MANAGEMENT REPORT

28 April 2015, Kyiv, Ukraine

MHP S.A.

Financial Results for the Fourth Quarter and Twelve Months Ended 31 December 2014

MHP S.A. (LSE:MHPC), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and cultivation of grain, today announces its audited results for the fourth quarter and full year ended 31 December 2014.

OPERATIONAL HIGHLIGHTS

Q4 2014 highlights

- Sales volumes increased by 6% to 128,680 tonnes (Q4 2013: 121,600 tonnes)
- The average chicken price increased by 54% year-on-year to UAH 23.72 per kg (excluding VAT) predominantly due to the Ukrainian Hryvnia depreciation
- Chicken meat exports increased by 2% to 38,775 tonnes (Q4 2013: 37,940 tonnes)

12M 2014 highlights

- Sales volumes increased by 18% to 525,460 tonnes (12M 2013: 447,000 tonnes)
- The average chicken price increased by 25% to UAH 19.99 per kg (excluding VAT) compared to UAH 15.99 in 12M 2013
- Chicken meat exports increased by 15% to 140,920 tonnes (12M 2013: 123,000 tonnes)

FINANCIAL HIGHLIGHTS

Q4 2014 highlights

- Revenue of US$345 million, a decrease of 17% year-on-year
- Operating profit[1] of US$79 million, up 126% year-on-year
- EBITDA increased by 38% to US$102 million, with EBITDA margin of 30%, up from 18% last year
- Net loss of US$110 million, including US$217 million related to non-cash foreign exchange translation losses

12M 2014 highlights

- Revenue of US$1,379 million, decrease of 8% year-on-year
- Operating profit[1] of US$460 million, up 69% year-on-year
- EBITDA increased by 42% to US$555 million, with EBITDA margin of 40%, up from 26% last year
- Net loss of US$412 million, including US$778 million related to non-cash foreign exchange translation losses

[1] Operating profit before loss on impairment of assets in Donetsk region

FINANCIAL OVERVIEW

(in mln. US$, unless indicated otherwise)	**Q4 2014**	**Q4 2013**	*% change**	**12M 2014**	**12M 2013**	*% change**
Revenue	**345**	**418**	***-17%***	**1,379**	**1,496**	***-8%***
IAS 41 standard gains	(28)	(16)	*n/a*	53	14	*279%*
Gross profit	**84**	**55**	***53%***	**501**	**324**	***55%***
Gross margin	*24%*	*13%*	*11 pps*	*36%*	*22%*	*14 pps*
Operating profit[1]	**79**	**35**	***126%***	**460**	**272**	***69%***
Operating margin	*23%*	*8%*	*15 pps*	*33%*	*18%*	*15 pps*
EBITDA	**102**	**74**	***38%***	**555**	**391**	***42%***
EBITDA margin	*30%*	*18%*	*12 pps*	*40%*	*26%*	*14 pps*
Net income before FX	**106**	**17**	***524%***	**365**	**173**	***111%***
Net income margin before FX	*31%*	*4%*	*27 pps*	*26%*	*12%*	*14 pps*
FX loss/gain	(217)	(5)	*n/a*	(778)	(11)	*n/a*
Net income	**(110)**	**12**	***n/a***	**(412)**	**162**	***-354%***
Net income margin	*(32%)*	*3%*	*-35 pps*	*(30%)*	*11%*	*-41 pps*

** pps – percentage points*
Average official FX rate for Q4: UAH/US$ 14.43 in 2014 and UAH/US$7.99 in 2013
Average official FX rate for 12M: UAH/US$ 11.91 in 2014 and UAH/US$7.99 in 2013

Chief Executive Officer, Yuriy Kosyuk, commented:

"Despite the ongoing political and economic turbulence in Ukraine, the agricultural sector was practically the only of the Ukrainian economy which had a positive development in 2014. Notwithstanding significant Hryvnia depreciation (from UAH7.99 to UAH15.77 within the year), MHP was able to deliver remarkably strong operating results in 2014. Production of both poultry and grain increased, with poultry tonnage increasing by 18% and grain by 2% compared with the previous year.

During the year our share of industrially produced poultry in Ukraine strengthened to around 60%.

Among the challenges our company has faced in 2014 were the imposition of an import ban by the Customs Union in February, and suspension of operation at the Shahtarska breeding farm (located in the Donetsk region), which produced 30% of MHP's hatching eggs.

Our successful export diversification strategy has enabled us both to minimize the impact of the Customs Union import ban and to increase export volumes of chicken meat by 15% year-on-year.

The loss of hatching eggs from Shahtarska has been fully offset by importing eggs from reputable breeding farms with only a minor negative impact on costs. We are now creating new breeding facilities to start producing hatching eggs in 2015 which will gradually replace imports.

I believe our delivery of these strong results, in such difficult conditions, provide further validation of MHP's unique vertically integrated business model combined with our competitive cost structure and extensive investment in state-of-the-art facilities. These will continue to be strong drivers for the Company's continuing growth and development both in poultry and grain and we are confident that we will continue to deliver strong operational and financial performance in 2015 and beyond."

Segment Performance

Poultry and related operations

	Q4 2014	Q4 2013	% change	12M 2014	12M 2013	% change
Poultry						
Sales volume, third parties tonnes	128,680	121,600	*6%*	525,460	447,000	*18%*
Price per 1 kg net of VAT, UAH	23.72	15.43	*54%*	19.99	15.99	*25%*
Sunflower oil						
Sales volume, third parties tonnes	84,035	64,820	*30%*	296,150	240,100	*23%*
Price per 1 tonne net of VAT, US$	789	861	*-8%*	835	1,033	*-19%*

The volume of chicken meat sales to third parties (domestic and export) in 12M 2014 and Q4 2014 increased by 18% and 6% year-on-year to 525,460 tonnes and 128,680 tonnes respectively, mainly due to increased production at the Vinnytsia poultry farm. Because of strong domestic demand, sales volumes in Ukraine for the 12M and Q4 2014 increased by 19% and 7% year-on-year respectively. During 12M 2014 and Q4 2014, export sales increased by 15% and 2% year-on-year to 140,920 tonnes and 38,775 tonnes respectively, mainly due to increased sales to the Middle East, Northern Africa, EU and some CIS countries. MHP's exports to the Custom Union countries have been banned since February 2014, but have been redirected successfully to other regions. In October 2013, MHP started exporting chicken meat to European Union countries and since June 2014 we have been able to export poultry to the EU with zero import duty, gradually increasing volumes. During 12M 2014, our average chicken meat price was UAH 19.99, 25% higher than in 12M 2013. The two main contributors to the price increase were an increased share of export sales as well as devaluation of Hryvnia.

During 12M 2014 sunflower oil sales in volumes increased by 23%, mostly in line with chicken meat production volume growth. Average sunflower oil prices declined by 19% to US$835 per tonne (12M 2013: US$1,033 per tonne) in line with global trends.

(in mln. US$, unless indicated otherwise)	Q4 2014	Q4 2013	% change*	12M 2014	12M 2013	% change*
Revenue	**288**	**302**	***-5%***	**1,177**	**1,201**	***-2%***
- Poultry and other	*221*	*246*	*-10%*	*930*	*953*	*-2%*
- Sunflower oil	*67*	*56*	*20%*	*247*	*248*	*0%*
IAS 41 standard gains	**1**	**12**	***-92%***	**32**	**26**	***23%***
Gross profit	**96**	**93**	***3%***	**430**	**312**	***38%***
Gross margin	*33%*	*31%*	*2 pps*	*37%*	*26%*	*11 pps*
EBITDA	**106**	**104**	***2%***	**490**	**358**	***37%***
EBITDA margin	*37%*	*35%*	*2 pps*	*42%*	*30%*	*12 pps*
EBITDA per 1 kg(Net of IAS 41)	*0.82*	*0.86*	*-5%*	*0.87*	*0.80*	*9%*

** pps – percentage points*

Despite strong growth of chicken meat and sunflower oil sales volumes, segment revenue decreased slightly by 2% to US$1,177 million in 12M 2014 from US$1,201 million in 12M 2013 mostly due to Hryvnia devaluation.

The IAS 41 gain for the 12M 2014 amounted to US$32 million, which primarily reflects the effect of improved cash flows from poultry operations as a result of increased sales prices, partly offset, but to a lesser extent, by rising costs of production.

During 12M 2014 and Q4 2014, poultry segment EBITDA increased by 37% and 2% respectively, to US$490 million (12M 2013: US$358 million) and US$ 106 million (Q4 2013: US$104 million) respectively. EBITDA margin for 12M 2014 increased to 42% compared to 30% in 12M 2013. The increases in EBITDA and EBITDA margin is primarily a reflection of increase in production volumes and lower production costs from consumption of low priced crops harvested in 2013.

Grain growing operations

(in mln. US$)	**12M 2014**	**12M 2013**	*% change*
Revenue	**77**	**133**	**-42%**
IAS 41 standard gains	29	(27)	-207%
Gross profit	**60**	**(13)**	**-562%**
EBITDA	**97**	**39**	**149%**
EBITDA per 1 hectare	*294*	*136*	*116%*

In 2014, the Company harvested around 290,000 hectares in Ukraine and 40,000 hectares in the Russian Federation. MHP's current net yields of corn (9.3 tonnes per hectare) and wheat (6.1 tonnes per hectare) are one of the highest among historic yields, and continue to be substantially higher than Ukraine's average.

	2014 [1]		***2013 [1]***	
	Production volume	***Cropped land***	***Production volume***	***Cropped land***
	in tonnes	*in hectares*	*in tonnes*	*in hectares*
Corn	1,180,793	126,842	1,134,000	129,100
Wheat	260,670	43,016	228,100	42,460
Sunflower	167,014	49,551	133,530	38,290
Rapeseed	39,566	10,493	60,265	18,690
Soya	53,867	25,462	37,100	16,860
Other[2]	324,765	34,636	391,175	41,600
Total	**2,026,675**	**290,000**	**1,984,170**	**287,000**

[1] Only land of grain growing segment, excluding land in the Russian Federation;
[2] Including barley, rye, sugar beet and other and excluding land left fallow as part of crop rotation;

	2014		***2013***	
	MHP's average [1]	***Ukraine's average [1]***	***MHP's average [1]***	***Ukraine's average[1]***
	tonnes per hectare		*tonnes per hectare*	
Corn	9.3	6.2	8.8	6.4
Wheat	6.1	4.0	5.4	3.4
Sunflower	3.4	1.9	3.5	2.2
Rapeseed	3.8	2.5	3.2	2.4
Soya	2.1	2.2	2.2	2.1

[1] MHP yields are net weight, Ukraine – bunker weight;

Segment revenue for 12M 2014 decreased by 42% to US$77 million compared to US$133 million in 12M 2013, mainly as a result of a decrease in prices in line with global trends and change in mix of crops sold during the period.

IAS 41 standard gains for 12M 2014 amounted to US$29 million compared to loss of US$27 million for 12M 2013. The gain is mainly attributable to the effect of revaluation of agricultural produce (sunflower, corn, wheat and soya) remaining in stock as of 31 September 2014 as well as revaluation of biological assets, winter crops to be harvested in 2015. An increase in IAS 41 gains mainly reflects the effect of higher yields and decrease in cost as a result of both costs being partially fixed in UAH and substantial investment made in agricultural inventory as of 31 December 2013, partly offset by a decrease in prices.

Segment EBITDA for 12M 2014 increased by 149% and amounted to US$ 97 million compared with US$39 million for 12M 2013.

Other agricultural operations

Meat processing products	**Q4 2014**	**Q4 2013**	% change	**12M 2014**	**12M 2013**	% change
Sales volume, third parties tonnes	7,230	7,740	-7%	31,180	33,210	-6%
Price per 1 kg net VAT, UAH	32.61	24.33	34%	28.28	23.53	20%

Sausage and cooked meat sales volumes decreased slightly from 33,210 tonnes in 12M 2013 to 31,180 tonnes in 12M 2014, accompanied by 20% price increase year-on-year mainly as a result of Ukrainian Hryvnia devaluation.

(in mln. US$, except margin data)	**Q4 2014**	**Q4 2013**	*% change**	**12M 2014**	**12M 2013**	*% change**
Revenue	**27**	**42**	***-36%***	**124**	**162**	***-23%***
- Meat processing	*17*	*24*	*-29%*	*79*	*101*	*-22%*
- Other	*10*	*17*	*-41%*	*45*	*61*	*-26%*
IAS 41 standard gains	**-8**	**12**	***-167%***	**-7**	**15**	***-147%***
Gross profit	**-9**	**10**	***-190%***	**7**	**25**	***-72%***
Gross margin	*-33%*	*25%*	*-58 pps*	*6%*	*15%*	*-9 pps*
EBITDA	**-8**	**15**	***-153%***	**5**	**33**	***-85%***
EBITDA margin	*-30%*	*36%*	*-66 pps*	*4%*	*20%*	*-16 pps*

** pps – percentage points*

IAS 41 standard gains for 12M 2014 amounted to a loss of US$7 million compared to gain of US$15 million for 12M 2013. The segment's EBITDA decreased to US$5 million in 12M 2014 compared to US$33 million in 12M 2013. Decrease in IAS 41 is mainly attributable to the moderate forecasts in fruit business as well as reduced harvest of apple as a result of unfavorable weather conditions (hail) in 2014, while decrease in EBITDA is mainly attributable to negative effect of Hryvnia devaluation and decrease in government grants.

Current Group financial position and cash flow

(in mln. US$)	Q4 2014	Q4 2013	12M 2014	12M 2013
Cash from operations	**85**	**58**	**410**	**305**
Change in working capital	(93)	16	(156)	27
Net Cash from operating activities	**(8)**	**74**	**254**	**332**
Cash from investing activities	(28)	(28)	(128)	(225)
Non-cash financing	4	(10)	(1)	(39)
CAPEX	**(26)**	**(38)**	**(129)**	**(264)**
Cash from financing activities	*(15)*	*(53)*	*(174)*	*(29)*
incl. Dividends	*(5)*	*(12)*	*(102)*	*(99)*
Non-cash financing	*(2)*	*10*	*1*	*39*
Deposits	-	15	-	*1*
Total financial activities	**(17)**	**(28)**	**(173)**	**11**
Total change in cash	**(51)**	**8**	**(48)**	**79**

Cash flow from operations before changes in working capital increased to US$410 million in 12M 2014 (12M 2013: US$305 million). The lower cash generation compared to EBITDA is mainly attributable to a non-cash IAS 41 gain that will be realized in forthcoming periods.

The additional investment in working capital was US$156 million in 12M 2014, mostly related to substantial investment in purchase of sunflower seed at higher prices, essentially made on a cash basis and an increase in trade receivables as result of increasing sales and prices compared to 12M 2013.

In 12M 2014 total CAPEX was US$129 million which was related to the Vinnytsia complex, to reconstruction of acquired silo and purchases of new agro machinery and equipment.

Debt Structure and Liquidity

(in mln. US$)	31 December 2014	31 December 2013
Total Debt	**1,215**	**1,302**
LT Debt	899	1,183
ST Debt	316	119
Cash and bank deposits	(100)	(172)
Net Debt	**1,115**	**1,130**
LTM EBITDA	555	391
Net Debt /LTM EBITDA	*2.01*	*2.89*

As of December 31, 2014, the Company's total debt had declined slightly to US$1,215 million, most of which was denominated in US Dollars. The share of long-term debt in the total debt outstanding was about 74%. In June 2014, MHP signed an agreement with IFC in the amount of US$200 million, to refinance bonds maturing in April 2015; these were included in short-term debt as of 31 December 2014. The weighted average cost of debt remained around 8%.

MHP's cash and cash equivalents amounted to US$ 100 million. Net debt decreased to US$1,115 million from US$1,130 million at the end of 31 December 2014.

The Net Debt/ LTM EBITDA ratio was 2.01 as of December 31, 2014, well within the Eurobond covenant limit of 3.0.

As a hedge for currency risks, revenues from the export of sunflower oil, sunflower husks, and chicken meat are denominated in US Dollars, comfortably covering debt service obligations. Export revenue amounted to US$580 million or 42% of total revenue in 12M 2014 (US$571 million or 38% of total sales in 12M 2013).

Revaluation of Property Plant and Equipment

During the year ended 31 December 2014, following significant depreciation of UAH against USD, in order to present relevant values of the Group's property plant and equipment in the financial statement, the Group has changed its accounting policy for buildings and structures, production machinery, agricultural machinery and vehicles from historical cost basis to a fair value measurement.

During the year ended 31 December 2014, the Group engaged independent appraisers to revalue its buildings and structures, production machinery, agricultural machinery and vehicles, and grain storage facilities. The total effect of revaluation of property plant and equipment amounted to USD 768,656 thousand, partly offset by the amount of deferred tax charged on revaluation of property, plant and equipment in amount of USD 92,506 thousand.

Transaction in Own Shares

In December 2014, MHP S.A. has purchased about 247,000 Global depository receipts ("GDR") with one GDR representing an interest in one ordinary share ("Share") at an average price per GDR of US$9.51, through the share buy-back programme. The number of repurchased GDRs constitutes approximately 0.23% of the Company's outstanding shares. In total the Company has purchased approximately 4.83% of outstanding shares.

Subsequent Events

During the first quarter 2015, the Ukrainian Hryvnia continued to devalue against the US Dollar. According to the National Bank of Ukraine, the average exchange UAH/USD rate for the first quarter 2015 amounted to 21.12.

During April 2015, the Group has received loan from International Finance Corporation in amount of USD 200,000 thousand to refinance its 10.25% Senior Notes due on 29 April 2015.

On 28 April 2015, the Board of Directors approved payment of a dividend of USD 0.47429 per share, equivalent to approximately USD 50 million. The dividend will be paid as an interim dividend in 2015.

Outlook

The Company will continue to develop its export business, cementing our position in new territories and increasing our coverage of countries and continents.

Our CAPEX programme in 2015 will include:

- creation of a new breeding facility (based on Peremoga Nova) and construction of additional capacity at Starynska breeding farm, that will substantially substitute imported hatching eggs in 2015 and totally replace imports in forthcoming years;
- expansion of Myronivka poultry farm and Oril Leader farm (only rearing sites, with no expansion of slaughter houses), which will deliver the results from the beginning of 2016;
- soya crushing plant, which will be launched in September 2015; this will provide MHP with additional export revenues from soya oil trades and stronger control over production costs of poultry.

Even in this challenging time for Ukraine, by bringing together the very best facilities and technologies, we are confident that our sustainable business model, strong management team and the day-to-day contributions of our employees will enable us to deliver our strategy of continuing growth and keep on delivering strong financial results, reinforcing our position as one of the leading agri-industrial companies in Ukraine.

On behalf of the Board of Directors

Yuriy Kosyuk, CEO

Victoria Kapelushnaya, CFO

DIRECTOR'S REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2014.

Principal activities and review of the business

MHP is one of the leading agro-industrial companies, and the largest producer of chicken in Ukraine. The business is run on a vertically integrated principle with the objective of making it self-sufficient and is structured into three segments: Poultry and related operations, Grain growing operations, and Other agricultural operations.

Poultry segment

This division produces and sells chicken products, sunflower oil, mixed fodder and convenience foods. It incorporates five chicken and two breeder farms, feed mills, and convenience foods facilities.

Grain segment

This division grows crops for fodder and for sale to third parties, on 360,000 hectares of land. It incorporates a number of arable farms and grain storage facilities.

Other agricultural operations

This division produces and sells sausages and cooked meat, beef, goose and foie gras, and fruit. It incorporates one mixed farm, a goose farm and two facilities for producing prepared meat products.

Future developments

The Group's strategy is:

- To expand its capacity to produce chicken and chicken products in a domestic market which has a 45.5 million population and has one of the world's lowest rates of meat consumption per capita;
- To continue expansion on export markets including the EU;
- To expand its land bank to around 450,000 hectares by 2015-2016 to provide stability in the ingredients for fodder;
- To increase the efficiency of its grain production through modernisation and use of up-to-date technology;
- To reduce costs and improve quality control by increasing vertical integration;
- To maintain and improve its high biosecurity standards;
- To promote and develop its strong brands through consumer-driven innovation;
- To increase its presence in value-added food products, such as processed meat and convenience food;
- To continue to develop its distribution network and customer base.

The management believes there are ample opportunities for growth as customers choose to buy domestically produced chicken, which is cheaper and fresher than imported meat.

Going concern

After reviewing the 2015 budget and longer-term plans, the Directors are satisfied that, at the time of the approval of the financial statements, it was appropriate to adopt the going concern basis in preparing the financial statements of the Group.

Directors during the year

The following served as directors of the Company during the year ended 31 December 2014:

Charles E Adriaenssen	*Independent Non-executive Director, Chairman of the Board*
Yuriy Kosyuk	*Chief Executive Officer*
Viktoria Kapelyushnaya	*Chief Financial Officer*
Yuriy Melnyk	*Chief Operational Officer*
Dr John C Rich	*Independent Non-executive Director*
John Grant	*Non-executive Director, Senior Independent Director*
Philippe Lamarche	*Independent Non-executive Director*

Corporate governance statement

The Company complies with the Ten Principles of Corporate Governance approved by the Luxembourg Stock Exchange and voluntary corporate governance regime stated in the UK Corporate Governance Code.

Board meetings

During 2014, the Board of Directors held 9 meetings, and the attendance of the Board of Directors members was at the level of 100 % (sometimes directors took part in the meetings via conference call).

Since 2011, the Board conducts regular effectiveness reviews in order to evaluate its performance as well as that of its committees and individual directors. The evaluation process is normally initiated by a questionnaire and then supplemented by individual interviews by the Chairman with each of the directors. The conclusions are analyzed by the Board to further strengthen its composition and performance.

Research and Development

MHP Group has not had any activities in research and development, but actively integrates new technologies throughout all activities.

Other matters

MHP S.A. does not have branches.

Internal control and Risk management

The Board of Directors is ultimately responsible for the Company's governance, risk management, internal control environment and processes and formally reviews their effectiveness at least annually. The Company has an independent internal audit function whose activities are overseen by the Audit Committee.

The Board of Directors carries out an assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. Some of the risks the Group faces are common to all commercial operations, some are inherent in farming in general and chicken farming in particular. The principal risks the Group faces are macroeconomic, financial and operational. The summary of key risks and their mitigation plans are presented below.

Operational risks

Risk: Fluctuations in demand and market prices

Potential Impact: A drop in demand.

Mitigation: Falls in demand can generally be overcome with modest price reductions. Per capita consumption of meat in Ukraine is still low in comparison with other European countries and we believe demand for chicken will continue to increase. Beef and pork are mostly produced by householders and are far more expensive to produce and purchase than chicken, kg for kg.

Risk: Avian flu and other livestock diseases

Potential Impact: In recent years, avian flu has affected wild birds and poultry flocks in a number of countries. It was first discovered in Ukraine in December 2005 and was still present in Sumy regions in 2008.

Mitigation: We operate strict biosecurity measures, including disinfectant washes and culling wild birds in the immediate vicinity of our farms.

Risk: Fluctuations in grain prices

Potential Impact: World prices could affect our poultry production costs.

Mitigation: We grow 100% of the corn we need for feed and replace expensive protein from imported soya beans with that from sunflower seeds. We also grow around 20% of the sunflowers we need and buy the rest from domestic growers. Chicken always benefits from this when compared to other kinds of meat such as pork and beef because of the lower conversion rate (amount of grain required to produce 1kg of meat).

Risk: Increased cost for, or disruptions in, gas and fuel supplies

Potential Impact: Gas and fuel, used for production and distribution, are imported. Uncertainty in supply and fluctuating prices could affect production and costs.

Mitigation: Gas and fuel represent only about 9% of our overall costs. We are increasing our use of co-generation and alternative energy technology. When we process sunflower seeds we are left with a huge amount of husks; we burn some to generate steam heat for our processing plant, and proportion is converted into briquettes for generating energy and these are exported.

Risk: Unfavorable weather conditions

Potential Impact: Inclement weather could affect crop yield.

Mitigation: Ukraine's weather is generally temperate, with plenty of sunshine in summer and adequate rainfall; this combines with extremely fertile earth to create excellent growing conditions. In addition, our management of our land and the use of modern technology enable us to achieve a yield which is significantly higher than the average for Ukraine.

Financial risks

Risk: Credit risk

Potential Impact: Debtors fail to make scheduled payments.

Mitigation: No single customer represents more than 8% of total sales. The amount of credit allowed to one customer or group of customers is strictly controlled. Credit to major groups of customers, including supermarkets and franchisees, is restricted to between five and 21 days.

Risk: Liquidity risk

Potential Impact: Lack of funds to make payments due.

Mitigation: MHP has a detailed budgeting and cash forecasting process to ensure that adequate funds are available. Our target is to maintain our current ratio, defined as the proportion of current assets to current liabilities, no less than 1.1–1.2.

Risk: Currency exchange risk

Potential Impact: Exposure to depreciation of UAH against US dollars.

Mitigation: We earn around 40% of our total revenue in US dollars through the sale of sunflower oil, sunflower husk, chicken meat and grain. The amount of exports sales will continue to increase with further expansion of Vinnytsia poultry complex and strengthening of positions on export markets. This will allow us to service all our dollar-denominated loans and payments for operational purchases.

Risk: Interest rate risk

Potential Impact: Changes in interest rates affecting the cost of borrowings, the value of our financial instruments, and our profit and loss and shareholders' equity.

Mitigation: While MHP borrows on both fixed and variable rates, the majority of our debt is at fixed rates. For variable rate borrowings, interest is linked to LIBOR and EURIBOR and they are generally at lower interest rates than are available in Ukraine.

Risk: Political and country risks

Potential Impact: Decrease in profitability and impairment of assets.

Mitigation: Our operations extend throughout all regions of Ukraine with wide regional diversification. Deep vertical integration and internally developed supply chains allow our operations located in potentially distressed regions of Ukraine to remain self-sufficient with both production needs and markets, even in the case of temporary regional isolation.

Nomination and Remuneration Committee

During 2014 the committee had two meetings, on which following activities were performed:

- Preparation of report regarding the performance of the company under the current economic and political circumstances.
- Providing the Board of Directors with recommendations in relation to appointment or renewal of Directors. These recommendations were based on the due consideration of the information regarding the reappointment of Directors and the influence of such reappointment.
- Consideration of succession plan for Top management and Board members

Audit Committee

During 2014 the committee had five meetings , during which the following activities were performed:

- Review of the audited report and discussion of the audit results with the auditors;
- Adoption of the Internal Audit Charter;Revision of the Internal Audit Plan for 2014;
- Meeting with the Head of Internal Audit and discussion of results;
- Reviewing the risk assessment model, which describes management's assessment of the key risks facing the business and the actions in place to mitigate these risks;
- Reviewing the results of the external auditors regarding their effectiveness, the quality of work provided, the independence and the non-audit services they provided, and considering whether to recommend their reappointment.

Communication with the shareholders

The directors highlight the importance of effective and clear communication with the shareholders. During 2014 shareholders had a number of meetings and discussions with the Board members including meetings at conferences, investors day and regular conference calls.

In order to facilitate unbiased communication with independent directors, the board has introduced a direct communication channel with independent directors (details could be found on http://www.mhp.com.ua/en/investor-relations/ir-contacts).

Disclosure of information to auditors

So far as each director is aware, all information which is relevant to the audit of the Group's financial statements has been supplied to the Group's auditors. Each director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make himself/herself aware of any relevant audit information, and to establish that the Group's auditors are aware of that information.

On behalf of the Board of Directors

Yuriy Kosyuk, CEO

Victoria Kapelushnaya, CFO

MHP S.A. AND ITS SUBSIDIARIES
Consolidated Financial Statements

For the year ended 31 December 2014

CONTENT

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors is responsible for the preparation of the consolidated financial statements that present fairly the financial position of MHP S.A. and its subsidiaries (the "Group") as of 31 December 2014 and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

In preparing the consolidated financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorized for issue by the Board of Directors on 28 April 2015.

Board of Directors' responsibility statement

We confirm that, to the best of our knowledge, the Consolidated Financial Statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole. We also confirm that, to the best of our knowledge, the 2014 Management Report and Consolidated Financial Statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

Deloitte Audit
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To the Shareholders of
MHP S.A.
5, rue Guillaume Kroll
L-1882 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 28 April 2014, we have audited the accompanying consolidated financial statements of MHP S.A., which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the consolidated financial statements

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

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of

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RCS Luxembourg B 67.895
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the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MHP S.A. as of 31 December 2014, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw your attention to note 28 "Contingencies and contractual commitments" to the consolidated financial statements, which describes the continuing economic and political crisis in Ukraine. The impact of continuing economic and political crisis in Ukraine and their final resolution are unpredictable and may adversely effect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

28 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2014*	*2013*	*2012*
Revenue	6	1,379,048	1,496,079	1,407,522
Net change in fair value of biological assets and agricultural produce		52,911	13,634	16,734
Cost of sales	7	(931,054)	(1,185,987)	(1,001,909)
Gross profit		500,905	323,726	422,347
Selling, general and administrative expenses	8	(110,817)	(130,615)	(120,485)
VAT refunds and other government grants income	9	89,896	100,885	102,369
Other operating expenses, net		(19,973)	(22,160)	(23,648)
Operating profit before loss on impairment of assets in Donetsk region and reversal of impairment of property, plant and equipment, net		460,011	271,836	380,583
Loss on impairment of assets in Donetsk region, net	2	(48,823)	-	-
Reversal of impairment of property, plant and equipment, net		3,787	-	-
Operating profit		414,975	271,836	380,583
Finance income		3,860	3,766	3,350
Finance costs:	10			
Interests and other finance costs		(108,524)	(93,121)	(59,311)
Transaction costs related to corporate bonds		-	(16,654)	-
Finance costs		(108,524)	(109,775)	(59,311)
Gain from acquisition of subsidiaries		-	6,776	-
Foreign exchange loss, net	31	(777,677)	(11,052)	(3,285)
Other expenses, net		(4,546)	(1,316)	(2,633)
Other expenses, net		(886,887)	(111,601)	(61,879)
(Loss)/Profit before tax		(471,912)	160,235	318,704
Income tax benefit/(expense)	11	59,574	2,005	(7,788)
(Loss)/Profit for the year		(412,338)	162,240	310,916
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss:				
Effect of revaluation of property, plant and equipment	12	768,656	-	5,166
Other comprehensive income		(2,982)		
Deferred tax on property, plant and equipment charged directly to other comprehensive income		(92,506)	-	(826)
Items that may be reclassified to profit/loss:				
Cumulative translation difference		(481,808)	(22)	(436)
Other comprehensive (loss)/income		191,360	(22)	3,904
Total comprehensive (loss)/income for the year		(220,978)	162,218	314,820
(Loss)/Profit attributable to:				
Equity holders of the Parent		(419,985)	155,907	297,104
Non-controlling interests		7,647	6,333	13,812
		(412,338)	162,240	310,916
Total comprehensive (loss)/income attributable to:				
Equity holders of the Parent		(230,775)	155,885	300,756
Non-controlling interests		9,797	6,333	14,064
		(220,978)	162,218	314,820
(Loss)/Earnings per share				
Basic and diluted (loss)/earnings per share (USD per share)	33	(3.98)	1.48	2.80

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 63 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 December 2014
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2014	31 December 2013	31 December 2012
ASSETS				
Non-current assets				
Property, plant and equipment	12	1,486,681	1,493,739	1,339,687
Land lease rights	13	27,236	48,837	26,694
Deferred tax assets	11	247	20,022	8,231
Long-term VAT recoverable, net		-	2,414	35,784
Non-current biological assets	14	30,313	70,442	53,695
Long-term bank deposits		4,848	5,802	6,154
Other non-current assets		12,344	17,656	16,615
		1,561,669	1,658,912	1,486,860
Current assets				
Inventories	15	203,248	245,861	274,255
Biological assets	14	133,254	199,680	159,276
Agricultural produce	16	159,655	172,721	166,128
Other current assets, net		29,974	38,373	33,880
Taxes recoverable and prepaid, net	17	46,441	209,149	200,308
Trade accounts receivable, net	18	59,619	70,912	72,616
Cash and cash equivalents	19	99,628	172,470	94,785
		731,819	1,109,166	1,001,248
TOTAL ASSETS		2,293,488	2,768,078	2,488,108
EQUITY AND LIABILITIES				
Equity				
Share capital	20	284,505	284,505	284,505
Treasury shares	20	(67,741)	(65,393)	(65,393)
Additional paid-in capital		181,982	181,982	181,982
Revaluation reserve	12	684,184	22,869	22,869
Retained earnings		509,859	1,012,826	976,919
Translation reserve		(710,372)	(241,249)	(241,227)
Equity attributable to equity holders of the Parent		882,417	1,195,540	1,159,655
Non-controlling interests	21	63,105	53,665	39,008
Total equity		945,522	1,249,205	1,198,663
Non-current liabilities				
Bank borrowings	22	152,302	192,297	199,483
Bonds issued	23	724,522	951,728	571,515
Finance lease obligations	24	22,206	39,370	45,955
Deferred tax liabilities	11	20,671	7,043	3,345
		919,701	1,190,438	820,298
Current liabilities				
Trade accounts payable	25	42,821	101,990	68,970
Other current liabilities	26	47,428	86,823	62,902
Bank borrowings	22	81,330	98,367	301,658
Bonds issued	23	218,555	-	-
Accrued interest	22, 23	21,738	20,771	14,125
Finance lease obligations	24	16,393	20,484	21,492
		428,265	328,435	469,147
TOTAL LIABILITIES		1,347,966	1,518,873	1,289,445
TOTAL EQUITY AND LIABILITIES		2,293,488	2,768,078	2,488,108

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 63 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	*Treasury shares*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2012	284,505	(40,555)	179,565	18,781	679,815	(240,791)	881,320	44,489	925,809
Profit for the year	-	-	-	-	297,104	-	297,104	13,812	310,916
Other comprehensive income	-	-	-	4,088	-	(436)	3,652	252	3,904
Total comprehensive income for the year	-	-	-	4,088	297,104	(436)	300,756	14,064	314,820
Acquisition of treasury shares *(Note 20)*	-	(41,465)	-	-	-	-	(41,465)	-	(41,465)
Acquisition and changes in non-controlling interests in subsidiaries *(Note 20)*	-	16,627	2,417	-	-	-	19,044	(19,044)	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(501)	(501)
Balance at 31 December 2012	284,505	(65,393)	181,982	22,869	976,919	(241,227)	1,159,655	39,008	1,198,663
Profit for the year	-	-	-	-	155,907	-	155,907	6,333	162,240
Other comprehensive loss	-	-	-	-	-	(22)	(22)	-	(22)
Total comprehensive income for the year	-	-	-	-	155,907	(22)	155,885	6,333	162,218
Dividends declared by the Parent *(Note 29)*	-	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(804)	(804)
Non-controlling interests acquired	-	-	-	-	-	-	-	9,128	9,128
Balance at 31 December 2013	284,505	(65,393)	181,982	22,869	1,012,826	(241,249)	1,195,540	53,665	1,249,205
(Loss)/profit for the year	-	-	-	-	(419,985)	-	(419,985)	7,647	(412,338)
Other comprehensive income/(loss)	-	-	-	661,315	(2,982)	(469,123)	189,210	2,150	191,360
Total comprehensive income/(loss) for the year	-	-	-	661,315	(422,967)	(469,123)	(230,775)	9,797	(220,978)
Dividends declared by the Parent *(Note 29)*	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(505)	(505)
Acquisition of treasury shares *(Note 20)*	-	(2,348)	-	-	-	-	(2,348)	-	(2,348)
Non-controlling interests acquired	-	-	-	-	-	-	-	148	148
Balance at 31 December 2014	284,505	(67,741)	181,982	684,184	509,859	(710,372)	882,417	63,105	945,522

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 63 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014
(in thousands of US dollars, unless otherwise indicated)

	Notes	2014	2013	2012
Operating activities				
(Loss)/profit before tax		(471,912)	160,235	318,704
Non-cash adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortization expense	5	94,663	119,014	87,135
Net change in fair value of biological assets and agricultural produce	5	(52,911)	(13,634)	(16,734)
Gain from acquisition of subsidiaries		-	(6,776)	
Change in allowance for irrecoverable amounts and direct write-offs		18,002	27,888	25,605
Loss on impairment of assets in Donetsk region	2	48,823	-	-
Reversal of impairment of property, plant and equipment, net		(3,787)	-	-
Loss on disposal of property, plant and equipment and other non-current assets		410	358	199
Finance income		(3,860)	(3,766)	(3,350)
Finance costs	10	108,524	109,775	59,311
Non-operating foreign exchange loss, net		777,677	11,052	3,257
Other non-cash adjustments to reconcile profit before tax to net cash flows		-	-	-
Operating cash flows before movements in working capital		515,629	404,146	474,127
Working capital adjustments				
Change in inventories		(110,270)	9,833	(75,508)
Change in biological assets		(29,344)	(6,565)	(12,059)
Change in agricultural produce		(46,416)	(32,843)	2,276
Change in other current assets		(13,234)	(8,313)	(13,245)
Change in taxes recoverable and prepaid		63,903	925	(92,911)
Change in trade accounts receivable		(26,588)	3,123	(7,638)
Change in other liabilities		26,310	32,513	13,615
Change in trade accounts payable		(20,267)	27,919	(127)
Cash generated by operations		359,723	430,738	288,530
Interest received		3,709	3,766	3,350
Interest paid		(101,677)	(93,581)	(81,508)
Income taxes paid		(7,444)	(9,297)	(12,238)
Net cash flows from operating activities		254,311	331,626	198,134
Investing activities				
Purchases of property, plant and equipment		(112,611)	(157,216)	(257,667)
Purchases of other non-current assets		(6,320)	(3,020)	(3,629)
Purchase of land lease rights		(6,742)	(5,231)	(1,314)
Acquisition of subsidiaries, net of cash acquired		-	(61,056)	-
Proceeds from disposals of property, plant and equipment		844	2,815	1,746
Purchases of non-current biological assets		(562)	(1,507)	(1,408)
Investments in short-term deposits		-	-	(4)
Withdrawals of short-term and long-term deposits		472	629	1,792
Loans (provided to)/repaid by employees, net		(118)	495	78
Loans (provided to)/repaid by related parties, net		(2,263)	25	-
Net cash flows used in investing activities		(127,300)	(224,066)	(260,406)

The accompanying notes on the pages 11 to 63 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
for the year ended 31 December 2014
(in thousands of US dollars, unless otherwise indicated)

		2014	*2013*	*2012*
Financing activities				
Proceeds from bank borrowings		63,555	65,333	223,179
Repayment of bank borrowings		(94,278)	(323,079)	(96,666)
Proceeds from bonds issued	23	-	400,000	-
Repayment of bonds		(15,200)	-	-
Transaction costs related to corporate bonds issued		-	(45,507)	-
Transaction costs related to bank loans received		(4,254)	(1,172)	-
Repayment of finance lease obligations		(20,538)	(23,912)	(22,268)
Dividends paid to shareholders	27, 29	(100,974)	(99,026)	-
Dividends paid by subsidiaries to non-controlling shareholders	27, 29	(731)	(775)	(501)
Acquisition of treasury shares	20	(2,348)	-	(41,465)
Net cash flows (used in) /from financing activities		(174,768)	(28,138)	62,279
Net (decrease)/increase in cash and cash equivalents		(47,757)	79,422	7
Net foreign exchange difference		(25,085)	(1,737)	20
Cash and cash equivalents at 1 January		172,470	94,785	94,758
Cash and cash equivalents at 31 December		99,628	172,470	94,785
Non-cash transactions				
Effect of revaluation of property, plant and equipment	12	768,656	-	-
Additions of property, plant and equipment under finance leases		1,495	12,510	30,370
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		1,355	26,662	93,333

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 63 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

MHP S.A. (the "Parent" or "MHP S.A."), a limited liability company (**société anonyme**) registered under the laws of Luxembourg, was formed on 30 May 2006. MHP S.A. was formed to serve as the ultimate holding company of PJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries. Hereinafter, MHP S.A. and its subsidiaries are referred to as the "MHP S.A. Group" or the "Group". The registered address of MHP S.A. is 5, rue Guillaume Kroll, L-1882 Luxembourg.

The controlling shareholder of MHP S.A. is the Chief Executive Officer of MHP S.A. Mr. Yuriy Kosyuk (the "Principal Shareholder"), who owns 100% of the shares of WTI Trading Limited ("WTI"), which is the immediate majority shareholder of MHP S.A.

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (meat processing, cultivation and selling fruits and producing beef and meat products ready for consumption). The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products, and include the production and sale of chicken products, sunflower oil, mixed fodder and convenience food products. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, beef, milk, goose meat, foie gras, fruits and feed grains. During the year ended 31 December 2014 the Group employed about 30,700 people (2013: 30,000 people, 2012: 27,800 people).

The Group has been undertaking a large-scale investment program to expand its poultry and related operations. In May 2010 the Group commenced construction of the greenfield Vinnytsia poultry complex and in the second half of 2012 started commissioning of production facilities which were already completed. During 2014 the Group, as scheduled, has launched in operations production facilities with remaining to be launched in first quarter 2015.

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 31 December 2014, 2013 and 2012 were as follows:

Name	*Country of registration*	*Year established/ acquired*	*Principal activities*	*2014*	*2013*	*2012*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%	99.9%
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	Ukraine	1998	Fodder and sunflower oil production	88.5%	88.5%	88.5%
Vinnytska Ptahofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%	99.9%
Peremoga Nova	Ukraine	1999	Chicken farm	99.9%	99.9%	99.9%
Druzhba Narodiv Nova	Ukraine	2002	Chicken farm	99.9%	99.9%	99.9%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%	99.9%
Tavriysky Kombikormovy Zavod	Ukraine	2004	Fodder production	99.9%	99.9%	99.9%
Ptahofabryka Shahtarska Nova [1)]	Ukraine	2003	Breeder farm	99.9%	99.9%	99.9%
Myronivska Ptahofabryka	Ukraine	2004	Chicken farm	99.9%	99.9%	99.9%
Starynska Ptahofabryka	Ukraine	2003	Breeder farm	95.0%	94.9%	94.9%
Ptahofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%	99.9%
Zernoproduct	Ukraine	2005	Grain cultivation	89.9%	89.9%	89.9%
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, sunflower oil production	99.9%	99.9%	99.9%
Druzhba Narodiv	Ukraine	2006	Cattle breeding, plant cultivation	99.9%	99.9%	99.9%
NPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	86.1%	86.1%	86.1%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%	79.9%
AgroKryazh	Ukraine	2013	Grain cultivation	99.9%	99.9%	-
Baryshevka	Ukraine	2013	Grain cultivation	51.0%	51.0%	-
Voronezh Agro Holding	Russian Federation	2013	Grain cultivation	100.0%	100.0%	-
Scylla Capital Limited	British Virgin Islands	2014	Trading in sunflower oil and poultry meat	100.0%	-	-

1) Operations temporarily suspended (Note 2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information *(continued)*

The Group's operational facilities are located in different regions of Ukraine, including Kyiv, Cherkasy, Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Vinnytsia, Kherson, Sumy, Khmelnitsk regions and Autonomous Republic of Crimea as well as in Voronezh region of the Russian Federation.

2. Loss on impairment of assets in Donetsk region

Shahtarska Nova poultry farm ("Shahtarska Nova") is a breeding farm owned by the Group. It provides the daily internal supply of hatching eggs to three MHP broiler farms: Druzhba Narodiv Nova, Oril-Leader and Peremoga Nova and produces around 30% of annual MHP hatching eggs output.

Due to continuous disruptions in supply of water and mixed fodder as a result of active hostilities at the town of Shahtarsk (Donetsk region), Shahtarska Nova breeding farm temporarily suspended its operations starting from 1 August 2014.

As a result of suspension of production and existing uncertainties related to the date of recommencement of operations, the Group recognised the following write-offs and impairments during the year ended 31 December 2014:

	2014
Write-off of biological assets	8,667
Write-off of inventories	51
Other expenses, net	638
Impairment of property, plant and equipment	39,467
	48,823

In the assessment of recoverable amount, management has used weighted average cost of capital as a discount rate (Note 4).

As of 31 December 2014, the Group has commenced reconstruction of Peremoga Nova as a breeding farm. Reconstruction is scheduled for 2015 and is aimed to cover the shortage of internal production of hatching eggs, with the first hatchery egg expected to be produced in June 2015.

3. Summary of significant accounting policies

Basis of presentation and accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The operating subsidiaries of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS"). UAS principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The consolidated financial statements of the Group are prepared on the basis of historical cost, except for revalued amounts of buildings and structures, grain storage facilities, production machinery, vehicles and agricultural machinery, biological assets, agricultural produce, and certain financial instruments, which are carried at fair value.

Adoption of new and revised International Financial Reporting Standards

The following standards were adopted by the Group on 1 January 2014:

- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IAS 28 "Investments in Associates and Joint Ventures"
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
- Amendment to IAS 27 "Separate Financial Statements" (revised 2011) – Investment entities

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3. Summary of significant accounting policies *(continued)*

- Amendments to IAS 32 “Financial instruments: Presentation” – Application guidance on the offsetting of financial assets and financial liabilities
- Amendments to IAS 36 “Recoverable amounts disclosures for non-financial assets”
- Amendments to IAS 39 “Novation of derivatives and continuation of hedge accounting”
- IFRIC 21 “Levies”

IFRS 10 “Consolidated Financial Statements” – IFRS 10 replaces the parts of IAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and SIC-12 “Consolidation – Special Purpose Entities”. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group. The application of IFRS 10 has not had any material impact on the amounts recognized in the consolidated financial statements.

IFRS 12 “Disclosure of Interests in Other Entities” – IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The adoption of other new or revised standards did not have any effect on the consolidated financial position or performance of the Group and any disclosures in the Group’s consolidated financial statements.

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3. Summary of significant accounting policies *(continued)*

Standards and Interpretations in issue but not effective

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	*Effective for annual period beginning on or after*
IFRS 9 "Financial Instruments"	Not yet adopted in the EU
IFRS 15 "Revenue from contracts with customers"	Not yet adopted in the EU
IFRS 14 "Regulatory Deferral Accounts"	Not yet adopted in the EU
Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception	Not yet adopted in the EU
Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contribution	Not yet adopted in the EU
Amendments to IAS 1: Disclosure Initiative	Not yet adopted in the EU
Amendments to IAS 27: Equity Method in Separate Financial Statements	Not yet adopted in the EU
Amendments to IAS 16 and IAS 41: Bearer plants	Not yet adopted in the EU
Amendments to IAS 16 and IAS 38: Classification of Acceptable Methods of Depreciation and Amortization	Not yet adopted in the EU
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet adopted in the EU
Amendments to IFRS 11: Accounting for acquisitions of Interests in Joint Ventures	Not yet adopted in the EU
Amendments to IFRSs – "Annual Improvements to IFRSs 2010-2012 Cycle"	Not yet adopted in the EU
Amendments to IFRSs – "Annual Improvements to IFRSs 2011-2013 Cycle"	Not yet adopted in the EU

Management is currently evaluating the impact of the adoption of IFRS 9 "Financial Instruments". For other Standards and Interpretations management anticipates that their adoption in future periods will not have a material effect on the financial statements of the Group in future periods.

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3. Summary of significant accounting policies *(continued)*

Functional and presentation currency

The functional currency of Ukrainian, Cyprus and Luxemburg companies of the Group is the Ukrainian Hryvnia ("UAH"); the functional currency of the Russian Federation companies of the Group is the Russian Ruble ("RUB"). Transactions in currencies other than the functional currency of the entities concerned are treated as transactions in foreign currencies. Such transactions are initially recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. All realized and unrealized gains and losses arising on exchange differences are recognised in the consolidated statement of comprehensive income for the period.

These consolidated financial statements are presented in US Dollars ("USD"), which is the Group's presentation currency.

The results and financial position of the Group are translated into the presentation currency using the following procedures:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as of the reporting date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at exchange rates at the dates of the transactions;
- All resulting exchange differences are recognized as a separate component of equity.

For practical reasons, the Group translates items of income and expenses for each period presented in the financial statements using the quarterly average exchange rates, if such translations reasonably approximate the results translated at exchange rates prevailing at the dates of the transactions.

The relevant exchange rates were:

Currency	*Closing rate as of 31 December 2014*	*Average for 2014*	*Closing rate as of 31 December 2013*	*Average for 2013*	*Closing rate as of 31 December 2012*	*Average for 2012*
UAH/USD	15.7686	11.9095	7.9930	7.9930	7.9930	7.9910
UAH/EUR	19.2329	15.7410	11.0415	10.6116	10.5372	10.2692
UAH/RUB	0.3030	0.3112	0.2450	0.2512	N/A	N/A

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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3. Summary of significant accounting policies *(continued)*

Basis of consolidation *(continued)*

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intercompany transactions, balances and unrealized gains or losses on transactions are eliminated on consolidation, except when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

Accounting for acquisitions

The acquisitions of subsidiaries from third parties are accounted for using the acquisition method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values.

The consideration transferred by the Group is measured at fair value, which is the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired subsidiary and the equity interests issued by the Group in exchange for control of the subsidiary. Acquisition-related costs are generally recognized in the statement of comprehensive income as incurred.

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the subsidiary's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests, if any, are measured at fair value or, when applicable, on the basis specified in other IFRS standards.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interests in the subsidiary and the fair value of the Group's previously-held interest in the subsidiary (if any), the excess is recognized in the consolidated statement of comprehensive income, as a bargain purchase gain.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and

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3. Summary of significant accounting policies *(continued)*

Accounting for acquisitions *(continued)*

the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent.

When an acquisition of a legal entity does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

Accounting for transactions with entities under common control

The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these consolidated financial statements at pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by the Group is accounted for in these consolidated financial statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the date of acquisition.

Any gain or loss on disposals to entities under common control are recognized directly in equity and attributed to owners of the Parent.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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3. Summary of significant accounting policies *(continued)*

Borrowing costs

Borrowing costs include interest expense, finance charges on finance leases and other interest-bearing long-term payables and debt service costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements. Rather, they are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

Segment information

Segment reporting is presented on the basis of management’s perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports provided to the Group’s chief operating decision maker (“CODM”). The Group has identified its top management team as its CODM and the internal reports used by the top management team to oversee operations and make decisions on allocating resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Based on the current management structure, the Group has identified the following reportable segments:

- Poultry and related operations;
- Grain growing operations;
- Other agricultural operations.

The Group does not present information on segment assets and liabilities as the CODM does not review such information for decision-making purposes.

Revenue recognition

The Group generates revenue primarily from the sale of agricultural products to the end customers. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and it is probable that collection will occur. The point of transfer of risk, which may occur at delivery or shipment, varies for contracts with different types of customers.

When goods are exchanged or swapped for goods which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold in exchange for dissimilar goods, the exchange is regarded as a transaction which generates revenue, and revenue is measured at the fair value of the goods received, adjusted by the amount of any cash or cash equivalents transferred.

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3. Summary of significant accounting policies *(continued)*

VAT refunds and other government grants

The Group's companies are subject to special tax treatment for VAT. The Group's entities, which qualify as agricultural producers, are entitled to retain the net VAT payable. VAT amounts payable are not transferred to the State, but credited to the entity's separate special account to support the agriculture activities of the Group. Net result on VAT operations, calculated as excess of VAT liability over VAT credit is charged to profit or loss. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities of the next period.

Government grants are recognized as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group's consolidated financial statements as deferred income.

Other government grants are recognized at the moment when the decision to disburse the amounts to the Group is made.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses, except for buildings and structures, grain storage facilities, production machinery, vehicles and agricultural machinery, which are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent depreciation and impairment losses.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, (d) the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; and (e) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated statement of comprehensive income as incurred.

The Group moved to revaluation model for buildings and structures, production machinery, vehicles and agricultural machinery during the year ended 31 December 2014. For all groups of property, plant and equipment carried at revaluation model revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as a revaluation reserve. However, such increase is recognized in the statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the statement of comprehensive income. However, such decrease is debited directly to the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Depreciation on revalued assets is charged to the statement of comprehensive income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

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3. Summary of significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of the groups of property, plant and equipment are as follows:

• Buildings and structures	15 - 35 years
• Grain storage facilities	20 - 35 years
• Production machinery	10 - 20 years
• Auxillary and other machinery	5 - 15 years
• Utilities and infrastructure	10 - 30 years
• Vehicles and agricultural machinery	5 - 15 years
• Office furniture and equipment	3 - 5 years

Depreciable amount is the cost of an item of property, plant and equipment, or revalued amount, less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The depreciable amount of assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The residual value, the useful lives and depreciation method are reviewed at each financial year-end. The effect of any changes from previous estimates is accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on a sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of construction in progress commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management.

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3. Summary of significant accounting policies *(continued)*

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, consist primarily of land lease rights.

Land lease rights acquired separately are carried at cost less accumulated amortization and accumulated impairment losses.

Land lease rights acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, land lease rights acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as land lease rights acquired separately.

Amortization of intangible assets is recognized on a straight line basis over their estimated useful lives. For land lease rights, the amortization period varies from 3 to 15 years.

The amortization period and the amortization method for intangible assets with finite useful life are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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3. Summary of significant accounting policies *(continued)*

Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in statement of comprehensive income in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Income taxes

Income taxes have been computed in accordance with the laws currently enacted or substantially enacted in jurisdictions where operating entities are located. Income tax is calculated based on the results for the year as adjusted for items that are non-assessable or non-tax deductible. It is calculated using tax rates that have been enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income.

Deferred tax assets and liabilities are offset when:

- The Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- The Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 11).

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3. Summary of significant accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using the FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Agriculture related production process results in production of joint products: main and by-products. A by-product arising from the process is measured at net realizable value and this value is deducted from the cost of the main product.

Biological assets and agricultural produce

Agricultural activity is defined as a biological transformation of biological assets for sale into agricultural produce or into additional biological assets. The Group classifies hatchery eggs, live poultry and other animals and plantations as biological assets.

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the consolidated statement of comprehensive income. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment.

The change in this adjustment from one period to another is recognized as “Net change in fair value of biological assets and agricultural produce” in the statement of comprehensive income.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in the statement of comprehensive income.

Based on the above policy, the principal groups of biological assets and agricultural produce are stated as follows:

Biological Assets

(i) Broilers

Broilers comprise poultry held for chicken meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from the sales of 44-day aged chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders

The fair value of breeders is determined using the discounted cash flow approach based on hatchery eggs’ market prices.

(iii) Cattle and pigs

Cattle and pigs comprise cattle held for regeneration of livestock population and animals raised for milk and beef and pork meat production. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Cattle, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the asset discounted at a current market-determined pre-tax rate.

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3. Summary of significant accounting policies *(continued)*

Biological assets and agricultural produce *(continued)*

(iv) Orchards

Orchards consist of plants used for the production of fruit. Fruit trees achieve their normal productive age in the second to fifth year. The fair value of orchards which have attained normal productive age is determined using the discounted cash flow approach.

(v) Crops in fields

The fair value of crops in fields is determined by reference to the cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(vi) Hatchery eggs

The fair value of hatchery eggs is determined by reference to market prices at the point of harvest.

Agricultural Produce

(i) Dressed poultry, beef and pork

The fair value of dressed poultry, beef and pork is determined by reference to market prices at the point of harvest.

(ii) Grain and fruits

The fair value of fodder grain and fruits is determined by reference to market prices at the point of harvest.

The Group's biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group's production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include hatchery eggs and live broiler poultry intended for the production of meat, as well as pork and meat cows. Bearer biological assets include poultry held for hatchery eggs production, orchards, milk cows and breeding bulls.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. The settlement date is the date that an asset is delivered to or by an entity. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Accounts receivable

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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3. Summary of significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash with banks, deposits and marketable securities with an original maturity of less than three months.

Bank borrowings, corporate bonds issued and other long-term payables

Interest-bearing borrowings, bonds and other long-term payables are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and recorded as finance costs.

Derivative financial instruments

The Group enters into derivative financial instruments to purchase sunflower seeds. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not remeasured at fair value through statement of comprehensive income.

As of 31 December 2014, 2013 and 2012 there were no material derivative financial instruments that were recognized in these consolidated financial statements.

Trade and other accounts payable

Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held by the Group under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised directly to the statement of comprehensive income and are classified as finance costs.

Rental income or expenses under operating leases are recognized in the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

Reclassifications and revisions

Certain comparative information presented in the consolidated financial statements for the year ended 31 December 2012 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2014. Such reclassifications and revisions were not significant to the Group financial statements.

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3. Summary of significant accounting policies *(continued)*

Change in accounting policy

During the year ended 31 December 2014 the Group decided to amend classification of property, plant and equipment groups by dividing Machinery and equipment group into two separate classes: production machinery, auxillary and other machinery. Based on the analysis of machinery equipment nature and use, the Group believes this disclosure provide more relevant information about the nature of Group's property, plant and equipment. This change was accounted retrospectively as change in accounting policy, and all comparative information was presented retrospectively according to the new accounting policy within Note 12.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue recognition

In the normal course of business, the Group engages in sale and purchase transactions with the purpose of exchanging crops in various locations to fulfill the Group's production requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of similar nature and value. The Group management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying crops are of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying crops indicates that the substance of the transaction is an exchange of similar goods. The amount of exchange transaction involving goods of similar nature amounted to USD 28,004 thousand, USD 81,808 thousand, USD 33,819 thousand for the years ended 31 December 2014, 2013 and 2012 respectively.

Recognition of inventories

During the year ended 31 December 2014, 2013 and 2012, the Group acquired components for mixed fodder production from a local supplier under grain purchase financing arrangements. According to the contractual terms, legal ownership to the goods passed to the Group on physical delivery to the Group's grain storage facilities, which is generally the date when inventories are recognized in the Group's financial statements. However, based on the analysis of the nature of this arrangement, management applied judgment to determine the date on which control over these goods passed to the Group. In making this judgment, management considered the relevant significance of risk and rewards associated with ownership of grain, in particular date of transfer of physical damage risk, as well as commercial risks and benefits associated with ownership. Based on this assessment, management concluded that the Group assumed risk of physical damage and obtained commercial benefits prior to obtaining legal ownership over these inventories and as such, that these inventories should be recognized in the Group's financial statements from the date when they were acquired by the supplier.

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4. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Revaluation of property, plant and equipment

As described in Notes 3 and 12, the Group applies a revaluation model to the measurement of grain storage facilities, production machinery, vehicles and agricultural machinery. At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value.

Grain storage facilities, building and structures: The Group appointed an independent valuer for revaluation of its buildings and structures, grain storage facilities during the year ended 31 December 2014 and performed revaluation as of 1 May 2014 for grain storage facilities and 31 December 2014 for buildings and structures. Key assumptions used by the independent valuer in assessing the fair value of buildings and structures and grain storage facilities using the replacement cost method were as follows:

- present condition of particular assets was ranked from excellent to good;
- changes in prices of assets and construction materials from the date of their acquisition/construction to the date of valuation; and
- other external and internal factors that might have effect on fair value of grain-storage facilities.

Results of the revaluation based on the replacement cost approach were compared with a revaluation performed using the income approach to check for impairment indicators of revalued assets, if any.

The Group carries out such review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period. Based on the results of this review, the Group concluded that grain storage facilities should be revalued during the year ended 31 December 2014.

The following unobservable inputs were used to measure buildings and structures, grain storage facilities and production machinery:

Description	Fair value as at 31 December 2014	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Buildings and structures	723,298	Depreciated replacement cost method	Index of physical depreciation	20-40%	The higher the index of physical depreciation, the lower the fair value
			Cumulative index of inflation of construction works	1.32-1.42	The higher the market price, the higher the fair value
Grain storage facilities	96,190	Depreciated replacement cost method	Index of physical depreciation	5-68%	The higher the index of physical depreciation, the lower the fair value
			Cumulative index of inflation of construction works	1.30-1.52	The higher the market price, the higher the fair value

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4. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Revaluation of property, plant and equipment *(continued)*

The following unobservable inputs were used to measure buildings and structures, grain storage facilities and production machinery:

Description	Fair value as at 31 December 2014	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Production machinery	300,537	Depreciated replacement cost method	Index of physical depreciation	20-30%	The higher the index of physical depreciation, the lower the fair value
			Cumulative index of producer price in EU (2004-2014)	31%	The higher the index, the higher the fair value

Production machinery, vehicles and agricultural machinery: Fair value of items of production machinery, vehicles and agricultural machinery is determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between knowledgeable, willing customers in an arm's length transaction as of the valuation date.

The Group appointed an independent valuer for revaluation of production machinery, vehicles and agricultural machinery during the year ended 31 December 2014 and performed revaluation for agricultural machinery and vehicles as of 1 May 2014 and 31 December 2014, and for production machinery as of 31 December 2014.

Key assumptions used by the independent valuer in assessing the fair value of production machinery, vehicles and agricultural machinery using the market approach method were as follows:

- present condition of particular assets was ranked from excellent to good; and
- external prices provided by suppliers of machinery and vehicles for similar items were considered.

Results of the revaluation based on the replacement cost approach were compared with a revaluation performed using the income approach to check for impairment indicators of revalued assets, if any.

For the market approach the Group carries at each reporting date a review of the carrying amount of these assets to determine whether the carrying amount differs from fair value. The Group considers economic stability and the availability of transactions with similar assets in the market when determining whether to perform fair value assessment in a given period. Based on the results of review the Group concluded that production machinery, vehicles and agricultural machinery should be revalued during the year ended 31 December 2014.

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4. Critical accounting judgments and key sources of estimation uncertainty
(continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value less costs to sell of biological assets and agricultural produce

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average meat output for broilers and livestock for meat production;
- Average productive life of breeders and cattle held for regeneration and milk production;
- Expected crops output;
- Projected orchards output;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and,
- Discount rate.

During the year ended 31 December 2014 the fair value of biological assets and agricultural produce was estimated using discount factors of 23.05% and 34.59% (31 December 2013: 14.01% and 12.37%) for non-current and current assets respectively.

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group's historical and projected results (Note 14).

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets

Deferred tax assets, including those arising from unused tax losses are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Based on management assessment the Group decided to recognise deferred tax assets on unused tax losses, which will be utilized in future against existing deferred tax liabilities and available future tax profits.

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4. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

VAT recoverable

Note describes long-term VAT recoverable accumulated by the Group on its capital expenditures and investments in working capital. The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities in future periods. Management classified the VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date. In addition, management assessed whether an allowance for irrecoverable VAT needed to be created.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

5. Segment information

The majority of the Group's operations are located within Ukraine.

Segment information is analysed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Poultry and related operations segment:

- sales of chicken meat
- sales of sunflower oil and related products
- other poultry related sales

Grain growing operations segment:

- sales of grain

Other agricultural operations segment:

- sales of meat processing products and other meat
- other agricultural operations (sales of fruits, milk, feed grains and other)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Sales between segments are carried out at market prices. The segment result represents operating profit under IFRS before unallocated corporate expenses. Unallocated corporate expenses include management remuneration, representative expenses, and expenses incurred in respect of the maintenance of office premises. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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5. Segment information *(continued)*

As of 31 December and for the year then ended the Group's segmental information was as follows:

Year ended 31 December 2014	*Poultry and related operations*	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	1,177,336	77,491	124,221	-	1,379,048
Sales between business segments	37,734	146,417	690	(184,841)	-
Total revenue	1,215,070	223,908	124,911	(184,841)	1,379,048
Segment results	417,084	81,251	199	-	498,534
Unallocated corporate expenses					(87,346)
Reversal of impairment of property, plant and equipment, net					3,787
Other expenses, net 1)					(886,887)
Loss before tax					(471,912)
Other information:					
Additions to property, plant and equipment 2)	69,865	39,446	2,488	-	111,799
Depreciation and amortization expense 3)	72,732	15,731	4,611	-	93,074
Net change in fair value of biological assets and agricultural produce	31,528	28,596	(7,213)	-	52,911

1) Include finance income, finance costs, foreign exchange loss (net) and other expenses (net).

2) Additions to property, plant and equipment in 2014 (Note 12) include unallocated additions in the amount of USD 3,849 thousand.

3) Depreciation and amortization for the year ended 31 December 2014 does not include unallocated depreciation and amortization in the amount of USD 1,589 thousand.

Year ended 31 December 2013	*Poultry and related operations*	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	1,201,100	133,264	161,715	-	1,496,079
Sales between business segments	49,853	194,764	5,643	(250,260)	-
Total revenue	1,250,953	328,028	167,358	(250,260)	1,496,079
Segment results	275,026	13,555	25,844	-	314,425
Unallocated corporate expenses					(42,589)
Other expenses, net 1)					(111,601)
Profit before tax					160,235
Other information:					
Additions to property, plant and equipment 2)	171,102	27,930	7,956	-	206,988
Depreciation and amortization expense 3)	83,442	25,521	6,909	-	115,872
Net change in fair value of biological assets and agricultural produce	25,636	(27,368)	15,366	-	13,634

1) Include finance income, finance costs, foreign exchange loss (net) and other expenses (net).

2) Additions to property, plant and equipment in 2013 (Note 12) include unallocated additions in the amount of USD 4,115 thousand.

3) Depreciation and amortization for the year ended 31 December 2013 does not include unallocated depreciation and amortization in the amount of USD 3,142 thousand.

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5. Segment information *(continued)*

Year ended 31 December 2012	*Poultry and related operations*	*Grain growing*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	1,082,978	169,142	155,402	-	1,407,522
Sales between business segments	42,919	147,719	5,074	(195,712)	-
Total revenue	1,125,897	316,861	160,476	(195,712)	1,407,522
Segment results	318,537	92,139	3,494	-	414,170
Unallocated corporate expenses					(33,587)
Other expenses, net [1)]					(61,879)
Profit before tax					318,704
Other information:					
Additions to property, plant and equipment [2)]	375,604	21,375	11,679	-	408,658
Depreciation and amortization expense [3)]	57,922	19,569	6,522	-	84,013
Net change in fair value of biological assets and agricultural produce	11,955	4,329	450	-	16,734

[1)] Include finance income, finance costs, foreign exchange gain (net) and other expenses (net).

[2)] Additions to property, plant and equipment in 2012 (Note 12) include unallocated additions in the amount of USD 4,092 thousand.

[3)] Depreciation and amortization for the year ended 31 December 2012 does not include unallocated depreciation and amortization in the amount of USD 3,122 thousand.

As of 31 December 2014, non-current assets attributable to the companies located outside of Ukraine amounted to USD 52,329 thousand (2013: USD 64,132 thousand).

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Sunflower oil and related products	258,142	253,194	227,835
Chicken meat and related products	258,877	216,683	112,931
Grain	59,751	100,674	138,639
Other agricultural segment products	2,932	405	431
	579,702	570,956	479,836

Export sales of sunflower oil and related products and export sales of grains are primarily made to global trading companies at CPT port terms. The major markets for the Group's export sales of chicken meat are Middle East, CIS countries and EU, as well as, to a lesser extent, Northern Africa and Asia.

6. Revenue

Revenue for the years ended 31 December 2014, 2013 and 2012 was as follows:

	2014	*2013*	*2012*
Poultry and related operations segment			
Chicken meat	873,404	881,249	804,381
Sunflower oil and related products	258,508	258,168	227,835
Other poultry related sales	45,424	61,683	50,762
	1,177,336	1,201,100	1,082,978
Grain growing operations segment			
Grain	77,491	133,264	169,142
	77,491	133,264	169,142
Other agricultural operations segment			
Other meat	79,450	101,070	102,959
Other agricultural sales	44,771	60,645	52,443
	124,221	161,715	155,402
	1,379,048	1,496,079	1,407,522

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7. Cost of sales

Cost of sales for the years ended 31 December 2014, 2013 and 2012 was as follows:

	2014	*2013*	*2012*
Poultry and related operations	759,387	877,540	705,128
Grain growing operations	62,873	155,976	147,821
Other agricultural operations	108,794	152,471	148,960
	931,054	1,185,987	1,001,909

For the years ended 31 December 2014, 2013 and 2012 cost of sales comprised the following:

	2014	*2013*	*2012*
Costs of raw materials and other inventory used	607,928	797,239	700,410
Payroll and related expenses	157,515	187,493	151,538
Depreciation and amortization expense	82,779	104,619	74,870
Other costs	82,832	96,636	75,091
	931,054	1,185,987	1,001,909

By-products arising from the agricultural production process are measured at net realizable value, and this value is deducted from the cost of the main product.

8. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2014, 2013 and 2012 were as follows:

	2014	*2013*	*2012*
Payroll and related expenses	41,808	52,137	46,414
Services	24,338	25,561	20,738
Fuel and other materials used	14,133	14,991	13,646
Depreciation expense	11,884	14,395	12,265
Advertising expense	9,804	12,276	12,691
Representative costs and business trips	6,388	4,096	8,641
Insurance expense	900	1,937	1,594
Bank services and conversion fees	282	480	474
Other	1,280	4,742	4,022
	110,817	130,615	120,485

Remuneration to the auditors, included in Services above, approximate to USD 604 thousand, USD 1,025 thousand and USD 744 thousand for the years ended 31 December 2014, 2013 and 2012, respectively. Such remuneration includes both audit and non-audit services, with the audit fees component approximating USD 550 thousand for each of the years ended 31 December 2014, 2013 and 2012.

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9. VAT refunds and other government grants income

The Ukrainian legislation provides for a number of different grants and tax benefits for companies involved in agricultural operations. The below mentioned grants and similar privileges are established by Verkhovna Rada (the Parliament) of Ukraine, as well as by the Ministry of Agrarian Policy of Ukraine, the Ministry of Finance of Ukraine, the State Committee of Water Industry, the customs authorities and local district administrations.

VAT refunds and other government grants recognized by the Group as income during the years ended 31 December 2014, 2013 and 2012 were as follows:

	2014	*2013*	*2012*
VAT refunds	88,186	99,220	101,581
Other government grants	1,710	1,665	788
	89,896	100,885	102,369

VAT refunds for agricultural industry

According to the Tax Code of Ukraine issued in December 2010 and effective as of 1 January 2011 (“Tax Code”), companies that generated not less than 75% of gross revenues for the previous tax year from sales of own agricultural products are entitled to retain VAT on sales of agricultural products, net of VAT paid on purchases, for use in agricultural production.

The special VAT regime for the agricultural industry will be effective up to1 January 2018.

Included in VAT refunds for the years ended 31 December 2014, 2013 and 2012 were specific VAT subsidies for the production and sale of milk and live animals for further processing in the amount of USD 526 thousand, USD 1,299 thousand and USD 1,426 thousand, respectively.

Other government grants

Other government grants recognized as income during the years ended 31 December 2014, 2013 and 2012 mainly comprised subsidies related to crop growing. In accordance with the Law “On State Budget of Ukraine”, two companies of the Group received grants for the years ended 31 December 2014, 2013 and 2012 for the creation and cultivating of orchards, vines and berry-fields.

In addition to the government grants income recognized by the Group, the Group receives a grant to compensate agricultural producers costs used to finance operations. Agricultural producers are entitled to the compensation of finance costs incurred on bank borrowings in accordance with the Law “On State Budget of Ukraine” during the years ended 31 December 2014, 2013 and 2012. The eligibility, application and tender procedures related to such grants are defined and controlled by the Ministry of Agrarian Policy of Ukraine.

These grants were recognized as a reduction in the associated finance costs and during the years ended 31 December 2014, 2013 and 2012 comprised USD 547, USD nil, and USD nil thousand, respectively (Note 10).

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10. Finance costs

Finance costs for the years ended 31 December 2014, 2013 and 2012 were as follows:

	2014	*2013*	*2012*
Interest on corporate bonds	92,678	88,245	64,449
Transaction costs related to corporate bonds	-	16,654	-
Interest on bank borrowings	8,562	13,911	15,839
Interest on obligations under finance leases	3,432	4,964	4,795
Bank commissions and other charges	6,193	3,172	3,786
Interest on financing arrangements for grain purchases	1,847	1,847	643
Government grants as compensation for the finance costs of agricultural producers *(Note 9)*	(547)	-	-
Total finance costs	112,165	128,793	89,512
Less:			
Finance costs included in the cost of qualifying assets	(3,641)	(19,018)	(30,201)
	108,524	109,775	59,311

For qualifying assets, the weighted average capitalization rate on funds borrowed during the year ended 31 December 2014 was 10.14% (2013: 10.14%, 2012: 8.10%).

Interest on corporate bonds for the years ended 31 December 2014, 2013 and 2012 includes amortization of premium and debt issue costs on bonds issued in the amounts of USD 6,746 thousand, USD 9,003 thousand and USD 4,509 thousand, respectively.

11. Income tax

The majority of the Group’s operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates and statutory rates of the Russian Federation for results generated by Voronezh Agro Holding. The net results of the Group companies incorporated in jurisdictions other than Ukraine were insignificant during the years ended 31 December 2014, 2013 and 2012. The majority of the Group companies that are involved in agricultural production pay the Unified Tax (the “UT”) in accordance with the Tax Code. The UT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, and Special Water Consumption Duty. The UT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. UT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in other operating expenses.

During the year ended 31 December 2014, the Group’s companies that have the status of Corporate Income Tax (the “CIT”) payers in Ukraine were subject to income tax.

The Tax Code of Ukraine introduced an 18% income tax rate effective from 1 January 2014 (19% effective 1 January 2013, 21% effective 1 January 2012).
The deferred income tax assets and liabilities as of 31 December 2014, 2013 and 2012 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

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11. Income tax *(continued)*

The components of income tax (benefit)/expense were as follows for the years ended 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Current income tax charge	6,393	9,157	7,915
Deferred tax benefit	(65,967)	(11,162)	(127)
Income tax (benefit)/expense	(59,574)	(2,005)	7,788

The reconciliation between profit before tax multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2014, 2013 and 2012 was as follows:

	2014	*2013*	*2012*
(Loss)/Profit before income tax	(471,912)	160,235	318,704
Income tax expense calculated at rates effective during the year ended at respective jurisdictions	(84,944)	30,470	66,928
Tax effect of:			
Income generated by FAT payers (exempt from income tax)	(22,268)	(44,068)	(82,443)
Changes in tax rate and law	347	3	-
Loss on impairment of assets in Donetsk region	5,322	-	-
Non-deductible expenses (by law)	17,414	7,263	19,402
Expenses not deducted for tax purposes (policy choice)	8,302	4,327	3,901
Translation loss	16,254	-	-
Income tax expense	(59,574)	(2,005)	7,788

During the years ended 31 December 2014, 2013 and 2012 the Group did not recognize deferred tax assets arising from temporary differences of USD 46,122 thousand, USD 22,724 thousand and USD 18,576 thousand, respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods.

Deferred tax liabilities have not been recognized in respect of unremitted earnings of Ukrainian subsidiaries as the earnings can be remitted free from taxation currently and in future years, based on current legislation.

As of 31 December 2014, 2013 and 2012 deferred tax assets and liabilities comprised the following:

	2014	*2013*	*2012*
Deferred tax assets arising from:			
Property, plant and equipment	157	3,325	4,732
Other current liabilities	1,249	1,780	1,301
Inventories	580	2,490	1,081
Advances received and other payables	106	371	849
Expenses deferred in tax books	65,219	13,871	3,484
Total deferred tax (liabilities)/assets	67,311	21,837	11,447
Deferred tax liabilities arising from:			
Property, plant and equipment	(87,663)	(7,792)	(4,165)
Inventories	(72)	(943)	(2,138)
Prepayments to suppliers	-	(123)	(258)
Total deferred tax liabilities	(87,735)	(8,858)	(6,561)
Net deferred tax (liabilities)/assets	(20,424)	12,979	4,886

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11. Income tax *(continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Deferred tax assets	247	20,022	8,231
Deferred tax liabilities	(20,671)	(7,043)	(3,345)
	(20,424)	12,979	4,886

The movements in net deferred tax assets for the years ended 31 December 2014, 2013 and 2012 were as follows:

	2014	*2013*	*2012*
Net deferred tax assets as of beginning of the year	12,979	4,886	5,588
Deferred tax benefit	65,967	11,162	127
Deferred tax liabilities arising on acquisition of subsidiaries	-	(3,069)	-
Deferred tax on property, plant and equipment charged directly to other comprehensive income	(92,506)	-	(826)
Translation difference	(6,864)	-	(3)
Net deferred tax (liabilities)/assets as of end of the year	(20,424)	12,979	4,886

12. Property, plant and equipment

During the year ended 31 December 2014, following significant depreciation of UAH against USD (Note 31) in order to financial statements preset more relevant values of the Group's property plant and equipment, the management of the Group has changed accounting policy for a number of groups of property plant and equipment (Note 3) from historical cost basis to fair a value measurement.

A reversal of impairment was recognised for items, which were previously impaired to the extend of its carrying amount as of 31 Dcemeber 2014, had no impairment been previously recognised. The remaining amount was recognised as a revaluation surplus in other comprehensice income.

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12. Property, plant and equipment *(continued)*

The following table represents movements in property, plant and equipment for the year ended 31 December 2014:

	Land	*Buildings and structures*	*Grain storage facilities*	*Production machinery*	*Auxillary and other machinery*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Office furniture and equipment*	*Construction in progress*	*Total*
Cost or fair value:										
At 1 January 2014	20,538	608,949	147,953	465,055	95,654	133,010	311,014	19,456	158,316	1,959,945
Additions	1,336	38,602	9,887	13,267	4,324	545	24,989	512	22,186	115,648
Disposals	(699)	(4,705)	(51)	(205)	(3,398)	-	(3,538)	(166)	(19)	(12,781)
Transfers	996	23,188	(1,499)	14,208	9,601	22,855	(4,034)	155	(65,470)	-
Impairment of Shahtarska Nova Poultry Farm *(Note 2)*	-	(18,383)	-	(10,572)	(2,115)	(5,558)	(1,468)	(124)	(8,207)	(46,427)
Revaluations	-	381,503	23,041	52,890	-	-	57,899	-	-	515,333
Reversal of impairment of property, plant and equipment, net	-	4,110	-	-	-	-	(323)	-	-	3,787
Translation difference	(8,072)	(309,967)	(79,557)	(234,106)	(49,163)	(70,214)	(176,083)	(9,694)	(66,145)	(1,003,001)
At 31 December 2014	14,099	723,297	99,774	300,537	54,903	80,638	208,456	10,139	40,661	1,532,504
Accumulated depreciation and impairment:										
At 1 January 2014	-	91,429	14,218	142,038	26,460	24,685	152,481	14,895	-	466,206
Depreciation charge for the year	-	21,289	5,646	22,066	8,163	7,861	32,078	1,786	-	98,889
Elimination upon disposal	-	(519)	-	(1,933)	(4,842)	(118)	(4,236)	(292)	-	(11,940)
Elliminated on revaluation	-	(60,459)	(10,928)	(84,103)	-	-	(97,833)	-	-	(253,323)
Impairment of Shahtarska Nova Poultry Farm *(Note 2)*	-	(1,608)	-	(3,777)	(321)	(450)	(707)	(97)	-	(6,960)
Translation difference	-	(50,132)	(5,352)	(74,291)	(13,789)	(14,008)	(81,783)	(7,694)	-	(247,049)
At 31 December 2014	-	-	3,584	-	15,671	17,970	-	8,598	-	45,823
Net book value										
At 1 January 2014	20,538	517,520	133,735	323,017	69,194	108,325	158,533	4,561	158,316	1,493,739
At 31 December 2014	14,099	723,297	96,190	300,537	39,232	62,668	208,456	1,541	40,661	1,486,681

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12. Property, plant and equipment *(continued)*

The following table represents movements in property, plant and equipment for the year ended 31 December 2013:

	Land	*Buildings and structures*	*Grain storage facilities*	*Production machinery*	*Auxillary and other machinery*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Office furniture and equipment*	*Construction in progress*	*Total*
Cost or fair value:										
At 1 January 2013	-	453,870	104,349	315,182	64,330	76,151	265,287	18,534	399,690	1,697,393
Additions	312	50,767	12,754	31,593	6,349	20,907	39,450	525	48,446	211,103
Disposals	-	(1,085)	(188)	(1,848)	(607)	(30)	(5,523)	(208)	(155)	(9,644)
Transfers	-	95,604	15,840	120,128	23,485	35,224	254	559	(291,094)	-
Acquired through business combination	20,074	9,727	15,080	-	2,088	754	11,672	46	1,429	60,870
Translation difference	512	66	118	-	9	4	(126)	-	-	223
At 31 December 2013	20,538	608,949	147,953	465,055	95,654	133,010	311,014	19,456	158,316	1,959,945
Accumulated depreciation and impairment:										
At 1 January 2013	-	66,750	8,738	113,944	16,436	20,081	119,542	12,215	-	357,706
Depreciation charge for the year	-	24,944	5,656	29,436	10,499	4,625	37,009	2,848	-	115,017
Elimination upon disposal	-	(261)	(171)	(1,342)	(470)	(20)	(4,039)	(168)	-	(6,471)
Translation difference	-	(4)	(5)	-	(5)	(1)	(31)	-	-	(46)
At 31 December 2013	-	91,429	14,218	142,038	26,460	24,685	152,481	14,895	-	466,206
Net book value										
At 1 January 2013	-	387,120	95,611	201,238	47,894	56,070	145,745	6,319	399,690	1,339,687
At 31 December 2013	20,538	517,520	133,735	323,017	69,194	108,325	158,533	4,561	158,316	1,493,739

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12. Property, plant and equipment *(continued)*

The following table represents movements in property, plant and equipment for the year ended 31 December 2012:

	Buildings and structures	*Grain storage facilities*	*Production machinery*	*Auxillary and other machinery*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Office furniture and equipment*	*Construction in progress*	*Total*
Cost or fair value:									
At 1 January 2012	293,998	95,185	254,280	43,363	58,726	215,188	17,876	315,380	1,293,996
Additions	61,598	995	18,167	6,325	7,204	53,341	1,383	263,737	412,750
Disposals	(1,293)	(87)	(1,584)	(551)	(147)	(4,352)	(947)	(18)	(8,979)
Transfers	99,744	7,154	44,436	15,470	10,495	1,445	343	(179,087)	-
Revaluations	-	1,151	-	-	-	-	-	-	1,151
Translation difference	(177)	(49)	(117)	(277)	(127)	(335)	(121)	(322)	(1,525)
At 31 December 2012	453,870	104,349	315,182	64,330	76,151	265,287	18,534	399,690	1,697,393
Accumulated depreciation and impairment:									
At 1 January 2012	51,435	7,362	92,820	12,174	16,473	94,868	9,941	-	285,073
Depreciation charge for the year	16,365	5,348	22,617	4,658	3,750	28,239	3,195	-	84,172
Elimination upon disposal	(938)	(87)	(1,451)	(193)	(75)	(3,380)	(865)	-	(6,989)
Eliminated on revaluations	-	(4,015)	-	-	-	-	-	-	(4,015)
Translation difference	(112)	130	(42)	(203)	(67)	(185)	(56)	-	(535)
At 31 December 2012	66,750	8,738	113,944	16,436	20,081	119,542	12,215	-	357,706
Net book value									
At 1 January 2012	242,563	87,823	161,460	31,189	42,253	120,320	7,935	315,380	1,008,923
At 31 December 2012	387,120	95,611	201,238	47,894	56,070	145,745	6,319	399,690	1,339,687

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12. Property, plant and equipment *(continued)*

During 2014 the Group has completed commissioning of major production facilities at the Vinnytsia complex as scheduled. Remaining facilities of Vinnytsia complex will be commissioned during first quarter 2015, as scheduled.

As of 31 December 2014, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 10,353 thousand (2013: USD 9,407 thousand, 2012: USD 24,796 thousand).

As of 31 December 2014, included within property, plant and equipment were fully depreciated assets with the original cost of USD 8,424 thousand (2013: USD 56,817 thousand, 2012: USD 34,722 thousand).

As of 31 December 2014, 2013 and 2012 the net carrying amount of property, plant and equipment, represented by vehicles and agricultural machinery, held under finance lease agreements was USD 73,531 thousand, USD 76,053 thousand and USD 69,059 thousand, respectively.

Impairment assessment

The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, except items disclosed in Note 2, there were no indicators of impairment as of 31 December 2014, 2013 and 2012.

Revaluation of grain storage facilities

During the years ended 31 December 2014 and 2012, the Group engaged independent appraisers to revalue its grain storage facilities. The effective date of revaluation was 1 May 2014 and 31 October 2012, respectively. The valuation, which conformed to the International Valuation Standards, was determined using replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities.

No revaluation of grain storage facilities was performed during the years ended 31 December 2013 and 2011 as, based on management’s assessment, the fair value of grain storage facilities as of 31 December 2013 and 2011 did not materially differ from their carrying amount.

Revaluation of vehicles and agricultural machinery

During the year ended 31 December 2014, the Group engaged independent appraisers to revalue its vehicles and agricultural machinery. The effective dates of revaluation were 1 May 2014 and 31 December 2014. The valuation, which conformed to the International Valuation Standards, was determined using market comparable approach adjusted based on age and condition of the machinery.

Revaluation of production machinery

During the year ended 31 December 2014, the Group engaged independent appraisers to revalue its production machinery. The effective date of revaluation was 31 December 2014. The valuation, which conformed to the International Valuation Standards, was determined using market comparable approach adjusted based on age and condition of the machinery or for items of specialized nature replacement cost method.

Revaluation of buildings and structures

During the year ended 31 December 2014, the Group engaged independent appraisers to revalue its buildings and structures. The effective date of revaluation was 31 December 2014. The valuation, which conformed to the International Valuation Standards, was determined using replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the buildings and structures.

	Fair value hierarchy	**Fair value**			**Net book value if carried at cost**		
		2014	*2013*	*2012*	*2014*	*2013*	*2012*
Buildings and structures	Level 3	723,298	-	-	277,231	517,520	387,120
Grain storage facilities	Level 3	96,190	133,735	95,611	73,233	123,358	70,032
Production machinery	Level 3	300,537	-	-	163,546	323,017	201,238
Vehicles and	Level 2	208,762	-	-	73,477	158,533	145,745

agricultural machinery

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13. Land lease rights

Land lease rights represent rights for operating leases of agricultural land plots. The following table represents the movements in land lease rights for the years ended 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Cost:			
As of 1 January	57,498	31,634	30,332
Additions	6,219	3,607	1,314
Acquired through business combinations	-	22,257	-
Translation difference	(29,416)	-	(12)
As of 31 December	34,301	57,498	31,634
Accumulated amortization:			
As of 1 January	8,661	4,940	3,105
Amortization charge for the year	3,519	3,721	1,837
Translation difference	(5,115)	-	(2)
As of 31 December	7,065	8,661	4,940
Net book value:			
As of 1 January	48,837	26,694	27,227
As of 31 December	27,236	48,837	26,694

14. Biological assets

The balances of non-current biological assets were as follows as of 31 December 2014, 2013 and 2012:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*	*Thousand units*	*Carrying amount*
	2014		*2013*		*2012*	
Orchards, hectare	1.64	13,178	1.64	38,893	1.64	30,018
Milk cows, units	18.8	13,167	18.0	24,684	18.0	17,044
Boars and sows, units	4.2	1,966	4.3	1,958	3.6	1,503
Other non-current bearer biological assets		795		1,230		994
Total bearer non-current biological assets		29,106		66,765		49,559
Non-current cattle and pigs, units	3.2	1,207	5.3	3,677	7.1	4,136
Total consumable non-current biological assets		1,207		3,677		4,136
Total non-current biological assets		30,313		70,442		53,695

The balances of current biological assets were as follows as of 31 December 2014, 2013 and 2012:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*	*Thousand units*	*Carrying amount*
	2014		*2013*		*2012*	
Breeders held for hatchery eggs production, units	2,325	38,701	3,121	65,907	2,634	54,273
Total bearer current biological assets		38,701		65,907		54,273
Broiler poultry, units	40,182	54,720	34,438	73,267	26,223	51,051
Hatchery eggs, units	26,955	7,530	26,570	8,841	20,587	6,628
Crops in fields, hectare	90	28,570	76	45,745	75	39,590
Cattle and pigs, units	42	3,569	49	5,637	45	7,204
Other current consumable biological assets		164		283		530
Total consumable current biological assets		94,553		133,773		105,003
Total current biological assets		133,254		199,680		159,276

Other current consumable biological assets include geese and other livestock.

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14. Biological assets *(continued)*

The following table represents movements in biological assets for the years ended 31 December 2014, 2013 and 2012:

	Crops in fields	*Orchards*	*Breeders held for hatchery eggs production*	*Broiler poultry*	*Milk cows, boars, sows*	*Non-current cattle and pigs*	*Cattle, pigs*
As of 1 January 2012	23,876	27,978	39,345	55,411	14,803	2,640	10,654
Costs incurred	235,439	20,270	79,783	475,752	10,784	1,320	31,270
Gains/(losses) arising from change in fair value of biological assets less costs to sell	61,030	(4,410)	35,496	249,694	2,288	(1,655)	1,854
Transfer to consumable biological assets	-	-	(87,496)	87,496	-	(176)	176
Transfer to bearing non-current biological assets	-	-	-	-	9,559	2,498	(12,057)
Decrease due to sale	-	-	-	-	(599)	(13)	(12,303)
Decrease due to harvest	(281,529)	(13,805)	(12,836)	(817,281)	(18,279)	(477)	(12,388)
Translation difference	(9)	(15)	(19)	(21)	(9)	(1)	(2)
As of 31 December 2012	39,590	30,018	54,273	51,051	18,547	4,136	7,204
Costs incurred	304,553	23,945	95,123	602,985	18,218	1,602	40,181
Acquired through business combination	9,187	-	-	-	-	-	-
Gains/(losses) arising from change in fair value of biological assets less costs to sell	11,625	11,815	46,988	219,076	3,505	(2,369)	2,877
Transfer to consumable biological assets	-	-	(110,442)	110,442	(48)	(446)	493
Transfer to bearing non-current biological assets	-	-	-	-	19,019	2,502	(21,520)
Decrease due to sale	-	-	-	-	(1,900)	(195)	(11,904)
Decrease due to harvest	(319,437)	(26,884)	(20,035)	(910,287)	(30,699)	(1,553)	(11,694)
Translation difference	227	-	-	-	-	-	-
As of 31 December 2013	45,745	38,893	65,907	73,267	26,642	3,677	5,637
Costs incurred	247,360	16,265	68,013	482,020	10,679	1,150	23,807
Gains/(losses) arising from change in fair value of biological assets less costs to sell	65,025	(15,000)	97,410	316,598	3,810	(1,450)	3,014
Transfer to consumable biological assets	-	-	(125,757)	125,757	(20)	(545)	565
Transfer to bearing non-current biological assets	-	-	-	-	7,760	2,027	(9,787)
Decrease due to sale	-	-	-	-	(753)	(144)	(8,875)
Decrease due to harvest	(305,602)	(9,920)	(23,842)	(901,097)	(19,319)	(1,908)	(7,782)
Loss on impairment of assets in Donetsk region (Note 2)	-	-	(8,667)	-	-	-	-
Translation difference	(23,958)	(17,060)	(34,363)	(41,825)	(13,666)	(1,600)	(3,010)
As of 31 December 2014	28,570	13,178	38,701	54,720	15,133	1,207	3,569

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14. Biological assets *(continued)*

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy, except for cattle and pigs that can be measured based on market prices of livestock of a similar age, breed and genetic merit, which is measured at fair value within Level 1 of the fair value hierarchy. There were no transfers between any levels during the year.

The following unobservable inputs were used to measure biological assets:

Description	Fair value as at 31 December 2014	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in fields	28,570	Discounted cash flows	Crops yield - tonnes per hectare	3.1 – 6.1 (5.4)	The higher the crops yield, the higher the fair value
			Crops price	USD 124 - 302 (213) per tonne	The higher the market price, the higher the fair value
			Discount rate	34.59%	The higher the discount rate, the lower the fair value
Orchards	13,178	Discounted cash flows	Fruit yield - tonnes per hectare	5.72 – 34.8 (21.1) per year	The higher the fruit yield, the higher the fair value
			Fruit price	USD 336 – 1,522 (929) per tonne	The higher the market price, the higher the fair value
			Discount rate	23.05% - 34.59%	The higher the discount rate, the lower the fair value
Breeders held for hatchery eggs production	38,701	Discounted cash flows	Number of hatchery eggs produced by one breeder	165 – 175	The higher the number, the higher the fair value
			Hatchery egg price	USD 0.33 per egg	The higher the market price, the higher the fair value
			Discount rate	34.59%	The higher the discount rate, the lower the fair value
Broiler poultry	54,720	Cash flows	Average weight of one broiler - kg	2.33	The higher the weight, the higher the fair value
			Poultry meat price	UAH 4.5 – 20.72 (16.22) per kg	The higher the market price, the higher the fair value
Milk cows	13,167	Discounted cash flows	Milk yield - litre per cow	11.92 - 21.17 (15.63) per day	The higher the milk yield, the higher the fair value
			Weight of the cow - kg per cow	485 - 534 (503)	The higher the weight, the higher the fair value
			Milk price	UAH 3.52 – 4.18 (4.13) per litre	The higher the market price, the higher the fair value
			Meat price	UAH 15.83 per kg	The higher the market price, the higher the fair value
			Discount rate	23.05% - 34.59%	The higher the discount rate, the lower the fair value

If the above unobservable inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the current and non-current biological assets would increase /decrease by USD 49,506 thousand and USD 45,854 thousand, respectively.

(in thousands of US dollars, unless otherwise indicated)

15. Inventories

The balances of inventories were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Components for mixed fodder production	112,951	121,291	175,013
Work in progress	29,856	54,365	44,043
Other raw materials	27,157	32,078	25,023
Spare parts	11,281	16,593	10,999
Sunflower oil	12,515	10,785	9,662
Packaging materials	3,797	4,189	4,533
Mixed fodder	4,063	3,726	3,802
Other inventories	1,628	2,834	1,180
	203,248	245,861	274,255

As of 31 December 2014, 2013 and 2012 work in progress in the amount of USD 29,856 thousand, USD 54,365 thousand and USD 44,043 thousand comprised expenses incurred in cultivating fields to be planted in the years 2015, 2014 and 2013, respectively.

As of 31 December 2014, components for mixed fodder production with carrying amount of USD 12,500 (2013: USD nil thousand, 2012: USD 62,500 thousand) were pledged as collateral to secure bank borrowings (Note 22).

16. Agricultural produce

The balances of agricultural produce were as follows as of 31 December 2014, 2013 and 2012:

	Thousand tonnes	*Carrying amount*	*Thousand tonnes*	*Carrying amount*	*Thousand tonnes*	*Carrying amount*
	2014		*2013*		*2012*	
Chicken meat	19.6	28,686	20.4	40,035	14.7	26,206
Other meat	*N/A*[1)]	4,035	*N/A*[1)]	3,724	*N/A*[1)]	4,059
Grain	1,098	116,543	776	110,233	631	121,507
Fruits, vegetables and other crops	*N/A*[1)]	10,391	*N/A*[1)]	18,729	*N/A*[1)]	14,356
		159,655		172,721		166,128

[1)] Due to the diverse composition of noted produce unit of measurement is not applicable.

The fair value of Agricultural produce was estimated based on market price as of date of harvest and is within Level 1 of the fair value hierarchy.

17. Taxes recoverable and prepaid, net

Taxes recoverable and prepaid were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
VAT recoverable	42,559	223,037	213,944
Miscellaneous taxes prepaid	3,882	6,096	5,228
Less: allowance for irrecoverable VAT	-	(19,984)	(18,864)
	46,441	209,149	200,308

18. Trade accounts receivable, net

The balances of trade accounts receivable were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Agricultural operations	55,836	69,207	59,177
Due from related parties *(Note 27)*	213	1,018	10,359
Sunflower oil sales	4,862	2,061	4,237
Less: allowance for irrecoverable amounts	(1,292)	(1,374)	(1,157)
	59,619	70,912	72,616

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18. Trade accounts receivable, net *(continued)*

The allowance for irrecoverable amounts is estimated at the level of 25% of trade accounts receivable on sales of poultry meat which are over 30 days past due (for trade accounts receivable on other sales – over 60 days). Trade accounts receivable on sales of poultry meat which are aged over 270 days and trade accounts receivable on other sales which are aged over 360 days are provided in full.

The Group also performs specific analysis of trade accounts receivable due from individual customers to determine whether any further adjustments are required to the allowance for irrecoverable amounts assessed on the percentages disclosed above. Based on the results of such a review as of 31 December 2014 the Group determined that trade accounts receivable on sales of poultry meat of USD 37 thousand (2013: USD 445 thousand, 2012: USD 456 thousand) were overdue but do not require allowance for irrecoverable amounts.

For the years ended 31 December 2014, 2013 and 2012 the Group has not recorded any impairment of receivables relating to amounts owed by related parties as management is certain about their recoverability.

The ageing of trade accounts receivable that were impaired as of 31 December 2014, 2013 and 2012 was as follows:

	Trade accounts receivable			*Allowance for irrecoverable amounts*		
	2014	*2013*	*2012*	*2014*	*2013*	*2012*
Trade accounts receivable on sales of poultry meat:						
Over 30 but less than 270 days	-	-	915	-	-	(457)
Over 270 days	1,058	647	125	(1,058)	(647)	(125)
	1,058	647	1,040	(1,058)	(647)	(582)
Trade accounts receivable on other sales:						
Over 60 but less than 360 days	16	308	359	(4)	(78)	(141)
Over 360 days	230	649	434	(230)	(649)	(434)
	246	957	793	(234)	(727)	(575)
	1,304	1,604	1,833	(1,292)	(1,374)	(1,157)

19. Cash and cash equivalents

The balances of cash and cash equivalents were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Cash in hand and with banks	86,554	98,880	41,027
USD short-term deposits with banks	13,074	60,170	45,000
UAH short-term deposits with banks	-	11,885	8,758
RUB short-term deposits with banks	-	1,535	-
	99,628	172,470	94,785

During the year ended 31 December 2014, UAH, RUB and USD denominated short-term deposits earned an effective interest rate of nil, nil and 6.42%, respectively (2013: 13.32%, 5.73% and 5.10%; 2012: 18.00%, nil and 6.42%). All cash and cash equivalents are held within reputable foreign and Ukrainian banks.

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20. Shareholders' equity

Share capital

As of 31 December 2014, 2013 and 2012 the authorized, issued and fully paid share capital of MHP S.A. comprised the following number of shares:

	2014	*2013*	*2012*
Number of shares authorized for issue	159,250,000	159,250,000	159,250,000
Number of shares issued and fully paid	110,770,000	110,770,000	110,770,000
Number of shares outstanding	105,419,888	105,666,888	105,666,888

The authorized share capital as of 31 December 2014, 2013 and 2012 was EUR 318,500 thousand represented by 159,250,000 shares with par value of EUR 2 each.

All shares have equal voting rights and rights to receive dividends, which are payable at the discretion of the Group.

Treasury shares

During the year ended 31 December 2014 and 2012 the Group acquired, under the share buy-back program, 247,000 and 3,445,000 shares for cash consideration of USD 2,348 thousand and USD 41,465 thousand respectively. In December 2012 the Group transferred 1,257,032 shares in exchange for a 10% share in NPF Urozhay, the Group's subsidiary. The excess of the fair value of shares transferred (that approximated the carrying value of the non-controlling interest at the transaction date) over the carrying value of the shares bought back, in the amount of USD 2,417 thousand was recognized as an adjustment to additional paid-in capital.

21. Non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	**Proportion of ownership interests and voting rights held by non-controlling interests**		**Profit (loss) allocated to non-controlling interests**		**Accumulated non-controlling interests**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Zernoproduct	10.1%	10.1%	3,990	(1,383)	16,952	12,097
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	11.5%	11.5%	1,105	(257)	(1,404)	(3,173)
Individually immaterial subsidiaries with non-controlling interests	n/a	n/a	2,552	7,973	47,557	44,741
	n/a	n/a	7,647	6,333	63,105	53,665

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21. Non-controlling interests *(continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Zernoproduct		Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	
	2014	**2013**	**2014**	**2013**
Current assets	132,830	161,649	227,943	453,174
Non-current assets	66,864	50,719	155,594	62,103
Current liabilities	76,726	100,065	254,702	404,621
Non-current liabilities	222	5,717	75,000	86,506
Equity attributable to owners of the Group	113,208	94,890	50,149	21,059
Revenue	142,894	134,928	488,396	503,951
Expenses	92,918	133,433	512,799	503,780
Profit (loss) for the year	49,976	1,495	(24,403)	171
Profit (loss) attributable to owners of the Group	44,928	1,344	(21,597)	151
Profit (loss) attributable to the non-controlling interests	5,048	151	(2,806)	20
Profit (loss) for the year	49,976	1,495	(24,403)	171
Other comprehensive income attributable to owners of the Company	(36,512)	-	47,473	-
Other comprehensive income attributable to the non-controlling interests	(7,283)	-	3,338	-
Other comprehensive income for the year	(43,795)	-	50,811	-
Total comprehensive income attributable to owners of the Company	8,416	1,344	25,876	151
Total comprehensive income attributable to the non-controlling interests	(2,235)	151	532	20
Total comprehensive income for the year	6,181	1,495	26,408	171
Net cash inflow (outflow) from operating activities	13,716	3,367	(23,901)	21,342
Net cash inflow (outflow) from investing activities	(11,801)	(3,485)	(1,514)	(2,386)
Net cash inflow (outflow) from financing activities	-	-	(774)	(7,556)

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22. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 December 2014, 2013 and 2012:

		2014		2013		2012	
Bank	*Currency*	*WAIR [1]*	*USD' 000*	*WAIR [1]*	*USD' 000*	*WAIR [1]*	*USD' 000*
Non-current							
Foreign banks	USD	5.83%	71,535	6.05%	65,729	4.39%	68,104
Foreign banks	EUR	1.72%	80,767	1.81%	126,568	2.15%	131,379
			152,302		192,297		199,483
Current							
Ukrainian banks	UAH	14.25%	6,976		-		-
Ukrainian banks	USD		-	4.80%	38,000	5.43%	147,490
Foreign banks	USD	5.98%	10,000		-	4.87%	85,000
Current portion of long-term bank borrowings			64,354		60,367		69,168
			81,330		98,367		301,658
Total bank borrowings			233,632		290,664		501,141

[1] WAIR represents the weighted average interest rate on outstanding borrowings.

The Group's borrowings are drawn from various banks as term loans, credit line facilities and overdrafts. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. Interest on the borrowings drawn with the Ukrainian banks is payable on a monthly or quarterly basis. Interest on borrowings drawn with foreign banks is payable semi-annually.

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22. Bank borrowings *(continued)*

Term loans and credit line facilities were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Credit lines	16,976	38,000	232,490
Term loans	216,656	252,664	268,651
	233,632	290,664	501,141

As of 31 December 2014, 2013 and 2012 all of the Group's bank loans and credit lines bear floating interest rates.

Bank borrowings and credit lines outstanding as of 31 December 2014, 2013 and 2012 were repayable as follows:

	2014	*2013*	*2012*
Within one year	81,330	98,367	301,658
In the second year	64,243	58,479	66,840
In the third to fifth year inclusive	84,598	125,390	115,316
After five years	3,461	8,428	17,327
	233,632	290,664	501,141

As of 31 December 2014, the Group had available undrawn facilities of USD 421,892 thousand (2013: USD 287,844 thousand, 2012: USD 133,981 thousand). These undrawn facilities expire during the period from January 2015 until June 2020.

The Group, as well as, particular subsidiaries of the Group have to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied with by the Group are as follows: total equity to total assets ratio, net debt to EBITDA ratio, EBITDA to interest expenses ratio and current ratio. The Group subsidiaries are also required to obtain approval from lenders regarding the property to be used as collateral.

During the years ended 31 December 2014, 2013 and 2012 the Group has complied with all covenants imposed by banks providing the loans.

As of 31 December 2014, the Group had borrowings of USD 10,000 (2013: USD nil thousand, 2012: USD 50,000 thousand) that were secured. These borrowings were secured by property, plant and equipment with a carrying amount of USD nil (2013: USD nil, 2012: USD 4,648 thousand) (Note 12) and by inventories with a carrying amount of USD 12,500 (2013: USD nil thousand, 2012: USD 62,500 thousand) (Note 15).

As of 31 December 2014, 2013 and 2012 accrued interest on bank borrowings were USD 2,918 thousand, USD 1,668 thousand and USD 3,969 thousand, respectively.

23. Bonds issued

Bonds issued and outstanding as of 31 December 2014, 2013 and 2012 were as follows:

	2014	*2013*	*2012*
8.25% Senior Notes due in 2020	750,000	750,000	-
10.25% Senior Notes due in 2015	219,567	234,767	584,767
Unamortized premium on bonds issued	760	1,426	2,801
Unamortized debt issuance cost	(27,250)	(34,465)	(16,053)
	943,077	951,728	571,515
Less:			
Current portion of bonds issued	(218,555)	-	-
Total long-term portion of bonds issued	724,522	951,728	571,515

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23. Bonds issued *(continued)*

As of 31 December 2014, 2013 and 2012 accrued interest on bonds issued was USD 18,820 thousand, USD 19,103 thousand and USD 10,156 thousand, respectively.

8.25% Senior Notes

On 2 April 2013, MHP S.A. issued USD 750,000 thousand 8.25% Senior Notes due in 2020 at an issue price of 100% of the principal amount. USD 350,000 thousand out of issued USD 750,000 thousand 8.25% Senior Notes were used to facilitate the early redemption and exchange of its existed 10.25% Senior Notes due in 2015.

The early redemption of 10.25% Senior Notes due in 2015 from the issue of 8.25% Senior Notes due in 2020, which were placed with the same holders, resulted in a change in the net present value of the future cash flows of less than 10%, and thus was accounted for as modification and all the related expenses, including consent fees, were capitalized and will be amortized over the maturity period of the 8.25% Senior Notes due in 2020 in the amount of USD 28,293 thousand.

Other related expenses, including consent fees, in the amount of USD 16,654 thousand were expensed as incurred.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Druzhba Narodiv, Druzhba Narodiv Nova, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Oril-Leader, Katerynopilsky Elevator, Ptahofabryka Peremoga Nova, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Ptahofabryka Shahtarska Nova, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Raftan Holding Limited, Scylla Capital Limited.

10.25% Senior Notes

In November 2006, MHP SA issued USD 250,000 thousand10.25% Senior Notes, due in November 2011, at par.

On 29 April 2010, MHP S.A. issued USD 330,000 thousand 10.25% Senior Notes due in 2015 at an issue price of 101.452% of principal amount.

As of 13 May 2010 MHP S.A. exchanged 96.01% (USD 240,033 thousand) of USD 250,000 thousand of the existing 10.25% Senior Notes due in 2011 for the new Notes due in 2015. As a result of the exchange, new Senior Notes were issued for the total par value of USD 254,767 thousand.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Druzhba Narodiv, Druzhba Narodiv Nova, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Oril-Leader, Katerynopilsky Elevator, Ptahofabryka Peremoga Nova, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Ptahofabryka Shahtarska Nova, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Raftan Holding Limited, Scylla Capital Limited. Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.

If the Group fails to comply with certain covenants imposed, all outstanding Senior Notes will become due and payable without further action or notice. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

During the years ended 31 December 2014, 2013 and 2012 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes was 9.90% per annum for the year ended 31 December 2014, 9.90% per annum for the year ended 31 December 2013 and 11.7% per annum for the years ended 31 December 2012. The Notes are listed on London Stock Exchange.

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24. Finance lease obligations

Long-term finance lease obligations represent amounts due under agreements for the leasing of trucks, agricultural machinery and equipment with Ukrainian and foreign companies. As of 31 December 2014, the weighted average interest rates on finance lease obligations were 6.75% and 7.97% for finance lease obligations denominated in EUR and USD, respectively (2013: 6.85% and 7.90%, 2012: 7.28% and 7.69%).

The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 31 December 2014, 2013 and 2012:

	Minimum lease payments			*Present value of minimum lease payments*		
	2014	*2013*	*2012*	*2014*	*2013*	*2012*
Payable within one year	18,604	23,748	25,704	16,393	20,484	21,492
Payable in the second year	13,800	19,323	20,130	12,576	17,202	17,813
Payable in the third to fifth year inclusive	10,083	23,440	30,488	9,630	22,168	28,142
	42,487	66,511	76,322	38,599	59,854	67,447
Less:						
Future finance charges	(3,888)	(6,657)	(8,875)	-	-	-
Present value of finance lease obligations	38,599	59,854	67,447	38,599	59,854	67,447
Less:						
Current portion				(16,393)	(20,484)	(21,492)
Finance lease obligations, long-term portion				22,206	39,370	45,955

25. Trade accounts payable

Trade accounts payable were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Trade accounts payable to third parties	42,816	101,979	68,918
Payables due to related parties *(Note 27)*	5	11	52
	42,821	101,990	68,970

As of 31 December 2014 trade accounts payable included liabilities that bear a floating rate of interest under grain purchase financing arrangements in the amount of USD nil thousand and accrued interest of USD nil thousand (2013: USD 60,486 thousand and accrued interest of USD 593 thousand, 2012: USD 29,362 thousand and accrued interest of USD 294 thousand).

26. Other current liabilities

Other current liabilities were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Accrued payroll and related taxes	34,403	36,097	34,285
Advances from and other payables due to related parties *(Note 27)*	-	20,974	200
Advances from and other payables due to third parties	5,656	9,685	7,820
Amounts payable for property, plant and equipment	2,358	7,112	11,415
Other payables	5,011	12,955	9,182
	47,428	86,823	62,902

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27. Related party balances and transactions

For the purposes of these financial statements, parties are considered to be related if one party controls, is controlled by, or is under common control with the other party, or exercises significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties.

Transactions with related parties under common control

The Group enters into transactions with related parties that are the companies under common control of the Principal Shareholder of the Group (Note 1) in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements.

Terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction. Management believes that amounts receivable due from related parties do not require an allowance for irrecoverable amounts and that the amounts payable to related parties will be settled at cost. The terms of the payables and receivables related to trading activities of the Group do not vary significantly from the terms of similar transactions with third parties.

The transactions with the related parties during the years ended 31 December 2014, 2013 and 2012 were as follows:

	2014	*2013*	*2012*
Sales of goods to related parties	220	8,103	9,058
Sales of services to related parties	15	67	107
Purchases from related parties	23	228	544

The balances owed to and due from related parties were as follows as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Trade accounts receivable *(Note 18)*	213	1,018	10,359
Payables due to related parties *(Note 25)*	5	11	52
Payables for dividends declared, included in *Other current liabilities (Note 26)*	-	20,974	-
Advances received *(Note 26)*	-	-	200
Advances and finance aid receivable	1,761	115	4,935

The amount of payables includes payables for dividends related to the liability to the Company's major shareholder for the declared dividends (Note 29). The Board of Directors of MHP S.A. also acknowledged the consent of WTI Trading Limited (the Company's major shareholder) to be paid later than on the declared dividend payment date (but not later than 1 March 2014), with no interest accrued on the amount of dividend paid later.

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27. Related party balances and transactions *(continued)*

Compensation of key management personnel

Total compensation of the Group's key management personnel included primarily in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income amounted to USD 8,895 thousand, USD 12,969 thousand and USD 11,686 thousand for the years ended 31 December 2014, 2013 and 2012, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Total compensation of the Group's non-executive directors, which consists of contractual salary, amounted to USD 591 thousand, USD 550 thousand and USD 407 thousand in 2014, 2013 and 2012, respectively.

Key management personnel totalled 40, 42 and 40 individuals as of 31 December 2014, 2013 and 2012, respectively, including 4 independent directors as of 31 December 2014, 2013 and 2012.

Other transactions with related parties

In December 2012 the Group increased its effective ownership interest in NPF Urozhay to 99.9% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 1,257,032 treasury shares held by the Group (Note 20).

28. Contingencies and contractual commitments

Operating Environment

In 2014, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Ukraine had also suffered from the separatist movements and the collapse of law enforcement in Luhansk and Donetsk regions.

The Ukrainian Hryvnia has devalued against major foreign currencies. The National Bank of Ukraine introduced a range of measures aimed at limiting outflow of customer deposits from the banking system, improving liquidity of banks, and supporting the exchange rate of the Ukrainian Hryvnia.

Significant external financing is required to support the economy. Stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

As of the date of this report, operation of the Group's facilities throughout all regions of Ukraine, including those located in the Russian Federation (except for Shahtarska Nova breeding farm, Note 2) continued to operate normally till the date of authorization of the report for issue.

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28. Contingencies and contractual commitments *(continued)*

Taxation

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and fines. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and fines, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later (such as, Section III dealing with corporate income tax, which came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for the agricultural industry from 1 January 2018, as discussed in Notes 11 and 9 respectively, the Tax Code also changed various other taxation rules.

Legal issues

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2014, the Group's management estimated that the maximum cumulative tax exposure amounted to USD 21,969 thousand, including USD 20,169 thousand of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Out of this amount, USD 17,250 thousand relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group. Based on past history of court resolutions of similar lawsuits Management believes that possible exposure relating to these court cases amounts to approximately USD 2,919 thousand as of 31 December 2014 (2013: USD 569 thousand, 2012: USD 1,196 thousand).

Contractual commitments on purchase of property, plant and equipment

During the years ended 31 December 2014, 2013 and 2012, the companies of the Group entered into a number of contracts with foreign suppliers for the purchase of property plant and equipment for development of agricultural operations. As of 31 December 2014, purchase commitments on such contracts were primarily related to construction of the oil crushing plant and amounted to USD 9,844 thousand (2013: USD 6,993 thousand, 2012: USD 14,689 thousand).

Commitments on land operating leases

The Group has the following contractual obligations in respect of land operating leases as of 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Within one year	14,424	25,913	22,011
In the second to the fifth year inclusive	44,463	81,871	74,288
After fifth year	41,061	80,787	79,551
	99,948	188,571	175,850

The decrease in contractual obligations under land operating leases was mainly attributable to the effect of Ukrainian Hryvnia devaluation partly offset by higher rates, introduced by the Ukrainian Government used to determine the amount of such obligations.

Ukrainian legislation provides for a ban on sales of agricultural land plots till 1 January 2016. There are significant uncertainties as to the subsequent extension of the ban. The current legislation has resulted in the Group holding land lease rights, rather than the land itself.

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29. Dividends

On 14 May 2014, the Company announced that the Board of Directors approved a payment of dividend of USD 0.757 per share, equivalent to approximately USD 80 million. The Board of Directors approved a payment date of dividends on 5 June 2014 to shareholders of record on 23 May 2014. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

30. Fair value of financial instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of International Financial Reporting Standards 7 "Financial Instruments: Disclosure" and 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, short-term bank deposits, trade accounts receivables, and trade accounts payable due to the short-term nature of the financial instruments.

Set out below is the comparison by category of carrying amounts and fair values of all the Group's financial instruments, excluding those discussed above, that are carried in the consolidated statement of financial position:

	Carrying amount			*Fair value*		
	2014	*2013*	*2012*	*2014*	*2013*	*2012*
Financial liabilities						
Bank borrowings *(Note 22)*	233,632	290,664	501,141	233,419	297,276	508,702
Senior Notes due in 2015 *(Note 23)*	222,250	234,859	581,671	222,442	242,690	601,385
Senior Notes due in 2020 *(Note 23)*	739,647	735,972	-	503,625	669,375	-
Finance lease obligations *(Note 24)*	38,599	59,854	67,447	38,399	60,368	66,342

The carrying amount of Senior Notes issued includes interest accrued at each of the respective dates.

The fair value of bank borrowings and finance lease obligations was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings: 6.0% (2013: 3.3%, 2012: 3.0%) and for finance lease obligations of 7.5% (2013: 7.5%, 2012: 8.0%), and is within Level 2 of the fair value hierarchy.

The fair value of Senior Notes was estimated based on market quotations and is within Level 1 of the fair value hierarchy.

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31. Risk management policies

During the years ended 31 December 2014, 2013 and 2012 there were no material changes to the objectives, policies and process for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holders through maintaining a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through new share issues and through the issue of new debt or the redemption of existing debt.

The Group's target is to achieve a leverage ratio (net debt to adjusted operating profit) of not higher than 3.0. The Group defines its leverage ratio as the proportion of net debt to adjusted operating profit.

As of 31 December 2014, 2013 and 2012 the leverage ratio was as follows:

	2014	*2013*	*2012*
Bank borrowings *(Note 22)*	233,632	290,664	501,141
Bonds issued *(Note 23)*	943,077	951,728	571,515
Finance lease obligations *(Note 24)*	38,599	59,854	67,447
Debt	1,215,308	1,302,246	1,140,103
Less:			
Cash and cash equivalents and Short-term bank deposits *(Note 19)*	(99,628)	(172,470)	(94,785)
Net debt	1,115,680	1,129,776	1,045,318
Operating profit before loss on impairment of assets in Donetsk region and reversal of impairment of property, plant and equipment	460,011	271,836	380,583
Adjustments for:			
Depreciation and amortization expense *(Notes 7, 8)*	94,663	119,014	87,135
Adjusted operating profit	554,674	390,850	467,718
Net debt to adjusted operating profit	2.01	2.89	2.23

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31. Risk management policies *(continued)*

Capital risk management *(continued)*

Debt is defined as bank borrowings, bonds issued and finance lease obligations. Net debt is defined as debt less cash and cash equivalents and short-term bank deposits. For the purposes of the leverage ratio, debt does not include interest-bearing liabilities, which are included in trade accounts payable (Note 24). Adjusted operating profit is defined as operating profit adjusted for the depreciation and amortization expense and losses and gains believed by the management to be non-recurring in nature, as this measure produces results substantially comparable to those reviewed for the purposes of financial covenants under the Group's borrowings.

Major categories of financial instruments

	2014	*2013*	*2012*
Financial assets:			
Long-term bank deposits	4,848	5,802	6,154
Loans to employees and related parties	866	1,645	1,966
Other receivables	1,734	19,789	5,750
Trade accounts receivable, net *(Note 18)*	59,619	70,912	72,616
Cash and cash equivalents *(Note 19)*	99,628	172,470	94,785
	166,695	270,618	181,271
Financial liabilities:			
Bank borrowings *(Note 22)*	233,632	290,664	501,141
Bonds issued *(Note 23)*	943,077	951,728	571,515
Finance lease obligations *(Note 24)*	38,599	59,854	67,447
Amounts payable for property, plant and equipment *(Note 26)*	2,358	7,112	11,415
Accrued interest *(Note 22,23)*	21,738	20,771	14,125
Trade accounts payable *(Note 25)*	42,821	101,990	68,970
Other current liabilities *(Note 26)*	5,011	12,955	9,182
	1,287,236	1,445,074	1,243,795

The main risks inherent to the Group's operations are those related to credit risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk, and commodity price and procurement risk.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer or group of customers. The approved credit period for major groups of customers, which include franchisees, distributors and supermarkets, is set at 5-21 days.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts receivable from the customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. No assessment is performed immediately from the date credit period is expired. About 28% (2013: 38%, 2012: 31%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the longest contractual receivable settlement period among customers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

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31. Risk management policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 December 2014, 2013 and 2012. The amounts in the table may not be equal to the statement of financial position carrying amounts since the table includes all cash outflows on an undiscounted basis.

	Carrying amount	*Contractual Amounts*	*Less than 1 year*	*From 2nd to 5th year*	*After 5th year*
Year ended 31 December 2014					
Bank borrowings	233,632	259,289	89,606	165,964	3,719
Bonds issued	943,077	1,321,132	292,694	247,500	780,938
Finance lease obligations	38,599	42,487	18,604	23,883	-
Total	1,215,308	1,622,908	400,904	437,347	784,657
Year ended 31 December 2013					
Bank borrowings	290,664	318,603	106,083	203,978	8,542
Bonds issued	951,728	1,543,367	85,939	578,520	878,908
Finance lease obligations	59,854	66,080	23,664	42,416	-
Total	1,302,246	1,928,050	215,686	824,914	887,450
Year ended 31 December 2012					
Bank borrowings	501,141	526,824	313,702	195,146	17,976
Bonds issued	571,515	734,613	59,939	674,674	-
Finance lease obligations	67,447	76,735	25,705	51,030	-
Total	1,140,103	1,338,172	399,346	920,850	17,976

All other financial liabilities (excluding those disclosed above) are repayable within one year.

The Group's target is to maintain its current ratio, defined as the proportion of current assets to current liabilities, at the level of not less than 1.2. As of 31 December 2014, 2013 and 2012, the current ratio was as follows:

	2014	*2013*	*2012*
Current assets	731,819	1,109,166	1,001,248
Current liabilities	428,265	328,435	469,147
	1.71	3.38	2.13

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, but the management of the Group sets limits on the level of exposure to foreign currency fluctuations in order to manage currency risk.

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31. Risk management policies *(continued)*

Currency risk *(continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December were as follows:

	2014		*2013*		*2012*	
	USD	*EUR*	*USD*	*EUR*	*USD*	*EUR*
ASSETS						
Long-term bank deposits	-	4,848	-	5,802	-	6,154
Trade accounts receivable	23,487	1	12,429	-	8,607	-
Other current assets, net	59	-	928	39	732	35
Cash and cash equivalents	87,442	764	118,211	540	73,270	1,017
	110,988	5,613	131,568	6,381	82,609	7,206
LIABILITIES						
Current liabilities						
Trade accounts payable	2,964	4,278	66,088	5,637	30,592	4,897
Other current liabilities	6	567	21,145	3,373	593	5,508
Accrued interest	21,180	553	19,892	878	13,312	813
Short-term bank borrowings	42,107	32,247	59,401	38,966	270,362	31,296
Short-term finance lease obligations	10,793	5,580	14,088	6,312	12,794	8,698
Current portion of bonds issued	218,555	-				
	295,605	43,225	180,614	55,166	327,653	51,212
Non-current liabilities						
Long-term bank borrowings	71,325	80,977	65,729	126,568	68,104	131,379
Bonds issued	724,522	-	984,782	-	584,767	-
Long-term finance lease obligations	12,532	9,517	23,317	15,705	25,013	20,536
	808,379	90,494	1,073,828	142,273	677,884	151,915
	1,103,984	133,719	1,254,442	197,439	1,005,537	203,127

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31. Risk management policies *(continued)*

Currency risk *(continued)*

The table below illustrates the Group's sensitivity to a change in the exchange rate of the Ukrainian Hryvnia against the US Dollar and EUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for possible change in foreign currency rates.

	Change in foreign currency exchange rates	*Effect on profit before tax*
2014		
Increase in USD exchange rate	10%	(101,949)
Increase in EUR exchange rate	10%	(12,811)
Decrease in USD exchange rate	5%	50,974
Decrease in EUR exchange rate	5%	6,405
2013		
Increase in USD exchange rate	10%	(112,287)
Increase in EUR exchange rate	10%	(19,106)
Decrease in USD exchange rate	5%	56,144
Decrease in EUR exchange rate	5%	9,553
2012		
Increase in USD exchange rate	10%	(92,293
Increase in EUR exchange rate	10%	(19,592)
Decrease in USD exchange rate	5%	46,146
Decrease in EUR exchange rate	5%	9,796

The effect of foreign currency sensitivity on shareholders' equity is included in the statement of comprehensive income. There are no hedging activities in the other comprehensive income, so the statement of comprehensive income and the statement of changes in equity impacts are the same.

During the year ended 31 December 2014 the Ukrainian Hryvnia depreciated against the EUR and USD by 74.19% and 97.28% respectively (2013: depreciated against the EUR by 4.79% and was relatively stable against the USD, 2012: depreciated against the EUR by 2.32% and was relatively stable against the USD). As a result, during the year ended 31 December 2014 the Group recognized net foreign exchange losses in the amount of USD 777,677 thousand (2013: foreign exchange losses in the amount of USD 11,052 thousand, 2012: foreign exchange losses in the amount of USD 3,285 thousand) in the consolidated statement of comprehensive income.

In September 2014 the National Bank of Ukraine ("NBU") introduced a requirement whereby a company is required to sell 75% of their foreign currency proceeds from any export sales at Ukrainian interbank currency market. During the year ended 31 December 2014 a USD 1,227 thousand (2013: USD 6,841 thousand; 2012: USD 3,578 thousand) net foreign exchange gain resulting from the difference in NBU and Ukrainian interbank currency market exchange rates, was included in Other operating expenses.

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31. Risk management policies *(continued)*

Currency risk *(continued)*

The currency risk is mitigated by the existence of USD-denominated proceeds from sales of sunflower oil, grain and chicken meat, which are sufficient for servicing the Group's foreign currency denominated liabilities and were as follows during the years, ended 31 December 2014, 2013 and 2012:

	2014	*2013*	*2012*
Sunflower oil and related products	258,142	253,194	227,835
Chicken meat and related products	258,877	216,683	112,931
Grain[1)]	76,553	114,923	138,639
Other agricultural segment products	2,932	405	431
	596,504	585,205	479,836

[1)] Grain export sales during the year ended 31 December 2014 includes USD 16,802 thousand (2013: USD 14,249 thousand, 2012: nil) of gain received from operations, when goods are exchanged or swapped for goods which are of similar nature.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. For variable rate borrowings, interest is linked to LIBOR or EURIBOR.

The below table illustrates the Group's sensitivity to increases or decreases of interest rates by 5% (2013: 5%, 2012: 5%). The analysis was applied to interest bearing liabilities (bank borrowings, finance lease obligations and accounts payable under grain purchase financing arrangements) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	Increase/ (decrease) of floating rate	*Effect on profit before tax*
		USD '000
2014		
LIBOR	5%	(7,037)
LIBOR	-5%	7,037
EURIBOR	5%	(6,422)
EURIBOR	-5%	6,422
2013		
LIBOR	5%	(6,381)
LIBOR	-5%	6,381
EURIBOR	5%	(8,320)
EURIBOR	-5%	8,320
2012		
LIBOR	5%	(17,146)
LIBOR	-5%	17,146
EURIBOR	5%	(8,189)
EURIBOR	-5%	8,189

The effect of interest rate sensitivity on shareholders' equity is equal to that on statement of comprehensive income.

Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

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31. Risk management policies *(continued)*

Commodity price and procurement risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To mitigate this risk the Group continues expansion of its grain growing segment, as part of vertical integration strategy, and also accumulates sufficient commodity stock to meet its production needs.

32. Pensions and retirement plans

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund for the year ended 31 December 2014 was USD 49,049 thousand and is recorded in the consolidated statement of comprehensive income on an accrual basis (2013: USD 68,297 thousand, 2012: USD 58,450 thousand). In January 2011 in accordance with the Law of Ukraine "On charge and accounting of unified social contribution" certain changes in the administration of social charges were made and social charges are to become payable in the form of Unified Social Contribution, including contributions to the State Pension Fund in range of 36.76%-49.7% of gross salary cost. The Group companies are not liable for any other supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

33. Earnings per share

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2014	*2013*	*2012*
Loss/profit for the year attributable to equity holders of the Parent	(419,985)	155,907	297,104
Loss/earnings used in calculation of earnings per share	(419,985)	155,907	297,104
Weighted average number of shares outstanding	105,619,340	105,666,888	106,242,419
Basic and diluted loss/earnings per share (USD per share)	(3.98)	1.48	2.80

The Group has neither potentially dilutive ordinary shares nor other dilutive instruments; therefore, the diluted earnings per share equal basic earnings per share.

34. Subsequent events

During the first quarter 2015, the Ukrainian Hryvnia continued to devalue against the US Dollar. According to the National Bank of Ukraine, the average exchange UAH/USD rate for the first quarter 2015 amounted to 21.12.

During April 2015, the Group has received loan from International Finance Corporation in amount of USD 200,000 thousand to refinance its 10.25% Senior Notes due on 29 April 2015.

On 28 April 2015 the Board of Directors approved payment of a dividend of USD 0.47429 per share, equivalent to approximately USD 50 million. The dividend will be paid as an interim dividend in 2015.

35. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors of MHP S.A. on 28 April 2015.