KSG AGRO SA

Management report on key achievements

Dear Investors and Stakeholders,

We are pleasant to announce our financial and operational results achieved during nine months of year 2013.

KSG Agro goes further in its strategy goal and manages every link of its value chain, from harvesting to processing or animals feeding to making and selling semi-finished and finished agricultural product.

Because of vertical integration and expanded land bank, KSG Agro as a group of companies is able to adapt proactively to changes in market environment, improve the quality of product and achieve economies of scale.

We highlighted below the most material steps in KSG Agro' strategy realization took place after 31 December 2012.

Revenue of the Group has doubled in the reporting period comparing to prior year period and almost reach revenue for complete 2012 year. Additionally, main sales of corn and sunflower will be made in the 4th quarter of 2013 and make considerable increase to Group's revenue.

The Group has completed harvesting campaign of early crops in September with aggregated result of 120 thousand tons that is in 2.13 times exceeded prior year harvest results. Particularly, the Group harvested 32.4 thousand tons of rapeseed, 65.8 thousand tons of wheat, 18.8 thousand tons of barley and 3.2 thousand tons of other crops. Additionally, 25 thousand tons of straw were harvested for agro-pellet production at 30 September. The Group continues its harvesting campaign and is in the process of harvesting late season crops at the date of issuance of these financial statements.

The Group continues modernization of Pig breeding complex and around 4.3 thousand of sows were delivered to the complex, as of the date of these financial statements. The first farrow of piglets appeared in October.

The Group has installed irrigation systems on 400 hectares of planted fields in Dnipropetrovsk region and on 1,100 hectares in Crimea. These systems were produced by leading companies in this industry: Netafim and Western Irrigation. Installation of irrigation systems will significantly increase yields per hectare and decrease dependence from weather conditions in mentioned areas.

The Company's subsidiaries entered into several deals, with regards to obtaining control of approximately 6,000 ha of land, continuing organic growth of the Group.

Financial and operation results

The following table sets forth the Group's results of operations for the periods ended 30 September 2013 and 2012, as derived from the Group's Interim Condensed Consolidated Financial Statements:

in thousands of US Dollars	**30 September 2013**	**30 September 2012**	**Change, %**
Revenue	***37,086***	***18,576***	***100%***
Net change in fair value of biological assets	25,932	18,505	40%
Cost of sales	(39,582)	(18,416)	115%
Gross Profit	***23,436***	***18,665***	***26%***
Government grant received	2,055	3,309	-38%
Other operating income	183	89	106%
Selling, general and administrative expenses	(5,644)	(4,274)	32%
Other operating expenses	(3,432)	(3,447)	nil
Operating profit	***16,598***	***14,342***	***16%***
Finance income	2,416	473	411%
Finance expenses	(7,915)	(3,588)	121%
Expenses related to issuance of Put Option	134	(774)	-117%
Profit before tax	***11,233***	***10,453***	***7%***
Income tax benefit	552	2	*27t*
Profit for the period	11,785	10,455	13%
EBITDA	***22,830***	***19,600***	***16%***

Revenue

The Group's revenue from sales of finished goods in the period ended 30 September 2013 increased in two times comparing to prior period, primarily because of selling volume and average price increase compare to similar period of 2012.

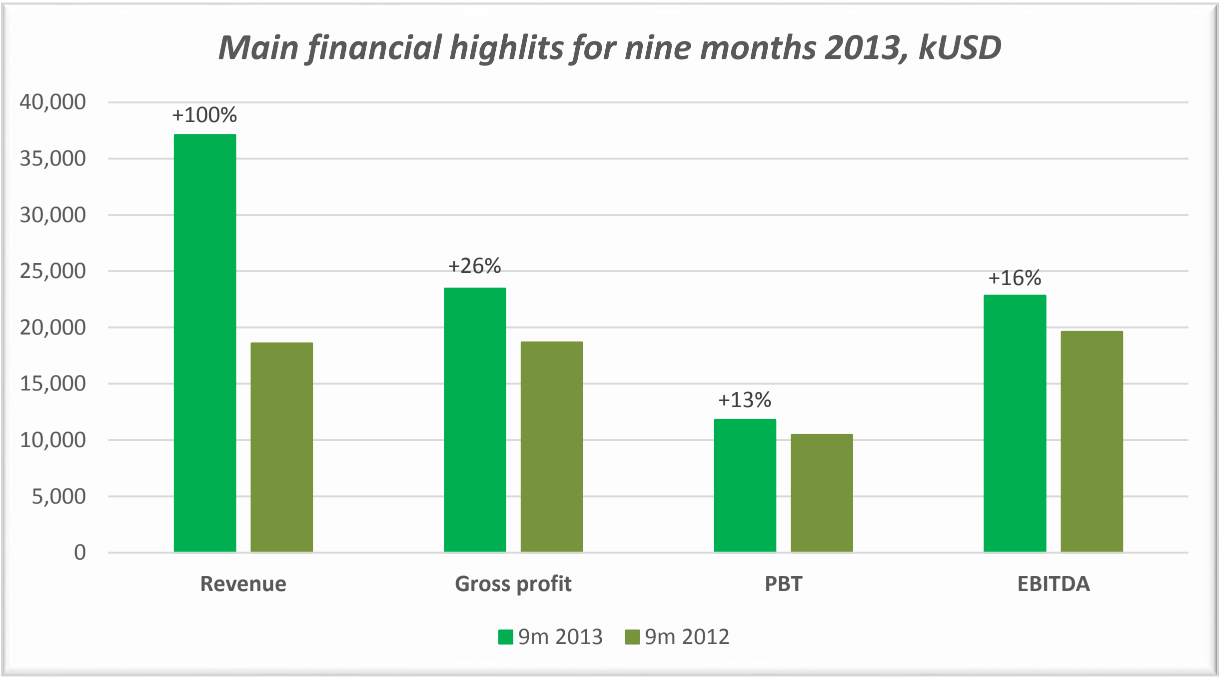
The most significant portion of the Group's revenue comes from rapeseed seeds, which represented 50% and 7% of total revenue for the periods ended 30 September 2013 and 2012, respectively. The following table sets forth the volume of the Group's main crops and revenues generated from the sales of such crops:

	30 September 2013	**30 September 2012**	**Change, %**
Rapeseed			
Sales, 000'USD	14,029	695	19t
Sales, tones	26,554	1,502	17t
Average price, USD/ton	528	463	n/a
Wheat			
Sales, 000'USD	7,552	4,473	69%
Sales, tones	47,883	18,533	158%
Average price, USD/ton	158	241	-34%

Revenue related to sales of rapeseed seeds increased by 19 times to USD 14,029 thousand for the period ended 30 September 2013. This is explained by the fact that in the Group significantly increased land under rapeseed.

Revenue from sales of wheat increased by 69% to USD 7,552 thousand in the period ended 30 September 2013 comparing to prior period and was driven mainly by increase in the volume of sold seeds from 18,533 tons to 47,833 tons or by 158%.

Purchases of new agricultural equipment and vehicles resulted in increase in revenue from rendering of services. The Group earned USD 764 thousand from plowing, seeding and transportation services in the period ended 30 September 2013, comparing to USD 110 thousand earned in the period ended 30 September 2012.



Gross profit

The Group's gross profit increased from USD 18,665 thousand for the period ended 30 September 2012 to USD 23,436 thousand in current period or by 26%.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by 32% from USD 4,274 thousand for the period ended 30 September 2012 to USD 5,644 thousand in current period. That is inline with revenue growth.

Finance income

Amount of finance income increased in current period by USD 1,943 thousand or by 4 times comparing to the period ended 30 September 2012, mainly due to higher amounts of deposits placed as pledges in banks within the current period.

Finance expenses

Amount of finance expenses increased in current period by USD 4,327 thousand or by 121% comparing to the period ended 30 September 2012. The increase in the amount of finance expenses is explained by higher volumes of interest-bearing loans and borrowings attracted by the Group to finance its sowing and harvesting campaigns held and investment projects.

Income tax benefit

The Group recorded USD 552 thousand of income tax benefit in the period ended 30 September 2013, that is higher by USD 550 thousand (or by 27 times) than in prior period.

Profit for the period

Profit for the period increased by 13% to USD 11,785 thousand from USD 10,455 thousand for the period ended 30 September 2012. This change reflects all of items discussed above.

Subsequent events

The Group has acquired 100% share of corporate rights in SFG Bulah LLC in October 2013. SFG Bulah LLC is an agricultural farming company (with land bank of around 2,000 ha) situated in Dnipropetrovsk region, Ukraine.

Additionally, the Group has sold 100% share of corporate rights in Agro Dnister LLC which operates land bank of around 1,600 ha in Khmelnitsky region, Ukraine.

Business and financial risks

Weather conditions

Weather conditions are a significant operating risk affecting the Group's crop growing operations. Weather not only directly impacts crop yields, but also the cost of, and the Group's ability to complete, harvests. Weather and other aspects of growing conditions may also lead to a greater use of fertilizers and other chemicals, which may also increase costs. Accordingly, the Group is highly susceptible to changes in the growing conditions of the regions in which it operates, as determined by the weather and otherwise, and the resulting impact on the production of crops. The Group irrigates not all land it farms and is therefore reliant on rainfall to water its crops. In the event of a shortage of rainfall the Group may lose some of its crops. Floods, heavy rainfall, snow and/or frost may also have an adverse effect on the Group's crops. The Group has no ability to control the effect of climate changes and poor weather conditions. Such factors may adversely affect the Group's business, results of operations and financial condition. But used technology of direct sowing, irrigation and proper adopting of crop rotation are main risk reducing actions.

Business seasonality

Due to seasonality of the Group's business and its related short-term financing requirements, it may experience liquidity problems.

The Group is required to perform various agricultural operations, such as fertilizing, planting and harvesting, during specific seasons in the agricultural calendar. The time period for completing these key operations is very limited. The Group is exposed to the risk of equipment breakdown or failure or injury to, or death of, personnel at all times. If any of these risks or other risks that may interrupt operations, such as poor weather, were realized during a key period in the agricultural calendar, the Group may have to incur significant expense to remedy the situation, which could materially and adversely affect the Group's business, financial condition and results of operations.

Due to the seasonal nature of the Group's business, the Group requires high levels of financing in the period immediately following the harvest to support the purchase of raw materials as they become available. The Group fulfils its seasonal financing requirements by obtaining credit lines from commercial banks, which are repaid in the course of the financial year or longer on the condition that its sales to customers are timely settled. If the majority of the Group's customers were unable or unwilling to fulfill their payment obligations in a timely manner the Group would be forced to repay its credits lines from other resources, thus jeopardizing its liquidity.

Currency-related and interest rate risks

The Group is subject to currency-related and interest rate risks.

Fluctuations in the value of USD, which is the Group's reporting currency, against other currencies, such as UAH, and EUR, have in the past had, and may have in the future, an adverse effect on the Group's results of operations. All domestic sales are in UAH, which is not a freely tradable currency. The results of domestic operations are reported in UAH and then converted into USD at applicable exchange rates for inclusion in our consolidated financial statements. Moreover, although most of Group's contracts (such as lease agreements and goods supply contracts) are denominated in UAH, payments under certain of such contracts are calculated and adjusted based on the applicable exchange rate of UAH to USD or EUR on the date of payment. A change in the value of these currencies compared to UAH would have a negative effect on the Group's results of the operations. The Group also encounters currency exchange risks to the extent that it incurs operating expenses in a currency other than that in which it has obtained financing or those in which it generates revenues.

In the ordinary course of business, the Group does not enter into hedging transactions in order to manage the exposure to foreign exchange, currency and interest rate risks. The Group cannot assure prospective investors that any hedging transaction that it may enter into in order to protect against such risks will be successful or that shifts in currency exchange rates generally will not have a material adverse effect on the financial condition or results of operations.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Statement of persons responsible within the issuer

The Board of directors represents persons responsible within the Company and consists of:

- Mr. Sergiy Kasianov, Category A Director (Chairman)
- Mr. Sergii Mazin, Category A Director (Chief executive director)
- Mr. Tomasz Jankowski, Category A Director (Executive director)
- Mr. Jacob Mudde, Category B Director (Non-executive director)
- Ms. Gwenaëlle Bernadette Andrée Dominique Cousin, Category B Director (Non-executive director)

The Board of Directors (the "Board") observes the majority of rules of Warsaw Stock Exchange corporate governance rules included in the "Code of Best Practice for WSE Listed Companies" to the form and extent determined by the Resolution No. 20/1287/2011 of the Exchange Supervisory Board dated 19 October 2011. Code of Best Practice for WSE Listed Companies is available at the official website of the Warsaw Stock Exchange: www.corp-gov.gpw.pl

The Board nominates at least three members to Audit Committee, which performs a review and evaluation, at least annually, its performance, members' performance, and the internal audit department, including reviewing the compliance to Charter and Instructions.

Board of directors confirms that interim condensed consolidated financial statements have been prepared in accordance with IAS 34.

S.P. Kasianov
(Chairman of the Board)

KSG Agro S.A.

Unaudited Interim Condensed Consolidated Financial Statements

30 September 2013

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Statement of the Board of Directors and management's responsibility

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

The following statement is made with a view to clarify responsibilities of the management and the 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 at 30 September 2013 and for the nine months then ended in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" as adopted by the European Union.

In preparing the interim condensed consolidated financial statements, the Board of Directors and the 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;
- 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 except when this assumption is inappropriate.

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 annual 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 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 2013, 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 for the nine months ended 30 September 2013 were approved on 15 November 2013.

S.P. Kasianov (Chairman of the Board)	S.V. Mazin (Chief Executive Officer)	L.V. Velichko (Chief Financial Officer)

KSG Agro S.A.

Unaudited Interim Condensed Consolidated Statement of Financial Position

In thousands of US dollars	Note	30 September 2013 (unaudited)	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	81,733	76,489
Intangible assets	7	26,265	27,537
Long-term biological assets		23,359	1,856
Promissory notes receivable		473	352
Term deposits		4,993	3,107
Total non-current assets		**136,823**	**109,341**
Current assets			
Current biological assets	9	38,275	38,882
Inventories and agricultural produce	8	37,690	20,354
Trade and other accounts receivable	10	36,289	19,836
VAT recoverable		5,971	3,862
Term deposit		11,419	5,747
Cash and cash equivalents		4,113	711
		133,757	**89,392**
Non-current assets held for sale		5,033	5,033
Total current assets		**138,790**	**94,425**
TOTAL ASSETS		**275,613**	**203,766**
EQUITY			
Share capital		150	149
Share premium		37,252	36,821
Treasury shares		(112)	-
Prepayments for future share issue		-	432
Retained earnings		52,561	42,919
Currency translation reserve		179	181
Equity attributable to the owners of the Company		**90,030**	**80,502**
Non-controlling interests		**27,953**	**25,618**
TOTAL EQUITY		**117,983**	**106,120**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	11	53,448	9,914
Trade accounts payable		359	-
Promissory notes issued		203	413
Deferred tax liability		2,210	2,778
Total non-current liabilities		**56,220**	**13,105**
Current liabilities			
Loans and borrowings	11	44,100	48,709
Trade and other accounts payable	12	56,517	34,737
Derivative financial liability on warrants issued		486	389
Promissory notes issued		255	424
Income tax payable		52	282
Total current liabilities		**101,410**	**84,541**
TOTAL LIABILITIES		**157,630**	**97,646**
TOTAL LIABILITIES AND EQUITY		**275,613**	**203,766**

Approved for issue and signed on behalf of the Board of Directors on 15 November 2013

S.P. Kasianov	S.V. Mazin	L.V. Velichko
(Chairman of the Board)	(Chief Executive Officer)	(Chief Financial Officer)

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

Unaudited Interim Condensed Consolidated Income Statement

In thousands of US dollars	**Note**	**Nine months ended 30 September 2013 (unaudited)**	**2012 (unaudited)**
Revenue	13	37,086	18,576
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs		25,932	18,505
Cost of sales	14	(39,582)	(18,416)
Government grant received		2,055	3,309
Selling, general and administrative expenses	15	(5,644)	(4,274)
Other operating income		183	89
Other operating expenses	16	(3,432)	(3,447)
Operating profit		**16,598**	**14,342**
Finance income	17	2,416	473
Finance expenses	17	(7,915)	(3,588)
Expenses related to issuance of Put Option		134	(774)
Profit before tax		**11,233**	**10,453**
Income tax benefit		552	2
Profit for the period		**11,785**	**10,455**
Profit attributable to:			
Owners of the Company		9,642	10,170
Non-controlling interest		2,143	285
Profit for the period		**11,785**	**10,455**
Earnings per share			
Weighted-average number of common shares outstanding		14,930,701	14,925,000
Earnings per share (basic and diluted), USD		0.65	0.70

Unaudited Interim Condensed Consolidated Statement of Other Comprehensive Income

In thousands of US dollars	**Nine months ended 30 September 2013 (unaudited)**	**2012 (unaudited)**
Profit for the period	**11,785**	**10,455**
Other comprehensive income, net of income tax		
Currency translation differences	(2)	119
Total comprehensive income for the period	**11,783**	**10,574**
Total comprehensive income attributable to		
Owners of the Company	9,640	10,289
Non-controlling interests	2,143	285
Total comprehensive income for the period	**11,783**	**10,574**

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

Unaudited Interim Condensed Consolidated Statement of Cash Flows

In thousands of US dollars	Note	Nine months ended 30 September 2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities			
Profit before tax		11,234	10,453
Adjustments for:			
Depreciation and amortization	6,7	6,232	5,258
Impairment of accounts receivable	16	93	453
Unrealized gain on biological assets and agricultural produce		(20,955)	(17,646)
Income related to issuance of Put Option		(134)	774
Loss on disposals of property, plant and equipment	16	407	-
Finance expenses	17	7,914	3,588
Finance income	17	(2,608)	(473)
Gain on acquisition of subsidiaries		-	(18)
Operating cash flows before working capital changes		**2,183**	**2,389**
Change in trade and other accounts receivable		(17,024)	1,753
Change in current biological assets		59	(5,807)
Change in inventories and agricultural produce		(17,389)	(8,027)
Change in trade and other accounts payable		28,465	11,688
Cash used in operations		**(3,706)**	**1,996**
Interest received		1,198	342
Interest paid		(5,138)	(3,953)
Income tax paid		(141)	(86)
Net cash used in operating activities		**(7,787)**	**(1,701)**
Cash flow from investment activities			
Acquisition of property, plant and equipment		(9,901)	(6,115)
Settlement of business acquisition liabilities		(5,516)	-
Proceeds from disposal of property, plant and equipment		71	-
Financial investments acquisition		-	(2,537)
Acquisition of companies, less cash acquired		-	(9,119)
Term deposits (placed) / receipt		(7,558)	2,566
Net cash used in investment activities		**(22,904)**	**(15,205)**
Cash flow from financing activities			
Bank loans and other borrowings		67,400	22,805
Repayment of bank loans		(31,041)	(4,052)
Purchase of own shares		(112)	-
Repayment of financial lease liabilities		(2,154)	(1,190)
Net cash received from financing activities		**34,093**	**17,563**
Net increase/(decrease) in cash and cash equivalents		3,402	657
Cash and cash equivalents at the beginning of the period		711	1,122
Exchange differences		-	2
Cash and cash equivalents at the end of the period		**4,113**	**1,781**

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

In thousands of US dollars	Attributable to owners of the Company: Share capital	Share premium	Treasury shares	Prepayment for future share issue	Currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
Balance as at 31 December 2012	**149**	**36,821**	-	**432**	**181**	**42,919**	**80,502**	**25,618**	**106,120**
Profit for the period	-	-	-	-	-	9,642	9,642	2,143	11,785
Other comprehensive income	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive income for the period	-	-	-	-	(2)	9,642	9,640	2,143	11,783
Purchase of treasury shares	-	-	(112)	-	-	-	(112)	-	(112)
Issue of shares	1	431	-	(432)	-	-	-	-	-
Disposal of subsidiary (Note 5)	-	-	-	-	-	-	-	192	192
Balance as at 30 September 2013 (unaudited)	**149**	**37,252**	**(112)**	**-**	**179**	**52,561**	**90,030**	**27,953**	**117,983**

In thousands of US dollars	Attributable to owners of the Company: Share capital	Share premium	Treasury shares	Prepayment for future share issue	Currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
Balance as at 31 December 2011	**149**	**36,821**	-	-	**(139)**	**35,595**	**72,426**	**18,345**	**90,771**
Effect of finalization of acquisition accounting	-	-	-	-	-	(784)	(784)	-	(784)
Balance as adjusted at 31 December 2011	**149**	**36,821**	-	**-**	**(139)**	**34,811**	**71,642**	**18,345**	**89,987**
Profit for the period	-	-	-	-	-	10,170	10,170	285	10,455
Other comprehensive income	-	-	-	-	119	-	119	-	119
Total comprehensive income for the period	-	-	-	-	119	10,170	10,289	285	10,574
Acquisition of subsidiary	-	-	-	-	-	-	-	1,046	1,046
Balance as at 30 September 2012 (unaudited)	**149**	**36,821**	**-**	**-**	**(20)**	**44,981**	**81,931**	**19,676**	**101,607**

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

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 8 March 2011 the Company's name was changed to KSG Agro S.A.

The registered office of the Company is at 46A avenue J.F. Kennedy, L-1855 Luxembourg and the Company number with the Registre de Commerce is B 156 864.

The Company and its subsidiaries (together referred to as the "Group") produces and sells agricultural products and its business activities are conducted mainly in Ukraine. The Group's parent is ICD Investments S.A., registered in Switzerland and the ultimate controlling party is Mr. Sergiy Kasianov.

2. Basis of preparation

These interim condensed consolidated financial statements for the nine months period ended 30 September are prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" as issued by the International Accounting Standards Board and adopted by the European Union. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS adopted by European Union.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of the new standards and interpretations effective as of 1 January 2013.

Several new standards and amendments apply for the first time in 2013. However, they do not impact annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not impacted the fair value measurements carried by the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

Exchange rate fluctuations. The Currency of each consolidated entity is the currency of the primary operating environment in which the entity operates. The functional currency of 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. As at 30 September 2013, the exchange rate used for translating foreign currency balances was USD 1 = UAH 7.99 (31 December 2012: USD 1 = UAH 7.99); EUR 1 = 10.82 UAH (31 December 2012: EUR 1 = 10.54 UAH).

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the interim condensed consolidated financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim condensed consolidated financial statements, deviate from the actual circumstances, the original estimates will be modified as appropriate in the period the circumstances change.

The Group makes estimates and assumptions that affect the amounts recognised in the interim condensed 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

3. Critical accounting estimates and judgements in applying accounting policies (continued)

Group's accounting policies. Judgements that have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next year are:

Goodwill.

The Group tests goodwill for impairment at least annually. The recoverable amount of each cash-generating unit was determined based on fair value less costs to sell calculations. These calculations use cash flow projections based on budgets covering a five-year period. Cash flows beyond this five-year period are extrapolated using the estimated growth rates below. Management determined budgeted gross margin based on past performance and its market expectations. The key assumptions used in the management's projections as of 31 December 2012 to which the recoverable amount is the most sensitive were:

Crop production CGUs (Soyuz-3, Unirem Agro, Agrotehnologiya, Agrofirm Vesna, Agro Golden, Agroplaza, Dnipro)

- discount rate is estimated by the reference to current market-determined pre-tax rates (20.2%);
- revenue growth rate varies from 6% to 34% depending on the type of crop and year;
- yield growth rate - varies from 2% to 11% depending on the type of crop and year;

Food processing CGU (Kovbasna Liga)

- discount rate is estimated by the reference to current market-determined pre-tax rates (20.2%);
- gradual increase of meat production capacity and reaching the maximum capacity by 2016;
- steady capacity of sunflower oil production at the level of 95%.

Management's estimates show that reasonably possible changes in the key assumptions would not cause impairment of goodwill. As at 30 September 2013, no indicator of impairment was identified and goodwill was not tested for impairment.

Biological assets.

Biological assets are carried at fair value less costs to sell. Gains and losses arising from changes in the fair values of biological assets are recognized in the consolidated income statement. The fair value of biological assets is determined as the present value of the estimated net future cash inflows from sales of the harvest from these assets less estimated selling costs and other cash outflows relating to costs that would be necessary to grow and harvest the biological assets, including land lease costs, in order to transform them to agricultural produce. The fair value of livestock held for sale is based on the market price of livestock of similar age, weight, breed and genetic make-up. The net estimated cash inflows are discounted at rate of 20.2% per annum to reflect their present 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.

Sensitivity of the value of crops in the field to changes in key assumptions is as follows:

	30 September 2013	**31 December 2012**
Increase / (Decrease) in the expected crop yield or expected selling prices by 10%	5,080/(5,080)	4,650/(4,650)
Decrease / (Increase) in the cultivation and production costs until the harvest by 10%	2,058/(2,058)	958/(958)
Decrease / (Increase) in the discount rate by 100 basis points	305/(305)	154/(154)

Sensitivity of the value of non-current livestock to changes in key assumptions is as follows:

	30 September 2013	**31 December 2012**
Increase / (Decrease) in average piglets per one sow	1,724/(1,724)	n/a
Decrease / (Increase) in the cost of breeding of one piglet by 10%	702/(702)	n/a
Decrease / (Increase) in the discount rate by 100 basis points	301/(301)	n/a

Agricultural produce.

Agricultural produce is the harvested product of the Group's biological assets. It is recorded at its fair value less costs to sell at the point of harvest. The determination of fair value for a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by type or quality. 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 or 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. A 10% increase or decrease in market prices compared to the selling prices used would result in an increase or decrease in the fair value of agricultural produce of USD 2,500 thousand (31 December 2012: an increase or decrease in the fair value of agricultural produce of USD 638 thousand).

3. Critical accounting estimates and judgements in applying accounting policies (continued)

Share purchase warrant.

The share purchase warrant belongs to level 2 in the hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques, for details refer to Note 15 of consolidated financial statements of the Group for the year ended 31 December 2012. The fair value of the share purchase warrant was determined using Black-Scholes model based on the following inputs:

	30 September 2013	**31 December 2012**
Current stock price, USD	3.59	3.64
Risk-free rate, %	3.05	3.11
Volatility, %	64.68	55.15

4. Non-current assets held for sale

The Group classified its interest in bread factories (48% interest in PJSC Krivorizhskiy Hlibokombinat #1, 46% interest in PJSC KrivorizhHlib and 31% interest in PJSC Zhovtovodskyi hlibokombinat) at cost of purchase being their fair value and measures as assets held for sale at 30 September 2013 due to plans to sell the shares by the end of 2013.

5. Disposal of subsidiary

The Group has sold 100% of corporate rights in “Trade House WorldFood” LLC (a trading company registered in Kyiv, Ukraine) for a total consideration of USD 123 thousand. As a result of disposal of subsidiary, the Group did not receive gain or loss. Assets and liabilities, income and expenses of disposed subsidiary are insignificant on the Group level.

6. Property, plant and equipment

Movement of property, plant and equipment for the nine months ended 30 September 2013 and 2012 was as follows:

In thousands of US dollars	**Buildings and construction**	**Agricultural equipment**	**Vehicles and office equipment**	**Construction in progress**	**Total**
Carrying amount as at 1 January 2013	**47,312**	**21,111**	**4,185**	**3,881**	**76,489**
Additions	370	4,171	2,140	5,337	12,018
Disposals	-	(868)	(883)	-	(1,751)
Depreciation charge	(2,170)	(2,250)	(602)	-	(5,022)
Exchange differences	-	(1)	-	-	(1)
Carrying amount as at 30 September 2013 (unaudited)	**45,512**	**22,163**	**4,840**	**9,218**	**81,733**

In thousands of US dollars	**Buildings and construction**	**Agricultural equipment**	**Vehicles and office equipment**	**Construction in progress**	**Total**
Carrying amount as at 1 January 2012	**33,566**	**11,418**	**3,079**	**2,600**	**50,663**
Additions	30	5,007	22	1,056	6,115
Transfers	2,028	-	-	(2,028)	-
Disposals	(90)	(118)	(23)	-	(231)
Depreciation charge	(1,398)	(2,092)	(836)	-	(4,326)
Increases resulting from business acquisitions	8,213	7,636	1,366	-	17,215
Exchange differences	(28)	(7)	(1)	-	(36)
Carrying amount as at 30 September 2012 (unaudited)	**42,321**	**21,844**	**3,607**	**1,628**	**69,400**

The Group capitalised USD 590 thousand of borrowing costs (for 9 months ended 30 September 2012: nil) on the construction of big-breeding complex during the period. Borrowing costs that are directly attributable to the construction were capitalised at the effective rate of 18%.

7. Intangible assets

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Goodwill	15,077	15,265
Land lease rights	11,060	12,268
Other intangible assets	128	4
Total intangible assets	**26,265**	**27,537**

Movements in the carrying amount of land lease rights were as follows:

In thousands of US dollars	2013 (unaudited)	2012 (unaudited)
Carrying amount as at 1 January	**12,268**	**6,125**
Increase resulting from business combination	-	6,680
Amortization charge	(1,208)	(880)
Exchange differences	-	(3)
Carrying amount as at 30 September	**11,060**	**11,922**

8. Inventories and agricultural produce

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Agricultural produce	26,434	10,225
Agricultural stock	4,487	2,488
Spare parts	2,600	243
Work in process	2,043	5,017
Fuel	782	412
Goods for resale	648	804
Other	696	1,165
Total inventories and agricultural produce	**37,690**	**20,354**

Agricultural produce consists mainly of wheat, barley and rapeseed (31 December 2012: wheat, barley and sunflower).

9. Current biological assets

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Crops in the field	36,238	36,900
Livestock husbandry	2,037	1,982
Total current biological assets	**38,275**	**38,882**

The balances of crops in the field were as follows:

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Rapeseed	14,467	17,601
Sunflower	10,632	-
Corn	6,745	-
Wheat	2,455	15,528
Barley	-	3,771
Other	1,939	**-**
Total crops in the field	**36,238**	**36,900**

Total area of agricultural land leased by the Group is over 96 thousand hectares at 30 September 2013 (unaudited).

9. Current biological assets (continued)

Movements in crops in the field during the period consist of:

In thousands of US dollars	2013 (unaudited)	2012 (unaudited)
Carrying amount as at 1 January	**36,900**	**11,692**
Costs incurred during the period, including spring crops	42,801	27,312
Increase resulting from business acquisitions	-	2,877
Increase from changes in fair value less expected costs to sell	2,935	16,977
Harvested during the period	(46,397)	(22,215)
Exchange difference	(1)	124
Carrying amount as at 30 September	**36,238**	**37,497**

10. Trade and other accounts receivable

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Trade accounts receivable	21,959	12,825
Less: Provision for trade accounts receivable	(118)	(118)
Loans issued	8,008	2,336
Loans to employees	10	83
Other financial receivables	2,651	2,016
Less: Provision for other financial receivables	(529)	(529)
Total financial trade and other receivables	31,981	16,613
Advances issued	4,308	3,223
Total trade and other accounts receivable	**36,289**	**19,836**

11. Loans and borrowings

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Long-term		
Bank loans	33,681	8,459
Loans from related parties (Note 19)	10,601	-
Financial lease liabilities	3,879	1,455
Other loans	5,287	-
Total long-term loans and borrowings	**53,448**	**9,914**
Current		
Bank loans	41,788	42,420
Financial lease liabilities	2,312	2,021
Loans from related parties (Note 19)	-	158
Other loans	-	4,110
Total current loans and borrowings	**44,100**	**48,709**

During the nine months ended 30 September 2013 the Group received bank loans of USD 27,776 thousand denominated in UAH and bearing interest from 15% to 19.5% per annum and USD 29,454 thousand denominated in USD and bearing interest from 9% to 12.5% per annum. The loans are payable in 2013-2015.

Additionally the Group repaid loans in the amount of USD 4,487 thousand denominated in USD and bearing interest of 9% per annum and USD 26,554 thousand denominated in UAH and bearing interest from 22% to 23% per annum.

Besides, during the period ICD Investments SA provided the Group with loan of USD 10,170 thousand denominated in USD bearing interest rate of 9% per annum and repayable in 2017.

Leased assets with the carrying amount of USD 6,725 thousand (31 December 2012: 1,920 thousand) act as collateral for the Group’s obligations under finance lease agreements.

11. Loans and borrowings (continued)

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

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Property, plant and equipment	37,857	34,680
Biological assets	17,161	679
Term deposits	13,354	7,603
Receivables	12,503	12,503
Inventory	8,078	7,553
Term deposits pledged for related parties (Note 19)	3,125	1,251
Total carrying amount of collateral	**92,078**	**64,269**

12. Trade and other accounts payable

In thousands of US dollars	30 September 2013 (unaudited)	31 December 2012
Trade payables	23,177	9,559
Financial assistance received	6,206	1,248
Land lease payables	4,663	1,170
Wage and salaries	369	288
Promissory note issued to GEM	189	89
Unpaid consideration on acquisition of Agroplaza	31	5,271
Other accounts payable	607	5,977
Total financial trade and other payables	35,242	23,602
Prepayments received	21,275	11,135
Total trade and other payables	**56,517**	**34,737**

13. Revenue

	Nine months ended 30 September	
In thousands of US dollars	2013 (unaudited)	2012 (unaudited)
Sale of agricultural produce and processed food	36,126	17,985
Rendering of services	960	591
Total revenue	**37,086**	**18,576**

14. Cost of sales

	Nine months ended 30 September	
In thousands of US dollars	2013 (unaudited)	2012 (unaudited)
Cost of goods sold	38,740	17,869
Cost of services rendered	842	547
Total cost of sales	**39,582**	**18,416**

15. Selling, general and administrative expenses

	Nine months ended 30 September	
In thousands of US dollars	2013 (unaudited)	2012 (unaudited)
Informational, expert and consulting services	1,453	1,048
Transport services	1,057	748
Crops storage and refining	787	416
Wages and salaries	732	1,122
Depreciation	568	390
Bank services	370	154
Materials	124	133
Taxes, other than income tax	21	94
Other expenses	533	169
Total selling, general and administrative expenses	**5,644**	**4,274**

16. Other operating expenses

	Nine months ended 30 September	
In thousands of US dollars	**2013 (unaudited)**	**2012 (unaudited)**
Loss on disposal of property, plant and equipment	1,055	-
Lost of harvest	1,024	-
Loss from VAT on export operations	361	-
Impairment of value-added tax receivable	358	-
Maintenance and repairs	248	-
Fines and penalties	117	2,084
Impairment of accounts receivable and write-off of prepayments made	93	506
Other expenses	176	857
Total other operating expenses, net	**3,432**	**3,447**

Loss from VAT on export operations for nine months ended 30 September 2013 amounting to USD 361 related to changes in Ukrainian tax legislation. According to the Tax Code temporarily till 1 January 2014 sales operations on export of certain agricultural crops are exempted from VAT. Consequently, the Company loses the right on VAT credit for expenses incurred for cultivation of these crops.

17. Finance income and expenses

	Nine months ended 30 September	
In thousands of US dollars	**2013 (unaudited)**	**2012 (unaudited)**
Finance income		
Interest income	1,596	383
Exchange differences	210	90
Other finance income	610	-
Total finance income	**2,416**	**473**
Finance expenses		
Interest expense on bank loans	(6,802)	(3,430)
Unwiding of discount on long-term financial liabilities	(420)	-
Interest on financial leasing	(345)	
Other finance expenses	(348)	(158)
Total finance expenses	**(7,915)**	**(3,588)**

18. Operating segments

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

- *Crop production.* Crop production is the core business of the Group. It is generally focused on production of sunflower, wheat, barley, rapeseed, 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 delicates to retail chains.
- *Other operations.* This operating segment includes fruit and vegetable production, cultivation and sale of farm animals (pigs and cattle), pellet production and the 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.

16. Operating segments (continued)

Group's assets and liabilities are not monitored by operating segments. Substantially all non-current assets relate to subsidiaries located in Ukraine.

Information about operating segments for the nine months ended 30 September 2013 is as follows:

In thousands of US dollars	Crop production	Food Processing	Other operations	Total
Revenue	29,765	4,622	5,652	**40,039**
Inter-segment transactions	(1,702)	(60)	(1,191)	(2,953)
Revenue from external customers	**28,063**	**4,562**	**4,461**	**37,086**
Change in fair value of biological assets less estimated point-of-sale costs	15,295	55	10,582	25,932
Cost of sales	(29,269)	(4,886)	(5,427)	(39,582)
Segment profit / (loss)	**12,785**	**(269)**	**9,616**	**23,436**
Government grant received				2,055
Selling, general and administrative expenses				(5,644)
Other operating income / (expense), net				(3,249)
Operating profit				**16,598**
Finance income				2,416
Finance expenses				(7,915)
Expenses on Put Option and Warrants				134
Profit before tax				**11,233**
Income tax benefit				552
Profit for the period				**11,785**

Information about operating segments for the nine months ended 30 September 2012 is as follows:

In thousands of US dollars	Crop production	Food Processing	Other operations	Total
Revenue	10,798	7,436	2,278	**20,512**
Inter-segment transactions	(1,432)	-	(504)	(1,936)
Revenue from external customers	**9,366**	**7,436**	**1,774**	**18,576**
Change in fair value of biological assets less estimated point-of-sale costs	17,896	609	-	18,505
Cost of sales	(9,285)	(7,572)	(1,559)	(18,416)
Segment profit / (loss)	**17,977**	**473**	**215**	**18,665**
Government grant received				3,309
Selling, general and administrative expenses				(4,274)
Other operating income (expense), net				(49)
Operating profit				**14,342**
Finance income				473
Finance expenses				(3,588)
Expenses on Put Option and Warrants				(774)
Profit before tax				**10,453**
Income tax expense				2
Profit for the period				**10,455**

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 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 2013 (unaudited)		31 December 2012	
In thousands of US dollars	**Parent**	**Entities under common control**	**Parent**	**Entities under common control**
Assets				
Trade accounts receivable	-	783	22	3,828
Loans issued	-	6,025	-	2,255
Other financial receivables	-	-	-	117
Advances issued	-	-	-	643
Liabilities				
Trade accounts payable	-	10	9	635
Prepayments received	-	4,816	-	510
Loans and interest payable	10,575	26	133	25

Revenue and expense transactions with related parties during the nine months ended 30 September 2013 and 2012 were as follows:

	Nine months ended 30 September 2013 (unaudited)		Nine months ended 30 September 2012 (unaudited)	
In thousands of US dollars	**Parent**	**Entities under common control**	**Parent**	**Entities under common control**
Food processing sales	-	867	-	1,494
Sales of agricultural produce	-	833	-	996
Purchases	-	(76)	-	(24)
Interest expenses	(226)	-	(8)	-

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

As at 30 September 2013, the Group has pledged term deposits in the amount of USD 3,125 thousand as collateral for liabilities of a related party (31 December 2012: USD 1,251 thousand).

Transactions with the key management personnel.

Remuneration of key management personnel for the nine months ended 30 September 2013 comprised short-term benefits totalling USD 83 thousand (nine months ended 30 September 2012: USD 749 thousand) (unaudited). Key management personnel comprised from members of the Board of Directors.

20. Subsequent events

The Group has acquired 100% share of corporate rights in SFG Bulah LLC in October 2013. SFG Bulah LLC is an agricultural farming company (with land bank of around 2,000 ha) situated in Dnipropetrovsk region, Ukraine.

Additionally, the Group has sold 100% share of corporate rights in Agro Dnister LLC which operates land bank of around 1,600 ha in Khmelnitsky region, Ukraine.