KSG Agro S.A.

Management report and key achievements highlights

Dear Shareholders,

Let us present the results of KSG Agro S.A. for the first half of 2012.

The Company is moving forward. The land bank under control is growing, the business is developing and we are growing in line with our strategy.

Below you will find information about the most material developments which happened in KSG Agro S.A. during first six months of 2012.

The Company's subsidiaries entered into several deals, with regards to acquiring control of approximately 23 000 ha of land, which are on the final stage of arranging.

The 'Pererobnyk Complex' was bought, which has 60 thousand tons storage capacities silo type, 3 flour mills with total processing capacity of 173 000 tons of wheat annually, and own railway-station on the territory of the complex. The complex has animal feed plant with the annual production capacity of 70 000 tons. Legal aspects of the deal are being finalized in the third quarter of 2012.

Another step on the way of successful implementation of the Group's diversification strategy through the food processing and sales is the acquisition of a 51% share in Agrotechnologiya LLC. This is the entity which processes sunflower seeds to rough oil with the total capacity of 16 thousand tons annually.

Financial highlights for the six-month period ended 30 June 2012

The Group's sales revenue increased by 197% compared to similar period of 2011 to USD 7,677 thousand for the six-month period ended 30 June 2012 from USD 2,588 thousand for the six-month period ended June 30, 2011.

The Group's operating profit for the six-month period ended 30 June 2012 amounted to USD 10,471 thousand in comparison with USD 18,957 thousand for the six-month period ended June 30, 2011, a reduction of 55%. Profit for the period decreased to USD 8,264 thousand in the first half of 2012 compared to USD 18,750 in the first half of 2011.

The Group's EBITDA for the six-month period ended 30 June 2012 amounted to USD 13,860 thousand in comparison with USD 19,401 thousand for the six-month period ended June 30, 2011.

The main driver of these changes is a decrease in the biological assets valuation gain. Unfavorable weather conditions in Ukraine adversely affected expected average yield, resulting in this reduction in the gain on the Group's crops in the field. Management estimates that growth in average market price for agricultural commodities should compensate for a part of such an adverse effect.

Sales

The increase in Group's sales revenue by 197% for the six-month period ended 30 June 2012 in comparison with the six-month period ended June 30, 2011 is explained by the expansion of the Group's food processing segment, which is focused on selling processed products rather than raw seed. Sales of processed food were USD 4,203 thousand in the first half of 2012.

Financial results

The change in Group's financial result for the six-month period ended 30 June 2012 in comparison with the six-month period ended June 30, 2011 is mainly explained by the following:

- Decrease in biological assets fair value gain of USD 5,083 thousand due to lower expected yields as a result of the impact of adverse weather conditions in Ukraine in the first half of 2012 compared to those experienced in 2011;

- Significant increase in depreciation and amortization charge for 6 month period ended 30 June, 2012 (for USD 3,581 thousand or 807%);

- Increase for USD 1,835 thousand in selling, general and administrative expenses due to higher sales in the first half of 2012 compared to the same period of 2011 and general business expansion compare to prior year;

- During the first half of 2011 the Group recorded a gain of USD 1,432 thousand in its operating results from the acquisition of various companies in that period at prices less than the fair value of the companies. The Group recorded USD 18 thousand gain of this nature in the first half of 2012;

- An increase in financial expenses due to the Group's increased loans and borrowings needed to fund the expanded business plus the USD 718 thousand expensed in respect of fees and warrants issued in connection with the Group's put agreement with GEM.

Indebtedness of the Group as at 30 June 2012

During the first six months of 2012 the Group's total loans increased substantially. The funds obtained from these loans were used as following:

- Acquisition of new companies;
- Coverage of net cash outflow from operational activities to compensate seasonality impact on business;
- Interest payments under loans and financial lease liabilities;

The majority of the Group's loans mature during 2013. It is typical in Ukraine for banks to enter into short term loans that are refinanced annually. Management expects that the loans will be refinanced by its existing banks in the normal course. The Group has gained access to additional financing during the first half of 2012 by entering into a put agreement with GEM Investment Fund Limited that allows the Group to have GEM subscribe to up to PLN 75,000 thousand of the Company's ordinary shares during the next three years. The Group agreed to pay GEM a fee of USD 448 thousand and to issue it warrants to acquire an additional 1,500 thousand ordinary shares during the next two years at prices of PLN 35 and PLN 40.

Earnings per share

	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Profit for the period attributable to the owners of the Company (USD thousand)	7,653	18,750
Weighted average number of shares, million pieces	14.93	9.49
Earnings per share, USD	*0.51*	*1.97*

General information

Harvest results of early crops

As at report signing date, KSG Agro Holding had been already harvested 56,321 tons of the early crops. From them: winter barley – 3.4 thousand tons, wheat – 42.4 thousand tons, winter rapeseed – 3.4 tons and spring barley – 7.1 thousand tons.

Equity financing and its impact on financial expenses

The Group recorded an expense of USD 718 thousand in the first half of 2012 in relation to the fee and fair value of the warrants issued in exchange for the put agreement it entered into with GEM.

The cost did not have any impact on the Company's cash flow.

Principal risks and uncertainties for the remaining six–month period of 2012

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 fertilisers 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.

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.

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. Tomasz Jankowski, Category A Director (Executive director)
- Mr. Sergii Mazin, Category A Director (Chief 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 June 2012

Contents

Statement of the Board of Directors and management's responsibility

Report on Review of Unaudited Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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 the 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 at 30 June 2012 and for the six 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 3 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 six months ended 30 June 2012, 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 six months ended 30 June 2012 were approved on 31 August 2012.

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

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Report on review of the condensed consolidated interim financial statements

To the Shareholders of
KSG Agro S.A.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of KSG Agro S.A. and its subsidiaries (the "Group") as at 30 June 2012 and the related condensed interim consolidated income statements and statements of comprehensive income, cash flows and changes in equity for the year then ended. These condensed consolidated interim financial statements are the responsibility of KSG Agro S.A.'s management. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2400, "Engagement to review financial statements", as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This Standard requires that we plan and perform the review to obtain moderate assurance about whether the condensed interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2012, and of the results of its operations and its cash flows for the period then ended in accordance with IAS 34, "Interim financial reporting" as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 31 August 2012

Marc Minet

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Unaudited Interim Condensed Consolidated Statement of Financial Position

in thousands of US dollars	Note	30 June 2012 (unaudited)	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	4	53,298	50,663
Intangible assets	5	19,882	20,524
Long-term biological assets		1,323	1,540
Prepayment for business acquisition	19	5,630	-
Total non-current assets		**80,133**	**72,727**
Current assets			
Current biological assets	7	41,164	13,363
Inventories and agricultural produce	6	14,071	14,800
Trade and other accounts receivable	8	15,213	14,141
VAT recoverable		3,184	1,400
Term deposit		4,380	4,380
Cash and cash equivalents		428	1,122
Total current assets		**78,440**	**49,206**
TOTAL ASSETS		**158,573**	**121,933**
EQUITY			
Share capital		149	149
Share premium		36,821	36,821
Retained earnings		42,464	34,811
Currency translation reserve		23	(139)
Net assets attributable to the owners of the Company		**79,457**	**71,642**
Non-controlling interests		20,002	18,345
TOTAL EQUITY		**99,459**	**89,987**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	5,812	5,201
Promissory notes issued		546	579
Deferred tax liability		803	565
Total non-current liabilities		**7,161**	**6,345**
Current liabilities			
Loans and borrowings	10	35,794	18,145
Trade and other accounts payable	11	15,136	6,907
Derivative financial liability on warrants issued	9	680	-
Promissory notes issued		126	313
Income tax payable		217	236
Total current liabilities		**51,953**	**25,601**
TOTAL LIABILITIES		**59,114**	**31,946**
TOTAL LIABILITIES AND EQUITY		**158,573**	**121,933**

Approved for issue and signed on behalf of the Board of Directors on 31 August 2012.

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

KSG Agro S.A.

Unaudited Interim Condensed Consolidated Income Statement

In thousands of US dollars	Note	Six months ended 30 June 2012 (unaudited)	2011 (unaudited)
Revenue	12	7,677	2,588
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs		12,554	17,637
Cost of sales	13	(7,931)	(1,287)
Selling, general and administrative expenses	14	(2,694)	(859)
Other operating income, net	15	865	878
Operating profit		**10,471**	**18,957**
Finance income	16	441	953
Finance expenses	16	(1,973)	(1,157)
Expenses related to issuance of Put Option	9	(718)	-
Profit before tax		**8,221**	**18,753**
Income tax benefit/(expense)		43	(3)
Profit for the period		**8,264**	**18,750**
Profit attributable to:			
Owners of the Company		7,653	18,750
Non-controlling interest		611	-
Profit for the period		**8,264**	**18,750**
Earnings per share			
Weighted-average number of common shares outstanding		14,925,000	9,493,703
Earnings per share (basic and diluted), USD		0.51	1.97

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

In thousands of US dollars	Six months ended 30 June 2012 (unaudited)	2011 (unaudited)
Profit for the period	**8,264**	**18,750**
Other comprehensive income, net of income tax		
Currency translation differences	162	(49)
Total comprehensive income for the period	**8,426**	**18,701**
Total comprehensive income attributable to		
Owners of the Company	7,815	18,701
Non-controlling interests	611	**-**
Total comprehensive income for the period	**8,426**	**18,701**

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	Six months ended 30 June 2012 (unaudited)	2011 (unaudited)
Cash flows from operating activities			
Profit before tax		8,221	18,753
Adjustments for:			
Depreciation and amortization	4, 5	4,025	444
Impairment of accounts receivable	15	454	700
Net effect of gain on change and fair value recognition of biological assets and agricultural produce		(12,554)	(17,637)
Expenses related to issuance of Put Option	9	718	-
Finance expenses	16	1,973	1,157
Finance income	16	(441)	(953)
Gain on acquisition of subsidiaries	19	(18)	(1,432)
Operating cash flows before working capital changes		**2,378**	**1,032**
Change in trade and other accounts receivable		(2,532)	(2,726)
Change in long-term biological assets		217	32
Change in current biological assets		(15,248)	(11,028)
Change in inventories and agricultural produce		729	(1,169)
Change in trade and other accounts payable		7,880	7,031
Cash used in operations		**(6,576)**	**(6,828)**
Income tax paid		(40)	(3)
Net cash used in operating activities		**(6,616)**	**(6,831)**
Cash flow from investment activities			
Acquisition of property, plant and equipment		(3,669)	(291)
Prepayment for business acquisition	19	(5,630)	-
Acquisition of companies, less cash acquired	19	(939)	(22,190)
Interest received		336	939
Net cash used in investment activities		**(9,902)**	**(21,542)**
Cash flow from financing activities			
Bank loans and other borrowings		21,759	9,586
Repayment of bank loans		(3,308)	(1,940)
Issuance of shares		-	36,821
Repayment of financial lease liabilities		(184)	(464)
Interest paid		(2,375)	(975)
Net cash received from financing activities		**15,892**	**43,028**
Net (decrease)/increase in cash and cash equivalents		(626)	14,655
Cash and cash equivalents at the beginning of the period		1,122	30
Exchange differences		(68)	47
Cash and cash equivalents at the end of the period		**428**	**14,732**

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

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

In thousands of US dollars	**Share capital**	**Share premium**	**Currency translation reserve**	**Retained earnings**	**Non-controlling interest**	**Total equity**
	Attributable to owners of the Company					
Balance as at 31 December 2011 as previously reported	**149**	**36,821**	**(139)**	**35,595**	**18,345**	**90,771**
Effect of finalization of acquisition accounting	-	-	-	(784)	-	(784)
Balance as adjusted at 31 December 2011	**149**	**36,821**	**(139)**	**34,811**	**18,345**	**89,987**
Total comprehensive income for the period	-	-	162	7,653	611	8,426
Acquisition of subsidiary (Note 19)	-	-	-	-	1,046	1,046
Balance as at 30 June 2012 (unaudited)	**149**	**36,821**	**23**	**42,464**	**20,002**	**99,459**

In thousands of US dollars	**Share capital**	**Share premium**	**Currency translation reserve**	**Retained earnings**	**Non-controlling interest**	**Total equity**
	Attributable to owners of the Company					
Balance as at 31 December 2010	**2,628**	**-**	**-**	**7,671**	**1,363**	**11,662**
Total comprehensive income for the period	**-**	**-**	(49)	18,750	**-**	18,701
Issue of share capital, net	**-**	36,821	**-**	**-**	**-**	36,821
Acquisition of non-controlling interest	-	-	-	1,363	(1,363)	-
Integration of interests – reorganization	(2,479)	-	-	-	-	(2,479)
Balance as at 30 June 2011 (unaudited)	**149**	**36,821**	**(49)**	**27,784**	**-**	**64,705**

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 unaudited interim condensed consolidated financial statements for the six months period ended 30 June 2012 (the "Interim Financial Statements") are prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" as adopted by the European Union. These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2011 (the "Annual Financial Statements"), which have been prepared in accordance with IFRS.

The Interim Financial Statements have been prepared in accordance with the accounting policies and methods of computation set out in the Annual Financial Statements except in respect of income taxes, which are recognised in the Interim Financial Statements based upon the best estimate of the weighted average income tax rate expected for the full financial year. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements.

The preparation of the Interim 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 Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates will be modified as appropriate in the period the circumstances change.

The Group operates in an industry where significant seasonal variations in total sales are experienced during the year. The Group is required to invest in crop production in the first part of the year, with the majority of the Group's revenues coming in the second half of the year following the summer harvest. Borrowings and trade payables increased significantly from 31 December 2011 to fund this investment in crops in the field. The Group entered into a put option agreement (Note 9) to provide access to up to USD 22,400 thousand of additional working capital if and when needed.

Exchange rate fluctuations. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Group is the national currency of Ukraine, Ukrainian hryvnia ("UAH"). The Group's presentation currency is US Dollars ("USD"). As at 30 June 2012, the exchange rate used for translating foreign currency balances was USD 1 = UAH 7.99 (31 December 2011: USD 1 = UAH 7.99); EUR 1 = 9.97 UAH (31 December 2011: EUR 1 = 11.50 UAH).

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the Interim 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 Interim 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. 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 profit and loss. 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 21.33% 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. 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 biological assets of USD 4,970 thousand (31 December 2011: USD 2,040 thousand). If the discount rate used for fair valuation of the biological assets as of 30 June 2012 would be higher/lower by 100 basis points, the fair value of the biological assets and the respective consolidated income statement amount would decrease by USD 141 thousand or increase by USD 145 thousand (31 December 2011: decrease by USD 125 thousand or increase by USD 129 thousand).

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 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 638 thousand (31 December 2011: an increase or decrease in the fair value of agricultural produce of USD 531 thousand).

4. Property, plant and equipment

Movement of property, plant and equipment for the six months ended 30 June 2012 and 2011 was as follows:

In thousands of US dollars	**Buildings and construction**	**Agricultural equipment**	**Vehicles and office equipment**	**Total**
Carrying amount as at 1 January 2012	**34,137**	**11,419**	**5,107**	**50,663**
Additions	173	3,496	-	3,669
Disposals	(90)	(118)	(23)	(231)
Depreciation charge	(1,221)	(1,496)	(672)	(3,389)
Increases resulting from business combinations	-	2,616	-	2,616
Exchange differences	(28)	(3)	1	(30)
Carrying amount as at 30 June 2012 (unaudited)	**32,971**	**15,914**	**4,413**	**53,298**

In thousands of US dollars	**Buildings and construction**	**Agricultural equipment**	**Vehicles and office equipment**	**Total**
Carrying amount as at 1 January 2011	**430**	**4,293**	**290**	**5,013**
Additions	1	473	572	1,046
Disposals	-	(6)	(4)	(10)
Depreciation charge	(58)	(339)	(47)	(444)
Increases resulting from business acquisitions	773	2,660	856	4,289
Exchange differences	(1)	(9)	(4)	(14)
Carrying amount as at 30 June 2011 (unaudited)	**1,145**	**7,072**	**1,663**	**9,880**

5. Intangible assets

In thousands of US dollars	**30 June 2012 (unaudited)**	**31 December 2011**
Goodwill	14,343	14,347
Land lease rights	5,538	6,125
Other intangible assets	1	52
Total intangible assets	**19,882**	**20,524**

In the Annual Financial Statements the Group reported provisional amounts for the fair values assigned to the identifiable assets, liabilities and contingent liabilities of companies acquired during the period July to December 2011. In 2012, the Group completed its initial accounting for those and recognized land lease rights of USD 7,088 thousand as at the date of acquisition and at the same time reducing the amounts provisionally recognized as goodwill and property, plant and equipment by USD 3,588 thousand and USD 3,500 thousand, respectively. Comparative information presented as at 31 December 2011 before the initial accounting for the combinations were completed was presented as if the initial accounting had been completed from the acquisition date. As a result, retained earnings as at 31 December 2011 decreased by USD 963 thousand compared to the amount previously reported as result of the recording of amortization on the Group's land lease rights

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

In thousands of US dollars	**2012 (unaudited)**	**2011 (unaudited)**
Carrying amount as at 1 January	**6,125**	**-**
Amortization charge	(585)	**-**
Exchange differences	(2)	**-**
Carrying amount as at 30 June	**5,538**	**-**

6. Inventories and agricultural produce

In thousands of US dollars	**30 June 2012 (unaudited)**	**31 December 2011**
Agricultural produce	6,491	6,302
Agricultural stock	3,470	3,281
Work in process	2,604	4,349
Fuel	515	260
Spare parts	183	50
Other	808	558
Total inventories and agricultural produce	**14,071**	**14,800**

Agricultural produce consists mainly of wheat, barley and sunflower (31 December 2011: wheat and sunflower).

7. Current biological assets

In thousands of US dollars	30 June 2012 (unaudited)	31 December 2011
Crops in the field	39,304	11,692
Livestock husbandry	1,860	1,671
Total current biological assets	**41,164**	**13,363**

The balances of crops in the field were as follows:

In thousands of US dollars	30 June 2012 (unaudited)	31 December 2011
Wheat	7,527	9,151
Barley	1,139	1,865
Sunflower	23,926	-
Rape	876	676
Corn	5,007	-
Other	829	-
Total crops in the field	**39,304**	**11,692**

Total area of agricultural land leased by the Group is over 61 thousand hectares, including 58 thousand hectares of arable land (unaudited).

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

In thousands of US dollars	2012 (unaudited)	2011 (unaudited)
Carrying amount as at 1 January	**11,692**	**7,452**
Costs incurred during the period, including spring crops	18,661	7,465
Increase resulting from business acquisitions	-	3,125
Increase from changes in fair value less expected costs to sell	12,492	16,997
Harvested during the period	(3,496)	(632)
Exchange difference	(45)	(10)
Carrying amount as at 30 June	**39,304**	**34,397**

8. Trade and other accounts receivable

In thousands of US dollars	30 June 2012 (unaudited)	31 December 2011
Trade accounts receivable	9,703	11,893
Provision for trade accounts receivable	(336)	(220)
Other financial receivables	458	218
Total financial trade and other receivables	9,825	11,891
Advances issued	5,943	2,692
Provision for advances issued	(818)	(480)
Loans to employees	263	38
Total trade and other accounts receivable	**15,213**	**14,141**

9. Put Option

In April 2012, the Company entered into an agreement (the “Agreement”) with GEM Global Yield Fund Limited (“GEM”) whereby the Company acquired a three year put option requiring GEM to acquire up to Polish Zloty (“PLN”) 75,000 thousand (USD 22,400 thousand) of the Company’s ordinary shares (the “Put Option”). The Company can, at any time, put to GEM to subscribe for up to 10 times the previous 15 days’ average trading volume in the Company’s shares. GEM must then subscribe for from 50 percent to 200 percent of the number of shares put by the Company. The issues price for shares subscribed for under the Put Option will be the 20 day average trading price of the Company’s shares following the put. Shares subscribed for under the put will initially be loaned to GEM by ICD Investments S.A, the Company’s parent company. The Company will have up to a year from the date of each subscription to issue shares to ICD to replace the loaned shares.

In exchange for the Put Option the Company committed to pay a fee of PLN 1,500 thousand (USD 448 thousand) and committed to issue warrants for GEM to acquire 1,500,000 of the Company’s ordinary shares and a promissory note to GEM in respect of the fee. This promissory note, which bears interest at Barclays Bank PLC’s base rate plus four percent, is payable as a percentage of the proceeds from shares as they are subscribed for under the Put Option but in any case not later than by the second anniversary of the Agreement. The warrants, which in accordance with the Agreement, were issued in July 2012, allow GEM to acquire 750,000 ordinary shares of the Company at a price of PLN 35 and 750,000 ordinary shares at PLN 40, each for a period of three years.

The fee and the fair value of the warrants were charged to profit and loss in the period as a financing cost. As the warrants are denominated in other than the Company’s functional currency they are considered a derivative liability and will be marked-to-market at each balance sheet date until they are exercised or expire.

10. Loans and borrowings

In thousands of US dollars	**30 June 2012 (unaudited)**	**31 December 2011**
Long-term		
Financial lease liabilities	321	482
Bank loans	5,491	4,719
Total long-term loans and borrowings	**5,812**	**5,201**
Current		
Financial lease liabilities	571	885
Bank loans	31,113	13,149
Other loans	4,110	4,111
Total current loans and borrowings	**35,794**	**18,145**

During the six months ended 30 June 2012 the Group received bank loans of USD 11,990 thousand denominated in UAH and bearing interest of 18% to 23% per annum and USD 7,151 thousand denominated in USD and bearing interest of 9% per annum and Libor+1.5% per annum. The loans are payable in 2013.

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 June 2012 (unaudited)**	**31 December 2011**
Property, plant and equipment	37,474	3,652
Biological assets	14,442	499
Term deposit	4,380	4,380
Total carrying amount of collateral	**56,296**	**8,531**

Leased assets with the carrying amount of USD 1,920 thousand (31 December 2011: 2,225 thousand) act as collateral for the Group’s obligations under finance lease agreements.

11. Trade and other accounts payable

In thousands of US dollars	30 June 2012 (unaudited)	31 December 2011
Trade payables	7,427	5,060
Land share lease payables	1,103	330
Other accounts payable	1,944	521
Total financial trade and other payables	10,474	5,911
Prepayments received	4,449	845
Wage and salaries accrued	213	151
Total trade and other payables	**15,136**	**6,907**

12. Revenue

	Six months ended 30 June	
In thousands of US dollars	2012 (unaudited)	2011 (unaudited)
Sale of agricultural produce and processed food	7,383	2,158
Rendering of services	294	430
Total revenue	**7,677**	**2,588**

13. Cost of sales

	Six months ended 30 June	
In thousands of US dollars	2012 (unaudited)	2011 (unaudited)
Cost of goods sold	7,741	943
Cost of services rendered	190	344
Total cost of sales	**7,931**	**1,287**

The effect of changes in the fair value of biological assets in the cost of sales is as follows:

	Six months ended 30 June	
In thousands of US dollars	2012 (unaudited)	2011 (unaudited)
Costs incurred	6,876	937
Changes of fair value net of preliminary estimated point of sale expenses	1,055	350
Total cost of sales	**7,931**	**1,287**

14. Selling, general and administrative expenses

	Six months ended 30 June	
In thousands of US dollars	2012 (unaudited)	2011 (unaudited)
Informational, expert and consulting services	836	583
Wages and salaries	722	180
Crops storage and refining	212	-
Depreciation	211	3
Bank services	135	50
Transport services	133	-
Taxes	94	11
Materials	49	5
Other expenses	302	27
Total selling, general and administrative expenses	**2,694**	**859**

15. Other operating income, net

In thousands of US dollars	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Government grant from VAT	1,827	-
Gain on acquisition of subsidiaries	18	1,432
Income from foreign exchange differences	12	247
Impairment of accounts receivable	(454)	(700)
Other expenses	(538)	(101)
Total other operating income, net	**865**	**878**

16. Finance income and expenses

In thousands of US dollars	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2011 (unaudited)
Finance income		
Interest received	336	939
Exchange differences	105	14
Total finance income	**441**	**953**
Finance expenses		
Interest expense on bank loans	(1,881)	(975)
Interest on finance leases	(92)	(182)
Total finance expenses	**(1,973)**	**(1,157)**

17. 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 following summary describes the operations in each of the Group's reporting segments:

- *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.

Inter-segment pricing is at comparable rates as those recognized from third party sales.

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

17. Operating segments (continued)

Information about operating segments for the six months ended 30 June 2012 is as follows:

In thousands of US dollars	Crop production	Food Processing	Other operations	Total
Revenue	2,892	4,203	1,469	**8,564**
Inter-segment transactions	(672)	-	(215)	(887)
Revenue from external customers	**2,220**	**4,203**	**1,254**	**7,677**
Change in fair value of biological assets less estimated point-of-sale costs	12,493	61	-	12,554
Cost of sales	(2,245)	(3,905)	(1,781)	(7,931)
Segment profit/(loss)	**12,468**	**359**	**(527)**	**12,300**
Selling, general and administrative expenses				(2,694)
Other operating income (expense), net				865
Operating profit				**10,471**
Finance income				441
Finance expenses				(1,973)
Expenses on Put Option and Warrants				(718)
Profit before tax				**8,221**
Income tax benefit				43
Profit for the period				**8,264**

Information about operating segments for the six months ended 30 June 2011 is as follows:

In thousands of US dollars	Crop production	Food Processing	Other operations	Total
Revenue	403	1,315	1,524	**3,242**
Inter-segment transactions	(17)	-	(637)	(654)
Revenue from external customers	**386**	**1,315**	**887**	**2,588**
Change in fair value of biological assets less estimated point-of-sale costs	17,330	307	-	17,637
Cost of sales	(261)	(631)	(395)	(1,287)
Segment profit/(loss)	**17,455**	**991**	**492**	**18,938**
Selling, general and administrative expenses				(859)
Other operating income (expense), net				878
Operating profit				**18,957**
Finance income				953
Finance expenses				(1,157)
Profit before tax				**18,753**
Income tax expense				(3)
Profit for the period				**18,750**

18. Related parties

Significant related party balances outstanding at the reporting dates are.

			30 June 2012 (unaudited)			31 December 2011
In thousands of US dollars	Parent	Entities under common control	Key management personnel	Parent	Entities under common control	Key management personnel
Assets						
Trade accounts receivable	-	2,646	-	-	2,288	-
Other accounts receivable	-	951	-	-	-	-
Loans to key management	-	-	38	-	-	38
Liabilities						
Trade accounts payable	-	(192)	-	-	(852)	-
Loans	(197)	-	-	(322)	-	-

Loans to key management personnel do not bear interest and are payable in December 2012.

Revenue and expense transactions with related parties during the six months ended 30 June 2012 and 2011 were as follows:

		Six months ended 30 June 2012 (unaudited)		Six months ended 30 June 2011 (unaudited)
In thousands of US dollars	Parent	Entities under common control	Parent	Entities under common control
Food processing sales	-	870	-	836
Crops sales	-	809	-	-
Purchases	-	(20)	-	(151)
Interest expenses	(5)	-	(8)	-

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

Transactions with the key management personnel. Remuneration of key management personnel for the six months ended 30 June 2012 comprised short-term benefits totalling USD 498 thousand (six months ended 30 June 2011: USD 127 thousand) (unaudited).

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling activities of the Group directly or indirectly, and include five members of the Board of Management and Supervisory Board.

19. Business acquisitions

In May 2012, the Group acquired 51% of the share capital of Agrotechnologiya LLC (“Agrotech”), a company incorporated in Ukraine, for cash consideration totalling USD 1,070 thousand. The Group acquired Agrotech to to expand its food processing business.

The revenue and net loss of Agrotech included in the consolidated income statement from the date of acquisition totalled USD 681 thousand and USD 33 thousand, respectively. If the acquisition had been completed on 1 January 2012, the revenues and net profit of the Group would be USD 1,552 thousand higher and USD 21 thousand higher, respectively (unaudited).

The following table summarizes management’s preliminary estimate of the fair values of the net assets acquired at the date of acquisition. Final fair value of property, plant and equipment will be determined by management with a support of an independent appraiser.

19. Business acquisitions (continued)

In thousands of US dollars	**Agrotechnologiya**
Property, plant and equipment (Note 4)	2,616
Cash and cash equivalents	131
Accounts receivable	778
Accounts payable	(900)
Loans	(175)
Deferred tax liability	(316)
Preliminary fair value of 100% of net assets	**2,134**
Preliminary fair value of non-controlling interest	(1,046)
Preliminary fair value of the Group's share of net assets acquired	1,088
(Gain on acquisition)	(18)
Fair value of consideration paid	**1,070**
Less: cash and cash equivalents of the subsidiaries acquired	(131)
Outflow of cash on acquisition	**939**

In May 2012, the Group paid USD 5,630 thousand to acquire a 50% interest in CJSC Pererobnyk, 48% interest in PJSC Krivorizhskiy Hlibokombinat #1, 46% interest in PJSC KrivorizhHlib and 31% interest in PJSC Zhovtovodskyi hlibokombinat, collectively the "Pererobnyk" Group. As the acquisition is subject to the review and approval of the Anti-Monopoly Committee of Ukraine, management determined that as at 30 June 2012 the Group has not yet finalized the transaction and has therefore presented this amount as a prepayment for this business acquisition.

20. Subsequent events

In August 2012, the Group signed an agreement for a bank credit line of up to USD 10,000 thousand. The interest rate on the facility depends on the currency in which funds are drawn and varies from 16% for US dollars to 26% for Ukrainian hryvnya.

In August 2012, GEM subscribed for 72,500 ordinary shares at the aggregate subscription price of PLN 1,115 thousand (USD 346 thousand) under the Put Option Agreement described in Note 9 to these financial statements. The shares were loaned to GEM by ICD Investments S.A. and Company has until August 2013 to issue the shares subscribed for.