		-	-	-	-	6,295	6,295	7,034
Other comprehensive income/(loss)		-	-	-	(159)	-	(159)	116
Total comprehensive income/(loss) for the period		-	-	-	(159)	6,295	6,136	7,150
Balance as at 30 September 2017		150	37,366	(112)	(9,262)	(33,145)	(5,003)	2,799
Balance as at 31 December 2017 (audited)		150	37,366	(112)	(10,987)	(39,082)	(12,665)	(5,587)
Profit for the period		-	-	-	-	2,212	2,212	2,233
Other comprehensive income/(loss)		-	-	-	(143)	-	(143)	(249)
Total comprehensive income/(loss) for the period		-	-	-	(143)	2,212	2,069	1,984
Balance as at 30 September 2018		150	37,366	(112)	(11,130)	(36,870)	(10,596)	(3,603)

Approved for issue and signed on behalf of the Board of Directors on 12 November 2018.



A.V. Skorokhod
(Chief Executive Officer)



L.L. Omelchenko
(Chief Financial Officer)

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

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

for the nine months ended 30 September 2018

(All amounts in USD thousand, unless otherwise stated)

1. Background

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

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

The Company, its subsidiaries and joint operation (together referred to as the "Group") produces, processes and sells agricultural products and its business activities are conducted mainly in Ukraine.

The number of employees of the Group as at 30 September 2018 was 566 employees (31 December 2017: 565 employees).

2. Scope of consolidation

The Company's parent is OLBIS Investments LTD S.A. (65%), registered in Panama, and the ultimate controlling party is Mr. Sergiy Kasianov. Remaining shares (35%) are listed on the Warsaw Stock Exchange.

The subsidiaries and principal activities of the companies forming the Group and the Parent's effective ownership interest as at 30 September 2018 and 31 December 2017 were as follows:

Operating entity	Principal activity	Country of registration	Effective ownership ratio, %	
			30 September 2018	31 December 2017
KSG Agro S.A.	Holding company	Luxembourg	Parent	Parent
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Agro Polska	Trade of agricultural products	Poland	100%	100%
KSG Energy Group LTD	Trade of pellet, dormant	Cyprus	50%	50%
Parisifia LTD	Intermediate holding company	Cyprus	50%	50%
Abbondanza SA	Trade of agricultural products	Switzerland	50%	50%
Enterprise №2 of Ukrainian agricultural and industrial holding LLC	Agricultural production	Ukraine	100%	100%
Scorpio Agro LLC	Agricultural production	Ukraine	100%	100%
Goncharovo Agricultural LLC	Agricultural production	Ukraine	100%	100%
Agro-Trade House Dniprovsky LLC	Agricultural production	Ukraine	100%	100%
Trade House Rantye (Dnipro LLC)	Agricultural production	Ukraine	100%	100%
KSG Trade House LTD	Trade of agricultural products	Ukraine	100%	100%
Trade House of the Ukrainian Agroindustrial Holding LLC	Agricultural production	Ukraine	100%	100%
Askoninteks LLC	Agricultural production	Ukraine	100%	100%
Agro Golden LLC	Agricultural production	Ukraine	100%	100%
Agro LLC	Lessor of equipment	Ukraine	100%	100%
SPE Promvok LLC	Lessor of equipment	Ukraine	100%	100%
Meat plant Dnipro LLC	Manufacture	Ukraine	100%	100%
Hlebna Liga LLC	Trader	Ukraine	100%	100%
Agrofirm Vesna LLC	Agricultural production	Ukraine	100%	100%
Agrotrade LLC	Agricultural production	Ukraine	50%	50%
Factor D LLC	Agricultural production	Ukraine	50%	50%
Rantye LLC	Agricultural production	Ukraine	50%	50%

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

for the nine months ended 30 September 2018

(All amounts in USD thousand, unless otherwise stated)

Operating entity	Principal activity	Country of registration	Effective ownership ratio, %	
			30 September 2018	31 December 2017
PrJSC Pererobnyk	Flour and animals' feed producing	Ukraine	25%	25%
Agroplaza LLC	Intermediate holding company	Ukraine	50%	50%
Stepove LLC	Agricultural production	Ukraine	50%	50%
Dzherelo LLC	Agricultural production	Ukraine	50%	50%
Kolosyste LLC	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Prudy LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Uyutne LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Kirovske LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Yelizavetove LLC *	Agricultural production	Ukraine	50%	50%
KSG Dnipro LLC (SFG Bulah LLC)	Agricultural production	Ukraine	100%	100%
Pererobnyk LLC PE	Flour and animals' feed producing, dormant	Ukraine	25%	25%

Companies marked with * are located in Crimea. The Group has no operating control over them starting from 01 October 2014, so deconsolidation of these companies was provided and net assets were written off to zero.

On an annual basis companies with voting rights less than 51% tests for the compliance with IFRS 10 regarding existence of control. In these consolidated financial statements presented subsidiaries with absolute control over operating activity and cash flows and total responsibilities for the incurred profits or losses.

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

3. 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.

Operating Environment of the Group

Ukrainian economy suffered a deep slump in 2014-2016 due to the political instability, the escalation of the conflict in the Donetsk and Luhansk regions and unfavorable global markets for key export-oriented sectors.

Since 2017 and going into 2018 the Ukrainian economy has demonstrated a slight recovery amid overall macroeconomics stabilization supported by a rise in domestic investment, revival in household consumption, increase in agricultural and industrial production, construction activity and improved environment on external markets.

Ukraine returned to international debt capital markets, having issued a record USD 3 billion 15-year Eurobond at 7.375% in September 2017, which smoothed external debt maturity profile of Ukraine.

The inflation rate in Ukraine was relatively stable at around 13% in 2017 and 2018. GDP also continued to grow at 2-3%.

As at the date of this report the official NBU exchange rate of Hryvnia against US dollar was UAH 27.93 per USD 1, compared to UAH 28.30 per USD 1 as at 30 September 2018 and UAH 28.07 per USD 1 as at 31 December 2017.

NBU continues to further ease its currency control restrictions, which were introduced back in 2014. In particular, 2017 and 2018 have seen a decrease in the percentage of mandatory sale of foreign currency, increase in the settlement period for export-import transactions in foreign currency, and increase in limits on dividend payments to non-residents.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

The relationships between Ukraine and the Russian Federation have remained strained.

KSG Agro S.A.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2018

(All amounts in USD thousand, unless otherwise stated)

Going concern assumption

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The financial performance of the Group is naturally dependent upon the weather conditions in areas of operations and wider economic environment of Ukraine.

Due to loss of control over Crimea subsidiaries, the Group's financial position and performance in 2014 significantly deteriorated. That caused significant difficulties with timely debt repayment and breach of loan covenants. To deal with new challenges, in September 2014 the Group's management changed their development strategy to focus on farming & pigs breeding, and decrease of loan burden.

Since then, the Group management has been successful in implementation of changed strategy and stabilisation of the Group's financial performance:

- **Focus on farming & pigs breeding and increase its efficiency**

- The Group continues to perform its business strategy by increasing meat production and harvested crop in proportion applicable for future growth.
- Revenue during the nine months of 2018 increased by 16% in comparison with the same period in 2017.
- Gross profit decreased by 60% from USD 10.8 million during nine months of 2017 to USD 3.9 million during the same period in 2018.

- **Reduction of current debt and extension of credit period**

- Negotiations with International Creditors and suppliers related to the restructuring of total debt in the amount of USD 18 mln resulted in signing of the letter of intent in 2017 where preliminary debt restructuring terms were agreed. According to signed letters of intent, the Group obliged to repay capital amount of debts in ten years' time starting in 2018.
- Loans from the Group's parent with principal of USD 10,363 thousand and interest of USD 3,475 thousand will be payable in 2026.
- During 2017, repayment of overdue USD-nominated loan to a Ukrainian bank was postponed till 27 December 2018. Outstanding principal under this loan as of 30 September 2018 is USD 945 thousand.
- During 2017, loan with a Ukrainian bank, in the amount of 3,135 USD thousand and denominated in UAH, was transferred to USD and EUR with interest rates of 9% and 8%, respectively (instead of 23.68% for UAH).

The Group Management concludes that, as the risks and uncertainties described above included in the cash flow forecast with conservative assumptions are covered by restructuring of overdue borrowings, there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the interim condensed consolidated financial statements as at 30 September 2018 and for the nine months then ended on a going concern basis. If the Company is not successful in debt restructuring plan, the going concern assumption might not be relevant any longer for the Group or its components. The consolidated financial statements would then need to be totally or partially amended to an extent which today cannot be estimated in respect of: the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets and liabilities into current assets and liabilities.

Consolidated financial statements

Group recognises controls on subsidiary if next 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.

KSG Agro S.A.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2018

(All amounts in USD thousand, unless otherwise stated)

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

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

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

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

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

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

Joint operations. The Group accounts for the interest in the joint operations to the extent of:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

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.

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

for the nine months ended 30 September 2018

(All amounts in USD thousand, unless otherwise stated)

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.

Classification of financial assets. The Group classifies all of its financial assets as loans and receivables. Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are accounted for at amortized cost using the effective interest method, net of provision for impairment after their initial evaluation. Loans and receivables that mature more than 12 months after the consolidated statement of financial position date are included into non-current assets. The Group's financial assets are long term receivables, promissory note receivables, term deposits, trade and other accounts receivable, cash and cash equivalents.

Classification of financial liabilities. The Group's financial liabilities include loans, borrowings, trade and other payables, financial lease, promissory notes issued and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Loans and borrowings. Borrowings are recognised initially 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 borrowings using the effective interest method. Borrowings 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 balance sheet date.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Financial assistance payable. Financial assistance payable is initially recognised at the fair value and carried at amortised cost using the effective interest method. Financial assistance is disclosed within trade and other payables.

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.

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 leases the land on which its operations are located under operating lease agreements and therefore land is not included in the consolidated financial statements.

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. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

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.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Income taxes. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet 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 on income are recorded within operating 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 companies 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.

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Special tax for agricultural producers. The Company's subsidiaries in Ukraine engaged in the production, processing and sale of agricultural products may opt for paying a *special tax for agricultural producers* ("Group #4 of Tax payers defined in 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 *special tax for agricultural producers* 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). As at 30 September 2018 five Ukrainian subsidiaries of the Group elected to pay *special tax* (31 December 2017: four). The rest of the Group's entities are subject to regular income tax.

Value added tax. In Ukraine 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 liability to the extent it has been recorded in VAT declarations. Prepayments issued and prepayments received are disclosed in these consolidated financial statements net of VAT balances as it is expected that such balances will be settled by delivery of the underlying product or service.

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

Government grants. According to the Ukrainian VAT legislation VAT which agricultural producers charge on sales of agricultural produce, net of VAT paid on purchases, is not transferred to the State budget but can be retained for use in agricultural production. These government grants are recognised in profit or loss for the year once the Group makes the qualifying expenditures on agricultural supplies or equipment.

Biological assets. Biological assets represent crops in the field and livestock and are measured at fair value less costs to sell.

Crops in the field. The fair value of crops in the field is determined by using valuation techniques, as there is no market for winter crops and other long-term crops of the same physical condition. The fair value of the Group's biological assets is calculated as the present value of anticipated future cash flows from the asset before tax. The fair value calculation of crops in the field is based on the existing field under crops and the assessments regarding expected crop yield on harvest, time of harvest, future cultivation, treatment, harvest costs and selling prices. The discount rate is determined by reference to weighted-average cost capital based on risk profile of the Group.

Livestock. The fair value of non-current livestock is determined by using valuation techniques, as there is no market for sows of the same physical conditions, such as weight, age and breed. The fair value of livestock is based on expected litter of piglets, expected volume of meat at the date of slaughter, respective anticipated prices, average expected productive lives of the livestock and future production costs. The discount rate is determined by reference to current market determined pre-tax rate.

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

The biological assets are classified as current or non-current depending on the expected pattern of consumption of the economic benefits embodied in the biological assets. Dairy cattle, sows, fruit gardens and long-term grass are classified as non-current and livestock husbandry and winter crops are classified as current biological assets.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding the cost of field preparation is reclassified to biological assets held at fair value.

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.

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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. The cost of work in progress comprises fuel and other raw material, direct labour, depreciation and amortization, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Advances issued. Advances issued to suppliers are carried at cost less provision for impairment. An advance issued 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 advance relates to an asset which will itself be classified as non-current upon initial recognition. Advances issued 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 advances are written off to profit or loss when the services relating to the advances are received. If there is an indication that the assets or services relating to an advance will not be received, the carrying value of the advance is written down accordingly and a corresponding impairment is recognised in profit or loss.

Impairment of financial assets carried at amortised cost. Impairment are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment has occurred:

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

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

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

Uncollectible assets are written off against the related impairment provision 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 includes cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts, if any.

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

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.

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

Employee benefits - defined contribution plan. The Group makes statutory unified social contribution to the Pension Fund of Ukraine in respect of its Ukrainian based employees. The contributions are calculated as a percentage of current gross salary and are expensed when incurred.

Wages, salaries, unified social contribution to Pension Fund of Ukraine, paid annual leave and sick leave, bonuses are accrued in the year in which the associated services are rendered by the employees of the Group.

Functional and presentation currency. The currency of each consolidated entity is the currency of the primary economic environment in which the entity operates. The functional currency for the majority of the consolidated entities is the Ukrainian hryvnia. As the Group's management uses USD when monitoring operating results and financial conditions of the Group, the presentation currency of the financial statements is USD. All information in USD has been rounded to the nearest thousand, except when otherwise indicated. The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 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 recognized in profit or loss. Translation at year end does not apply to nonmonetary items.

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

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

The exchange rates used for translating foreign currency balances were:

	As at 30 September 2018	Average for nine months ended 30 September 2018	As at 31 December 2017	Average for nine months ended 30 September 2017
USD/UAH	28.2983	26.9494	28.0672	26.4685
EUR/UAH	33.1288	32.2083	33.4954	29.4746

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods. 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.

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Revenues are shown net of Value Added Tax and discounts. Revenues are measured at the fair value of the consideration received or receivable.

Finance income and costs. Finance income and costs mainly comprise interest income and cash on equivalents and bank deposits, interest expense on borrowings and finance leases and exchange differences on borrowings.

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 are ten percent or more of all the segments are reported separately.

4. Critical Accounting Estimates and Judgements

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

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

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

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

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

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

Allowance for doubtful receivables. The Group periodically assesses recoverability of receivables from main debtors. In the case objective evidence of uncollectability is in place, allowance is provided for the amount of doubtful receivables. No allowance for receivables from related parties is charged. Additionally a general provision for doubtful debts is provided on all receivables due for more than 365 days.

Cost of inventories. At each reporting date the Group carries out assessment of goods for signs impairment of initial value. As at 30 September 2018 the Group's Management uses method of individual assessment of each unit of goods. The same approach was used in 2017.

Goodwill. Goodwill arising from the acquisition of subsidiaries is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount (estimated under five-year cash flows financial plans) of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment is recognised. Impairment relating to goodwill cannot be reversed in the future periods.

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

Subsidiaries. The Group consolidates the result of Parisifia Trading Ltd (Cyprus), KSG Energy Group Ltd (Cyprus) and Abondanza S.A. (Switzerland) although it only holds 50% of the voting rights, because it has the power to govern its financial and operating policies through arrangements with the other 50% shareholder. The Group also consolidates the results of Pererobnyk PrJSC, a company in which it holds 25% of the voting rights, because it has the power to govern its financial and operating policies through its sole presence in the supervisory and management boards of the company and ability to determine remuneration of its representatives in these governance bodies. Majority of the supervisory and management board members are employees of other entities of the Group. Judgement is required to determine whether the substance of the relationship between the Group and a subsidiary indicates that the entity is controlled by the Group. In making this judgement management considered arrangements with the other shareholders of the subsidiary.

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

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

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

5. Business Acquisitions and Disposals

No business acquisitions or disposals took place during the nine months ended 30 September 2018.

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6. Property, Plant and Equipment

Movement of property, plant and equipment for the nine months ended 30 September 2018 and 2017 was as follows:

	Buildings	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
Carrying amount as at 1 January 2017 (audited)	9,075	1,413	346	8,239	19,073
Additions	173	669	20	135	997
Disposals	-	(1)	-	-	(1)
Transfers	-	-	-	-	-
Depreciation charge	(551)	(350)	(97)	-	(998)
Exchange difference	230	34	9	208	481
Carrying amount as at 30 September 2017 (unaudited)	8,927	1,765	278	8,582	19,552
Carrying amount as at 1 January 2018 (audited)	10,222	2,436	3,669	1,770	18,097
Additions	223	270	361	629	1,483
Disposals	(11)	(129)	(269)	(1,007)	(1,416)
Transfers	-	-	-	-	-
Depreciation charge	(627)	(380)	(83)	-	(1,089)
Exchange difference	(16)	(37)	(53)	(25)	(130)
Carrying amount as at 30 September 2018 (unaudited)	9,791	2,161	3,626	1,367	16,945

7. Inventories and Agricultural Produce

	30 September 2018 (unaudited)	31 December 2017 (audited)
Agricultural produce	3,902	513
Work in progress	1,243	549
Semi-finished goods	648	455
Agricultural stock	2,287	288
Raw materials	291	207
Goods for resale	343	97
Finished goods	114	164
Fuel	1,037	30
Other	576	29
Total inventories and agricultural produce	10,442	2,332

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8. Current Biological Assets

	30 September 2018 (unaudited)	31 December 2017 (audited)
Crops in the field	4,446	4,416
Livestock husbandry	3,476	3,285
Total current biological assets	7,922	7,701

Crops in the field	Area, ha	Amount	Area, ha	Amount
Wheat	6,345	1,429	6,351	1,899
Barley	951	2	951	92
Rapeseed	3,638	1,634	4,055	2,384
Sorghum	753	154	-	-
Sunflower	6,511	1,133	101	41
Total crops in the field		4,446		4,416

Movement in crops in the field during the period related to:

	2018	2017
Carrying amount as at 1 January (audited)	4,416	1,880
Purchases	-	-
Investments into future crops and livestock	7,059	5,313
Sales	-	-
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	2,447	8,160
Harvested during the period	(9,398)	(8,241)
Disposal of subsidiaries	-	(263)
Loss from dead crops	(12)	(603)
Exchange differences	(66)	(177)
Carrying amount as at 30 September (unaudited)	4,446	6,069

9. Trade and Other Accounts Receivable

	30 September 2018 (unaudited)	31 December 2017 (audited)
Trade accounts receivable	5,998	4,754
Less: provision for trade accounts receivable	(2,397)	(2,417)
Loans issued	3,763	2,983
Less: provision for loans issued	(477)	(481)
Other financial receivables	3,163	3,181
Less: provision for other financial receivables	(2,429)	(2,449)
Total financial trade and other receivables	7,621	5,571
Advances issued	738	742
Less: provision for advances issued	(115)	(116)
Total trade and other accounts receivable	8,244	6,197

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10. Loans and Borrowings

	30 September 2018 (unaudited)	31 December 2017 (audited)
Long-term		
Financial lease liabilities	63	52
Bank loans	21,624	22,479
Total long-term loans and borrowings	21,687	22,531
Current		
Financial lease liabilities	53	28
Bank loans	25,430	24,631
Total current loans and borrowings	25,483	24,659

The Group's loans and borrowings consisted of the following categories:

	30 September 2018 (unaudited)	31 December 2017 (audited)
Bank loans	26,842	27,461
Loan from related party	10,363	10,363
Interest payable	6,336	5,773
Accrued provision (reserve) for contingent liabilities	3,513	3,513
Financial lease liabilities	116	80
Total bank and other loans	47,170	47,190

Movement in bank loans during the period related to:

	2018	2017
Carrying amount as at 1 January (audited)	47,110	45,176
Loan received	150	33
Loan repayment	(421)	(2,864)
Interest accrued for the period	1,091	1,793
Interest on loan paid	(500)	(1,334)
Other IFRS adj effect	-	202
Exchange differences	(376)	1,610
Carrying amount as at 30 September (unaudited)	47,054	44,616

The carrying value of the Groups' assets pledged as collateral for the Group's bank loans is as follows:

	30 September 2018 (unaudited)	31 December 2017 (audited)
Property, plant and equipment	686	692
Biological assets	278	280
Total carrying amount of collateral	964	972

11. Trade and Other Accounts Payable

	30 September 2018 (unaudited)	31 December 2017 (audited)
Trade payables	12,317	5,990
Financial assistance received	7,577	6,198
Land lease payables	971	697
Other accounts payable	180	509
Total financial trade and other payables	21,045	13,394
Prepayments received	919	2,228
Wages and salaries accrued	73	90
Total trade and other payables	22,037	15,712

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12. Revenue

	2018 (unaudited)	2017 (unaudited)
Revenue for the nine months ended 30 September was as follows:		
Sale of agricultural produced and processed food	18,552	16,232
Rendering of services	1,467	993
Total revenue	20,019	17,225

13. Cost of Sales

	2018 (unaudited)	2017 (unaudited)
Cost of sales for the nine months ended 30 September was as follows:		
Cost of agricultural produced and processed food	17,680	15,966
Cost of rendered services	1,332	722
Total cost of sales	19,012	16,688

	2018 (unaudited)	2017 (unaudited)
Components of cost of sales were as follows:		
Incurred costs	17,434	12,890
Revaluation effects	1,578	3,798
Total cost of sales	19,012	16,688

14. Selling, General and Administrative Expenses

	2018 (unaudited)	2017 (unaudited)
Selling, general and administrative expenses for the nine months ended 30 September were as follows:		
Wages and salaries	164	110
Fuel and other materials	19	38
Taxes, other than income tax	72	80
Transport services	88	87
Depreciation and amortisation	87	73
Informational, expert and consulting services	179	152
Bank services	16	17
Crops storage services	31	43
Other expenses	224	277
Total selling, general and administrative expenses	880	877

15. Other Expenses

	2018 (unaudited)	2017 (unaudited)
Other expenses for the nine months ended 30 September were as follows:		
Impairment of accounts receivable	241	339
VAT written off	70	111
Inventory write-off	6	361
Fines and penalties	569	67
Write-off cost of crop production and loss of harvest	12	30
(Gain)/loss on disposal of subsidiaries	-	56
Total other expenses	898	964

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

for the nine months ended 30 September 2018

(All amounts in USD thousand, unless otherwise stated)

16. Finance Income and Expenses

Finance income and expenses for the nine months ended 30 September were as follows:	2018 (unaudited)	2017 (unaudited)
Finance income		
Interest income	83	466
Other finance income	-	70
Total finance income	83	536
Finance expenses		
Interest expense on bank loans	(1,091)	(1,995)
Other finance expenses	(17)	(19)
Total finance expenses	(1,108)	(2,014)

17. Foreign currency exchange gain/(loss), net

Foreign currency exchange gains and losses for the nine months ended 30 September were as follows:	2018 (unaudited)	2017 (unaudited)
Foreign currency exchange gain	2,060	2,367
Foreign currency exchange loss	(2,267)	(3,577)
Net amount	(207)	(1,210)

18. Operating Segments

The Group has four 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 operation in each of the Group's reporting segments are:

- *Crop production.* Crop production is the core business of the Group. It is generally focused on production of sunflower, wheat, barley, colseeds (rape), soybeans and other crops, such as corn, triticale, pea, and buckwheat. The main factors affecting the crop production segment are climatic conditions, land quality, plant nutrition and moisture levels in the arable land.
- *Food Processing.* Established relationships with retail chains provide the Group with opportunities to sell groceries and meat products. Currently the Group produces flour, sunflower oil, packaged crops, macaroni and meat products such as sausages and meat delicacies and supplies to retail chains.
- *Livestock breeding.* A segment which deals with pigs breeding and sale of respective livestock (cattle). Basic assets for sale in this segment are pigs in live weight
- *Other operations.* This operating segment includes fruit and vegetable production; the production of fuel pellets and the thermal energy; rendering of services to third parties. While this segment does not currently meet the threshold requiring separate segment disclosure, management believes it useful to distinguish this segment in its reporting.

Performance is measured based on segment profit or loss, as included in the internal management reports that are reviewed by the Group's CEO. 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.

Items which are not disclosed separately in segment income and expenses are as follows: Government grant received, Gain/(loss) on acquisition/(disposal) of subsidiaries/assets held for sale, Other operating income, Selling, general and administrative expenses, Other operating expenses, Finance income, Finance expenses, Loss on share purchase warrant and Income tax benefit.

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

for the nine months ended 30 September 2018

(All amounts in USD thousand, unless otherwise stated)

Information about operating segments for the nine months ended 30 September 2018 is as follows:

	Crop production	Food processing	Livestock breeding	Other operations	Total
Revenue	11,897	2,184	9,959	456	24,496
Inter-segment transactions	(391)	(25)	(4,023)	(38)	(4,477)
Revenue from external customers	11,506	2,159	5,936	418	20,019
Change in fair value of biological assets less estimated point-of-sale costs	2,447	-	936	-	3,383
Cost of sales	(11,268)	(2,112)	(5,204)	(428)	(19,012)
Segment profit/(loss)	2,685	47	1,668	(10)	4,390
Government grant received					13
Selling, general and administrative expenses					(880)
Other operating income / (expense), net					853
Operating profit					4,376
Finance income					83
Finance expenses					(1,108)
Foreign currency exchange gain/(loss), net					(207)
Other expenses					(898)
Profit before tax					2,246
Income tax benefit					(13)
Profit for the period					2,233

Information about operating segments for the nine months ended 30 September 2017 is as follows:

	Crop production	Food processing	Livestock breeding	Other operations	Total
Revenue	6,368	3,714	8,594	2,224	20,900
Inter-segment transactions	(177)	(99)	(3,152)	(247)	(3,675)
Revenue from external customers	6,191	3,615	5,442	1,977	17,225
Change in fair value of biological assets less estimated point-of-sale costs	8,290	-	2,022	-	10,312
Cost of sales	(6,560)	(3,408)	(5,158)	(1,562)	(16,688)
Segment profit/(loss)	7,921	207	2,306	415	10,849
Government grant received					243
Selling, general and administrative expenses					(877)
Other operating income / (expense), net					478
Operating profit					10,693
Finance income					536
Finance expenses					(2,014)
Foreign currency exchange gain/(loss), net					(1,210)
Other expenses					(964)
Profit before tax					7,041
Income tax expense					(7)
Profit for the period					7,034

KSG Agro S.A.**Notes to the Unaudited Interim Condensed Consolidated Financial Statements***for the nine months ended 30 September 2018**(All amounts in USD thousand, unless otherwise stated)***Seasonality of operations**

Crop production segment, due to seasonality and implications of IAS 41, in the first half of the year mainly reflects the sales of carried forward agricultural produce and effect of biological assets revaluation, while during the second half of the year it reflects sales of crops and effect of revaluation of agricultural produce harvested during the year. Also, crop production segment has seasonal requirements for working capital increase during November-May, to undertake land preparation work.

Food processing segment, pigs' breeding as well as other operations segment are not significantly exposed to the seasonal fluctuations.

19. Related Parties

Significant related party balances outstanding at the reporting dates are:

	30 September 2018		31 December 2017	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Assets				
Trade and other accounts receivable	-	372	-	121
Other financial receivables	-	39	-	389
Loans issued	-	22	-	12
Advances issued	-	23	-	13
Liabilities				
Loans	10,363	-	10,363	-
Interest payable	3,475	-	3,242	-
Financial assistance received	-	945	-	1,061
Trade and other accounts payable	27	89	27	87

Except for loans from related parties, transactions with related parties are recorded at the contractual amounts agreed between the parties.

20. Events after the Reporting Period

In October 2018, the Group has signed a settlement and release agreement with US EXIM bank in relation to its loan in the total amount, including interest, of USD 3,393 thousand as at 30 September 2018 whereby the Group would pay USD 1,119 thousand through December 2018 and January 2019 to settle the debt in full.

There were no other material subsequent events.

KSG Agro S.A.**Interim Management Report***for the nine months ended 30 September 2018***1. Strategy implementation**

KSG Agro is one of the largest vertically integrated agricultural groups in the Dnipropetrovsk region, which works almost in all segments of the agricultural market, including production, storage, processing, and sale of the agricultural products.

As of 30 September 2018, KSG Agro is an agricultural holding with total controlled land bank of approximately 30 thousand hectares.

The Company and its subsidiaries (hereinafter «the Group» or «KSG Agro» or «the Company») implement their development strategy:

Strategy	Implementation
Focus on farming & pigs breeding and increase its efficiency	<p>The Group continues its business strategy by increasing meat production and harvested crop in proportion applicable for future growth</p> <p>Revenue during the nine months of 2018 increased by 16% in comparison with the same period in 2017</p> <p>Gross profit decreased by 60% from USD 10.8 million during nine months of 2017 to USD 3.9 million during the same period in 2018</p>
Searching new contractors and signing agreements for sale of crops using USD prices	<p>During 2018 the Group concentrated on pig breeding</p> <p>Total revenues from livestock breeding segment have increased from USD 5,442 thousand during nine months ended 30 September 2017 to USD 5,936 thousand during nine months ended 30 September 2018</p> <p>Revenues from crop production segment have increased by USD 5,315 thousand in comparison with the same period in 2017 and included sales of both winter and summer crops harvested in 2018</p>
Reduction of current debt and the extension period of credit	<p>In January 2018, the Group's loans payable to bank PJSC Credit Agricole, in the amount of USD 3,881 thousand, were ceded by the bank to a third party which restructured them for 30 years. In March 2018, the bank also ceded its right to claim the assets pledged as collateral to the loan</p>

2. Corporate governance

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

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

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

There are no restrictions on voting rights.

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

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

Powers of Directors

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

Rights of the shareholders

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

Transfer of shares

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

Meetings of the board

In this regards the Company is governed by the article 9 if the Articles of Association.

Mr. Sergiy Kasianov has been appointed as chairman of the board of Directors.

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

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

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

Audit Committee

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

3. Internal controls system

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

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

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

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

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

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

4. Financial and operational results

The following table sets forth the Company's results of operations for the nine months ended 30 September 2018 and 2017 derived from the unaudited interim condensed consolidated financial statements:

<i>In thousands of US dollars</i>	30 September 2018	30 September 2017	Change, %
Revenue	20,019	17,225	16%
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	3,383	10,312	(67%)
Cost of sales	(19,012)	(16,688)	14%
Gross profit	4,390	10,849	(60%)
Government grant received	13	243	(95%)
Selling, general and administrative expenses	(880)	(877)	-
Other operating income	853	478	78%
Operating profit	4,376	10,693	(59%)
Finance income	83	536	(85%)
Finance expenses	(1,108)	(2,014)	(45%)
Foreign currency exchange gain/(loss), net	(207)	(1,210)	(83%)
Other expenses	(898)	(964)	(7%)
Profit/ (loss) before tax	2,246	7,041	(68%)
Income tax benefit	(13)	(7)	86%
Profit/ (loss) for the year	2,233	7,034	(68%)

Increase in revenue during nine months ended 30 September 2018 was largely generated by crop production segment, as its sales have increased by USD 5,315 thousand in comparison with the same period in 2017, and livestock breeding segment, where revenues have increased from USD 5,442 thousand during nine months ended 30 September 2017 to USD 5,936 thousand during nine months ended 30 September 2018.

Decrease in finance expenses relates to lower interest rates in 2018 negotiated as part of the Group's debt restructuring.

A lesser foreign currency exchange loss during nine months ended 30 September 2018 as opposed to the comparative period was attributed to general strengthening of Ukrainian Hryvnia against the US Dollar and the Euro in 2018.

Components of selling, general and administrative expenses and other expenses are disclosed on page 24 of the unaudited interim condensed consolidated financial statements.

Composition of the Group's revenue and associated cost of sales by respective segment are disclosed on page 26 of the unaudited interim condensed consolidated financial statements.

5. 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 main shareholder of the Company as at 30 September 2018 is:

- OLBIS Investments LTD S.A. holds nine million seven hundred and five thousand five hundred (9,705,500) shares, representing 64.62% of the issued share capital of the Company.
- KSG Agro S.A holds thirty-two thousand one hundred seventy-two (32,172) shares, representing 0.21% of the issued share capital of the Company.
- In free float there are five million two hundred and eighty-two thousand three hundred twenty-eight (5,282,328) shares, representing 35.17% of the issued share capital of the Company.

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

There are no special control rights.

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

There is no employee share scheme.

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

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

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

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

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

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

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

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

Under the provisions laid down in article 5.4 of the Articles, the Board is authorized during a period expiring 5 (five) years after the publication of the present authorization in the Mémorial C, Recueil des Sociétés et Associations (i.e. 08 July 2011), to increase in one or several times the share capital of the Company within the limits of the authorized capital. The authorized capital of the Company is set at one hundred fifty thousand seven hundred forty-five United States Dollars (USD 150,745.00) represented by fifteen million seventy-four thousand five hundred (15,074,500) shares with a nominal value of one Cent (USD 0.01).

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.

KSG Agro S.A.

Interim Management Report

for the nine months ended 30 September 2018

6. Subsequent events

In October 2018, the Group has signed a settlement and release agreement with a foreign bank in relation to its loan in the total amount, including interest, of USD 3,393 thousand as at 30 September 2018, whereby the Group would pay USD 1,119 thousand through December 2018 and January 2019 to settle the debt in full.

There were no other material subsequent events.

7. 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 counterparties with individually material balances.

As of 30 September 2018, the Group had 8 counterparties with aggregated receivable balances above USD 150 thousand each (31 December 2017: 8 counterparties). The total aggregate amount of these balances was USD 3,034 thousand (31 December 2017: USD 4,016 thousand) or 36% of the net amount of trade and other receivables (31 December 2017: 88%).

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.

Currency risk.

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

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 the Group management who monitors monthly rolling forecasts of the Group's cash flows. The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables.

KSG Agro S.A.

Interim Management Report

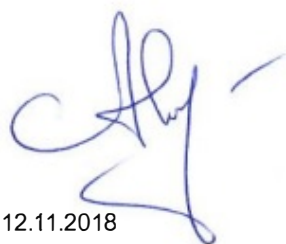
for the nine months ended 30 September 2018

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.

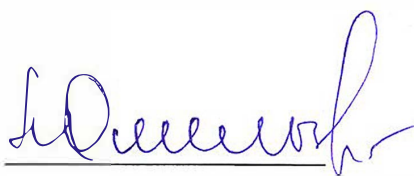
The Group is currently developing its capital management policy. Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes of its operating environment, market sentiment or its development strategy.

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



12.11.2018

A.V. Skorokhod
(Chief Executive Officer)



12.11.2018

L.L. Omelchenko
(Chief Financial Officer)

