07 March 2018, Kyiv, Ukraine

MHP SE

Financial Results for the Fourth Quarter and Twelve Months Ended 31 December 2017

MHP SE (LSE: MHPC), the parent company of a leading international agro-industrial group with headquarters in Ukraine, focusing primarily on the production of poultry and cultivation of grain, as well as other agricultural operations (meat processing and meat products ready for consumption) today announces its results for the twelve months and fourth quarter ended 31 December 2017. Hereinafter, MHP SE and its subsidiaries are referred to as "MHP", "The Company" or "The Group".

OPERATIONAL HIGHLIGHTS

Q4 2017

- Poultry production 141,544 tonnes, down 5% (Q4 2016: 148,245 tonnes)
- Average chicken meat price increased by 34% year-on-year to UAH 40.71 per kg (Q4 2016: UAH 30.41 per kg) (excluding VAT)
- Chicken meat exports 45,042 tonnes, down 5% (Q4 2016: 47,654 tonnes)

12M 2017

- Poultry production 566,242 tonnes, down 1% (12M 2016: 574,328 tonnes)
- Average chicken meat price increased by 24% year-on-year to UAH 35.63 per kg (12M 2016: UAH 28.85 per kg) (excluding VAT)
- Chicken meat exports increased by 16% to 220,983 tonnes (12M 2016: 190,223 tonnes) as a result of increased exports mainly to countries in the EU and MENA
- Processing plant established in Slovakia as part of Company's export growth strategy

FINANCIAL HIGHLIGHTS

Q4 2017

- Revenue of US$ 318 million, increased by 2% year-on-year (Q4 2016: US$ 313 million)
- Export revenue amounted to US$ 171 million, 54% of total revenue (Q4 2016: US$ 180 million, 58% of total revenue)
- Adjusted EBITDA margin increased to 28% from 23%; adjusted EBITDA increased to US$ 88 million from US$ 72 million
- Net loss for the period of US$ 27 million, compared to loss of US$ 28 million for Q4 2016, including US$ 62 million (Q4 2016: US$ 55 million) of non-cash foreign exchange translation loss

12M 2017

- Revenue of US$ 1,288 million, increased by 13% year-on-year (12M 2016: US$ 1,135 million)
- Export revenue amounted to US$ 732 million, 57% of total revenue (12M 2016: US$ 635 million, 56% of total revenue)
- Adjusted EBITDA margin decreased to 36% from 37%; adjusted EBITDA increased to US$ 459 million from US$ 415 million

- Net profit for the period of US$ 230 million, compared to profit of US$ 69 million for 12M 2016, including US$ 36 million (12M 2016: US$ 145 million) of non-cash foreign exchange translation loss

FINANCIAL OVERVIEW

(in mln. US$, unless indicated otherwise)	**Q4 2017**	**Q4 2016**	*% change**	**12M 2017**	**12M 2016**	*% change**
Revenue	**318**	**313**	**2%**	**1,288**	**1,135**	**13%**
IAS 41 standard gains/(losses)	(24)	(48)	-50%	21	39	-46%
Gross profit	**65**	**51**	**27%**	**396**	**346**	**14%**
Gross profit margin	*20%*	*16%*	*4 pps*	*31%*	*30%*	*1 pps*
Adjusted operating profit**	**47**	**41**	**15%**	**365**	**317**	**15%**
Adjusted operating profit margin	*15%*	*13%*	*2 pps*	*28%*	*28%*	*0 pps*
Adjusted EBITDA	**88**	**72**	**22%**	**459**	**415**	**11%**
Adjusted EBITDA margin	*28%*	*23%*	*5 pps*	*36%*	*37%*	*-1 pps*
Net profit before foreign exchange	**35**	**27**	**30%**	**266**	**214**	**24%**
Net profit margin before forex loss	*11%*	*9%*	*2 pps*	*21%*	*19%*	*2 pps*
Foreign exchange loss	(62)	(55)	13%	(36)	(145)	-75%
Net profit (loss)	**(27)**	**(28)**	**-4%**	**230**	**69**	**233%**
Net profit margin	*-8%*	*-9%*	*1 pps*	*18%*	*6%*	*12 pps*

** pps – percentage points*
*** Adjusted operating profit from continuing operations before loss on impairment of property, plant and equipment*
Average official FX rate for Q4: UAH/US$ 26.9617 in 2017 and UAH/US$ 25.8896 in 2016
Average official FX rate for 12 months: UAH/US$ 26.5947 in 2017 and UAH/US$ 25.5458 in 2016

Chief Executive Officer, Yuriy Kosyuk, commented:

In recent years MHP has operated in a challenging domestic environment. I am pleased to note, however, that decisive reforms over these years are continuing to boost confidence, leading to significant improvements in both the geopolitical and macroeconomic situations in Ukraine and to a steadily improving economy. Against this backdrop, MHP has become progressively stronger, successfully managing the challenging macro and market conditions and diversifying its footprint and product lines to bring more resilience to the Company's own performance.

MHP has continued to build on its track record of strong profitability and growth, powered by its low-cost leadership and the success of its vertically integrated model. Our experienced management team has a track record of delivery in both domestic and international markets. Construction of Phase 2 of the Vinnytsia project is progressing on budget and on time and the team has successfully launched international expansion projects in Europe (the Netherlands and Slovakia) and the GCC, which resulted in a 16% increase in poultry exports.

International expansion is strategically significant for MHP because it diversifies geographic and currency risk exposure at the same time as creating new market opportunities. We continue to investigate opportunities for domestic and international growth, exploring new markets and developing new products for our customers, supplemented by potential targeted acquisitions.

Our financial results were in line with Management expectations, with EBITDA of US$ 459 million and an EBITDA margin of 36%. Exports of poultry, oils and grains generated a further increase in hard currency revenues, which grew by 15% year-on-year to US$ 732 million.

Notes to Editors:

About MHP

MHP is the leading producer of poultry products in Ukraine with the greatest market share and highest brand recognition for its products. MHP owns and operates each of the key stages of chicken production processes, from feed grains and fodder production to egg hatching and grow out to processing, marketing, distribution and sales (including through MHP's franchise outlets). Vertical integration reduces MHP's dependence on suppliers and its exposure to increases in raw material prices. In addition to cost efficiency, vertical integration also allows MHP to maintain strict biosecurity and to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale. To support its sales, MHP maintains a distribution network consisting of 11 distribution and logistical centres, within major Ukrainian cities. MHP uses its trucks for the distribution of its products, which Management believes reduces overall transportation costs and delivery times.

MHP also has a leading grain cultivation business growing corn to support the vertical integration of its chicken production and increasingly other grains, such as wheat and rape, for sale to third parties. MHP leases agricultural land located primarily in the highly fertile black soil regions of Ukraine.

Since May 15, 2008, MHP has traded on the London Stock Exchange under the ticker symbol MHPC.

Forward-Looking Statements

This press release might contain forward-looking statements that refer to future events or forecast financial indicators for MHP SE. Such statements do not guarantee that these are actions to be taken by MHP SE. in the future, and estimates can be inaccurate and uncertain. Actual final indicators and results can considerably differ from those declared in any forward-looking statements. MHP SE does not intend to change these statements to reflect actual results.

All of our production facilities, as usual, continued to work at full capacity to meet customer demand. Production at our Poultry Division became 'smarter' (more efficient in terms of cost management) and less volatile due to the skills and experience of our management team. Our Grain Growing Division deployed new and advanced technologies such as drones and satellite imaging for smarter management of the application of seeds and fertilisers; this puts us in a leadership position within our peer group in Ukraine. And our Other Agricultural Division, represented by meat-processing products, has continued to expand its range of products to satisfy consumer demand and taste, showing outstanding growth in sales.

In May 2017, MHP successfully completed a Eurobond transaction involving the repurchase of US$ 245 million Eurobonds 2020 and issue of a new US$ 500 million 7-year Eurobond with a coupon of 7.75%. The issue was more than three times oversubscribed, which demonstrates MHP's strong relationship with its bondholders and their trust in the Company.

In 2018, I expect MHP to continue to strengthen its position as a leading international agro-industrial group with good growth visibility in both domestic and international markets. I am confident that our strategy will continue to generate sustainable growth, enabling us to deliver strong operational and financial performance in 2018 and beyond.

MHP's management will host a conference call for investors and analysts followed by Q&A on the day of the results.

The dial-in details are:

Time:	09.00 New York / 14.00 London / 16.00 Kyiv / 17.00 Moscow
Title:	Financial results for Q4 and 12M 2017
International/UK Dial in:	+44 2071943759
USA free call:	+1 8442860643
Russia free call	+7 4956469315
Conference ID	EV00070046
Participant PIN code	34878250#

In order to follow the presentation together with the management, please register using the following link:

http://event.onlineseminarsolutions.com/r.htm?e=1620227&s=1&k=17A1526D9DF8411BB82546243A588106

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Segment Performance

Poultry and related operations

	Q4 2017	Q4 2016	% change	12M 2017	12M 2016	% change
Poultry						
Sales volume, third parties tonnes	113,746	131,064	-13%	532,727	534,356	0%
Export sales volume, third parties tonnes	45,042	47,654	-5%	220,983	190,223	16%
Price per 1 kg net of VAT, UAH	40.71	30.41	34%	35.63	28.85	24%
Sunflower oil						
Sales volume, third parties tonnes	67,569	88,201	-23%	311,393	342,240	-9%
Soybeans oil						
Sales volume, third parties tonnes	4,755	9,809	-52%	27,282	34,147	-20%

Aggregate volume of chicken meat sold to third parties decreased by 13% in Q4 2017 mainly as a result of significant stock decrease and growth of exports in H1 2017. During 12M 2017 sales volumes remained at practically the same level as the previous year. MHP continued to follow a strategy of both geographic diversification and a product mix optimization building-up its export volumes of chicken meat mainly in the EU and MENA countries. As a result of the growth in exports, sales in Ukraine decreased by 18% to 68,704 tonnes in Q4 2017 (Q4 2016: 83,410 tonnes) and during 12M 2017 decreased by 9% to 311,743 tonnes (12M 2016: 344,133 tonnes).

Through Q4 2017 and 12M 2017 the aggregate average chicken meat price was UAH 40.71 and UAH 35.63 respectively, 34% and 24% higher compared to Q4 2016 and 12M 2016. The increase in price year-over-year was mainly driven by MHP's export product mix optimization as well as geographic diversification in line with its export strategy.

During 12M 2017 sales of sunflower oil decreased by 9% compared to 12M 2016 to 311,393 tonnes. This reflected reduced sunflower production in response to an improved feed conversion ratio (kg of grains per kg of bird), as well as a decision to increase the oil content of sunflower cake used in fodder. Sales of soybeans oil decreased by 52% in Q4 2017 mainly as a contract for approx. 6,000 tonnes of oil was deferred to January 2018. MHP also sells soybean cake to third parties.

(in mln. US$, unless indicated otherwise)	Q4 2017	Q4 2016	% change*	12M 2017	12M 2016	% change*
Revenue	**252**	**246**	**2%**	**1,051**	**954**	**10%**
- Poultry and other	*197*	*171*	*15%*	*795*	*668*	*19%*
- Vegetable oil	*55*	*75*	*-27%*	*256*	*286*	*-10%*
IAS 41 standard gains/(losses)	**12**	**(11)**	*-209%*	**29**	**5**	**472%**
Gross profit	**90**	**86**	**5%**	**311**	**276**	**13%**
Gross margin	*36%*	*35%*	*1 pps*	*30%*	*29%*	*1 pps*
Adjusted EBITDA	**94**	**45**	**109%**	**367**	**267**	**37%**
Adjusted EBITDA margin	*37%*	*18%*	*19 pps*	*35%*	*28%*	*7 pps*
Adjusted EBITDA per 1 kg (net of IAS 41)	*0.72*	*0.43*	*67%*	*0.64*	*0.49*	*31%*

** pps – percentage points*

Revenue of the segment increased by 10% year-on-year driven mostly by an increase in price of chicken meat, partly offset by decreased price and sales volume of vegetable oil.

IAS 41 standard gain/(loss) reflects the net change in the fair value of biological assets and agricultural produce. IAS 41 standard gain for 12M 2017 amounted to US$ 29 million mainly as a result of an increase in the price of chicken meat and an increase in the fair value of a parent stock affected by an increase in global market prices for hatchery eggs.

Gross profit of the segment increased by 13% year-on-year driven mainly by an increase in sales price, partly offset by increased production costs, reflecting higher prices of grain consumed as well as higher payroll costs.

12M 2017 EBITDA increased mostly in line with the increase in gross profit. An additional positive impact was attributable to an increase in government grants income due to amendments in the Tax Code of Ukraine that became effective from 1 January 2017.

Grain growing operations

In 2017 MHP harvested 356,080 hectares of land in Ukraine and gathered around 2.0 million tonnes of crops, 15% less than in 2016 mainly as a result of lower yields across all crops due to adverse weather conditions during 2017. MHP's average yield nonetheless remained significantly higher than Ukraine's average for almost all crops due to operational efficiency and employment of best practices.

	2017		***2016***	
	Production volume	***Cropped land***	***Production volume***	***Cropped land***
	in tonnes	*in hectares*	*in tonnes*	*in hectares*
Corn	893,149	121,908	1,056,887	123,350
Wheat	293,765	48,676	379,693	58,813
Sunflower	205,079	68,931	218,049	67,399
Rapeseed	104,782	31,968	68,325	20,069
Soya	82,793	39,684	98,607	40,771
Other [1]	419,527	44,913	529,930	44,598
Total	**1,999,095**	**356,080**	**2,351,491**	**355,000**

[1] Including barley, rye, sugar beet, sorghum and other and excluding land left fallow as part of crop rotation.

	2017		***2016***	
	MHP's average [1]	***Ukraine's average [1]***	***MHP's average [1]***	***Ukraine's average[1]***
	tonnes per hectare		*tonnes per hectare*	
Corn	7.3	4.9	8.6	5.7
Wheat	6.0	4.2	6.5	3.9
Sunflower	3.0	2.1	3.2	2.2
Rapeseed	3.3	2.9	3.4	2.6
Soya	2.1	1.9	2.4	1.9

[1] MHP yields are net weight, Ukraine yields are bunker weight.

(in mln. US unless indicated otherwise)	12M 2017	12M 2016	*% change*
Revenue	**117**	**85**	**38%**
IAS 41 standard gains/(losses)	(12)	32	-138%
Gross profit	**66**	**107**	**-38%**
Adjusted EBITDA	**95**	**150**	**-37%**
Adjusted EBITDA per 1 hectare	*267*	*423*	*37%*

Segment revenue for 12M 2017 amounted to US$ 117 million compared to US$ 85 million in 12M 2016. The increase was mainly attributable to the larger volumes of crops exported in 2017 following the strong harvest in 2016, a significant part of which was sold in 2017.

IAS 41 standard loss for 12M 2017 amounted to US$ 12 million. The loss represents the effect of revaluation of agricultural produce (sunflower, corn, wheat and soya) remaining in stock as of 31 December 2017. Decrease in IAS 41 value is mainly related to lower stocks as of 31 December 2017 compared to 2016 due to lower yields and production volume in 2017.

12M 2017 EBITDA of the segment decreased by 37% compared to 12M 2016 due to both lower yields of main crops as a result of unfavorable weather conditions and increased costs reflecting higher prices of seeds for growing, as well as higher land lease, energy and payroll expenses.

Other agricultural operations

Meat processing products	**Q4 2017**	**Q4 2016**	*% change*	**12M 2017**	**12M 2016**	*% change*
Sales volume, third parties tonnes	8,726	9,098	-4%	35,899	33,896	6%
Price per 1 kg net VAT, UAH	56.07	43.87	28%	49.17	42.40	16%

12M 2017 sales of meat processing products increased by 6% year-on-year driven mainly by intensive product promotion and advertising, as well as expansion of the product range and types of packaging.

The average processed meat price increased by 16% year-over-year to UAH 49.17 per kg in 12M 2017, mostly in line with an increase in price of poultry.

(in mln. US$, except margin data)	**Q4 2017**	**Q4 2016**	*% change**	**12M 2017**	**12M 2016**	*% change*
Revenue	**32**	**28**	**14%**	**120**	**97**	**24%**
- Meat processing	*19*	*15*	*27%*	*67*	*55*	*22%*
*- Other***	*13*	*13*	*0%*	*53*	*42*	*26%*
IAS 41 standard gains	**1**	**2**	**-50%**	**4**	**2**	**100%**
Gross profit	**1**	**5**	**-80%**	**19**	**16**	**19%**
Gross margin	*3%*	*18%*	*-15 pps*	*16%*	*16%*	*0 pps*
Adjusted EBITDA	**4**	**7**	**-43%**	**19**	**16**	**19%**
Adjusted EBITDA margin	*13%*	*25%*	*-12 pps*	*16%*	*16%*	*0 pps*

** pps – percentage points*
*** in 2017 the Group decided to include convenience food previously reported in poultry and related operations segment to other agricultural operations in line with how Group's chief operating decision maker evaluates performance of the segments. Comparative information was restated retrospectively.*

Segment revenue for 12M 2017 increased by 24% year-on-year, in line with an increase in sales volume and price for meat processing, to US$ 120 million. Segment EBITDA increased to US$ 19 million in 12M 2017 compared to US$ 16 million in 12M 2016, a 19% increase year-on-year driven mostly by higher returns from meat processing, cattle and milk operations.

Current Group financial position and cash flow

(in mln. US$)	Q4 2017	Q4 2016	12M 2017	12M 2016
Cash from operations	91	122	333	273
Change in working capital	(72)	(14)	(120)	77
Net Cash from operating activities	**19**	**108**	**213**	**350**
CAPEX	(31)	(36)	(123)	(108)
Disposal of subsidiaries	-	-	76	-
Net cash used in investing activities	**(31)**	**(36)**	**(47)**	**(108)**
Cash used in financing activities	(5)	6	(113)	(60)
Dividends	-	-	(81)	(84)
Total financial activities	**(5)**	**6**	**(194)**	**(144)**
Total change in cash*	**(17)**	**78**	**(28)**	**98**

** Calculated as Net Cash from operating activities plus Cash used in investing activities plus Total financial activities*

Cash flow from operations before changes in working capital for 12M 2017 amounted to US $333 million (12M 2016: US$ 273 million). The increase compared with 12M 2016 mostly reflected an increase in net profit before foreign exchange differences.

The decrease in cash from changes in working capital during 12M 2017 compared to 12M 2016 is mostly related to lower investments in the stock of sunflower crops designated for internal consumption as of 31 December 2016 compared to the previous year, and subsequently more investment required in inventory during 12M 2017, as well as reimbursement of VAT receivable in 2016 for previous periods and a decrease in prepayments of sunflower oil and rapeseed.

During 12M 2017 total CAPEX amounted to US$ 123 million mainly related to preparation of construction related to Phase 2 of the Vinnytsia poultry complex.

Debt Structure and Liquidity

(in mln. US$)	31 December 2017	30 September 2017	31 December 2016
Total Debt	**1,157**	**1,150**	**1,236**
LT Debt	1,115	1,114	991
ST Debt	42	36	245
Cash and bank deposits	(126)	(146)	(155)
Net Debt	**1,031**	**1,004**	**1,081**
LTM adjusted EBITDA	459	444	415
Net Debt / LTM adjusted EBITDA	2.25	2.26	2.60

The Company's debt structure changed significantly during 2017. As at 31 December 2017, with an increase in the share of long-term debt from 80% to 96%. The weighted average interest rate was around 8%.

As at 31 December 2017, cash and cash equivalents amounted to US$ 126 million. Net debt decreased to US$ 1,031 million, compared to US$ 1,081 million as at 31 December 2016.

The Net Debt / LTM EBITDA ratio was 2.25 as at 31 December 2017, well within the Eurobond covenant limit of 3.0.

As a hedge for currency risks, revenue from the export of grain, sunflower and soybean oil, sunflower husks, and chicken meat are denominated in US Dollars, covering debt service expenses in full. Export revenue for 12M 2017 amounted to US$ 732 million or 57% of total revenue (US$ 635 million or 56% of total sales for 12M 2016).

DIVIDENDS

On 14 March 2017, the Board of Directors of MHP S.A. approved payment of an interim dividend of US$0.7492 per share, equivalent to approximately US$ 80 million. The dividend was paid to shareholders on 29 March 2017.

On 6 March 2018, the Board of Directors of MHP SE approved payment of an interim dividend of US$0.7492 per share, equivalent to approximately US$ 80 million, to be paid to shareholders by the end of April 2018.

TRANSFER OF THE REGISTERED OFFICE OF MHP SE

With effect from 27 December 2017 (“the Transfer Effective Date”), the Company’s registered office and central administration was transferred from Luxembourg to Cyprus and the Company was registered in the Cyprus Registry for SE Companies, under number SE 27.

On and from the Transfer Effective Date, the Company’s registered office address is situated at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus.

The Company has adopted New Memorandum and Articles of Association to comply with the provisions of the Cyprus Companies Law, Cap. 113, Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees, the SE Regulation and the European Public Limited – Liability Company Regulations 2006, as are applicable in Cyprus.

NED RESIGNATION/APPOINTMENT

On 13 October 2017, Philippe Lamarche, after 7 years as a non-executive director, resigned from the Board of Directors of MHP SE for personal reasons. The Board is initiating a search for a suitably qualified candidate to replace Mr Lamarche at the earliest opportunity.

On 24 October 2017, William Richards was appointed as a non-executive director of MHP SE for a period ending with the annual general meeting of the shareholders of the Company to be held in 2019.

Outlook

Winter crops are experiencing good conditions that provide the Company with a positive outlook for its 2018 harvest of winter wheat and winter rapeseeds.

The main drivers for profitable growth in 2018 will be:

- An increase in production volume of chicken meat by around 40,000 tonnes as a result of capital investments in the expansion of the Vinnytsia poultry complex (Phase 2);
- An increase in exports of chicken meat across all regions to an expected 260,000-270,000 tonnes; and
- Construction of an alternative-energy biogas project of 12MW capacity at the Vinnytsia poultry complex.

We are confident that, with our vertically integrated business model, we will continue to deliver strong financial results, supported by a significant and growing share of hard currency revenues from exports of chicken, oils and grain.

MHP SE AND ITS SUBSIDIARIES
Consolidated Financial Statements

As of and for the year ended 31 December 2017

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STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view of the financial position of MHP SE (the "Company") and its subsidiaries (the "Group") as of 31 December 2017 and of the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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;
- 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 as of and for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 06 March 2018.

Board of Directors' responsibility statement

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 until 2013, we, the members of the Board of Directors responsible for the drafting of the consolidated financial statements of MHP SE for the year ended 31 December 2017, on the basis of our knowledge, declare that:

a) the consolidated financial statements which are presented on pages 10 to 71:

   (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of article 9 section (4) of the law, and

   (ii) provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Company's and subsidiary companies, consolidated financial statements as a whole and

b) the Management report provides a fair review of the developments and the performance of the business and the financial position of the Group included in the consolidated accounts taken as a whole, together with a description of the main risks and uncertainties which they face.

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

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Independent Auditor's Report

To the Members of MHP SE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MHP SE (the "Company"), and its subsidiaries (the "Group"), which are presented in pages 10 to 71 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Valuation of property, plant and equipment As described in note 3 to the consolidated financial statements, all groups of property, plant and equipment ("PPE") are carried at revalued amounts, except land carried at historical cost and other fixed assets (this category includes mainly office furniture and equipment) carried at historical cost less accumulated depreciation. The carrying value of PPE as of 31 December 2017 that are subject to revaluation is USD 1,264,735 thousand compared to PPE in total of USD 1,383,102 thousand. The Group appointed an independent appraisal firm to carry out the valuation of PPE as of 31 December 2017. The revaluation is significant to our audit due to the magnitude of the carrying value of PPE to the total assets and the level of required judgement applied in the valuation process (see notes 4 and 12 to the consolidated financial statements). The key assumptions used in the preparation of the valuation are the following: • present condition of particular assets; • changes in prices of assets and construction materials from the date of their acquisition/construction/date of previous valuation to the date of this valuation; • external prices for production machinery and vehicles; and • other external and internal factors that might have effect on fair value of PPE under revaluation.	We have performed the following audit procedures in order to address the risks of material misstatement associated with this key audit matter: -We obtained an understanding of the controls surrounding the valuation process for PPE. -We assessed the competence, capabilities, experience and objectivity of the independent appraisal firm, and verified their qualifications. In addition, we discussed the scope of their work with management and reviewed the related terms of engagement to determine that there were no matters that affected their objectivity or imposed scope limitations. -We confirmed that the valuation methods used by the independent appraisal firm are appropriate and comply with International Financial Reporting Standards and industry norms. -With the involvement of our internal valuation specialists, we challenged valuation assumptions with reference to historical data and, where applicable, external benchmarks noting the assumptions used fell within an acceptable range. -We performed a sensitivity analysis on the significant assumptions to evaluate the extent of impact on the fair values and assessed the appropriateness of the Group's disclosures relating to these sensitivities (refer to note 4 to the consolidated financial statements). -We considered the appropriateness of all related disclosures provided in the consolidated financial statements (notes 4 and 12 to the consolidated financial statements).

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Key Audit Matter	*How our audit addressed the Key Audit Matter*
Valuation of biological assets	
The Group's policy is to measure biological assets at fair value in accordance with IAS-41 Agriculture ("IAS 41"). As of 31 December 2017, the carrying amount of biological assets was USD 161,493 thousand, of which USD 141,028 thousand was classified within current assets and USD 20,465 thousand within non-current assets. Current biological assets mainly comprise breeders held for hatchery egg production, crops in fields and broilers. Non-current biological assets mainly comprise milk cows. For determining the fair value of biological assets, the Group uses the discounted cash flow technique as well as market prices of livestock of similar age, breed and genetic merit. This valuation is significant to our audit because the assessment process is complex and judgmental. It is based on assumptions that are affected by expected market or economic conditions, which can vary over time. The key assumptions used in the preparation of the discounted cash flow technique (see notes 4 and 14 to the consolidated financial statements) are: • 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; • estimated changes in future sales prices; • projected production costs and costs to sell; and, • discount rate.	We have performed the following audit procedures in order to address the risks of material misstatement associated with this key audit matter: -We obtained an understanding of the controls surrounding the valuation process for biological assets. -We assessed the competence, capabilities, experience and objectivity of the preparers of valuation, and verified their qualifications. -We confirmed that the valuation methods used are in accordance with IAS 41 and consistent with international valuation standards and industry norms. -We challenged management's assumptions with reference to historical data (yields) and, where applicable, external benchmarks (yields, prices) and market data noting the assumptions used fell within an acceptable range. -We evaluated the reasonableness and appropriateness of the discount rate with the assistance of our internal valuation specialists. -We performed a sensitivity analysis on the significant assumptions to evaluate the extent of impact on the fair values and assessed the appropriateness of the Group's disclosures relating to these sensitivities (note 14 to the consolidated financial statements). -We considered the appropriateness of all related disclosures provided in the consolidated financial statements (note 14 to the consolidated financial statements).

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, including the corporate governance statement, but does not include the consolidated financial statements and our auditor's report thereon. The Board of Directors is also required pursuant to article 151 of the Cyprus Companies Law Cap.113 to prepare a report on non-financial information. This report is expected to be made available to us after the date of this auditor's report.

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Reporting on other information (Cont'd)

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

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

When we read the report on non-financial information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 24 October 2017 by a shareholders' resolution. This is our first period of engagement appointment.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 5 March 2018 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Costas Georghadjis.

Comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 March 2017.

Costas Georghadjis
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 6 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2017*	*2016 (Restated Note 3)*
Continuing operations			
Revenue	6	1,287,752	1,135,462
Net change in fair value of biological assets and agricultural produce	5	21,001	38,894
Cost of sales	7	(912,844)	(828,750)
Gross profit		395,909	345,606
Selling, general and administrative expenses	8	(79,239)	(62,273)
VAT refunds and other government grants income	9	52,605	34,056
Other operating expenses, net		(3,912)	(1,125)
Impairment of property, plant and equipment	12	(3,607)	(1,443)
Operating profit		361,756	314,821
Finance income		3,472	2,234
Finance costs	10	(108,399)	(106,843)
Foreign exchange loss, net	31	(35,615)	(145,217)
Other expenses, net		(8,077)	(9,289)
Other expenses, net		(148,619)	(259,115)
Profit before tax		213,137	55,706
Income tax benefit	11	17,118	13,080
Profit for the period from continuing operations		230,255	68,786
Discontinued operations			
Loss for the period from discontinued operations	2	(25,864)	(9,538)
Profit for the period		204,391	59,248

The accompanying notes on the pages 16 to 71 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2017*	*2016 (Restated Note 3)*
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Effect of revaluation of property, plant and equipment	12	209,737	113,317
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income	11	(30,979)	(16,143)
Items that may be reclassified to profit or loss:			
Cumulative translation difference		(25,008)	(51,918)
Other comprehensive income		153,750	45,256
Total comprehensive income for the year		358,141	104,504
Profit attributable to:			
Equity holders of the Parent		202,860	53,452
Non-controlling interests	22	1,531	5,796
		204,391	59,248
Total comprehensive income attributable to:			
Equity holders of the Parent		354,400	97,302
Non-controlling interests		3,741	7,202
		358,141	104,504
Earnings per share from continuing and discontinued operations			
Basic and diluted earnings per share (USD per share)		1.90	0.50
Earnings per share from continuing operations			
Basic and diluted earnings per share (USD per share)	33	2.14	0.60

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

The accompanying notes on the pages 16 to 71 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 December 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,383,102	1,180,334
Land lease rights	13	45,410	43,845
Deferred tax assets	11	121	1,561
Non-current biological assets	14	20,405	14,558
Long-term bank deposits		2,524	577
Other non-current assets		24,817	13,554
		1,476,379	1,254,429
Current assets			
Inventories	15	226,368	187,332
Biological assets	14	141,028	116,214
Agricultural produce	16	183,407	167,389
Other current assets, net		25,327	25,424
Taxes recoverable and prepaid	17	37,767	31,235
Trade accounts receivable, net	18	62,305	50,868
Cash and cash equivalents	19	125,554	154,570
Assets classified as held for sale	20	-	88,396
		801,756	821,428
TOTAL ASSETS		2,278,135	2,075,857
EQUITY AND LIABILITIES			
Equity			
Share capital	21	284,505	284,505
Treasury shares		(48,503)	(48,503)
Additional paid-in capital		175,291	175,291
Revaluation reserve	12	661,454	570,649
Retained earnings		925,978	719,340
Translation reserve		(1,030,159)	(1,024,916)
Equity attributable to equity holders of the Parent		968,566	676,366
Non-controlling interests	22	17,141	16,698
Total equity		985,707	693,064
Non-current liabilities			
Bank borrowings	23	138,817	259,567
Bonds issued	24	970,088	725,361
Finance lease obligations	25	7,410	5,581
Deferred tax liabilities	11	23,730	11,264
		1,140,045	1,001,773
Current liabilities			
Trade accounts payable		43,175	46,508
Other current liabilities	26	50,296	61,766
Bank borrowings	23	36,917	236,807
Accrued interest	23, 24	17,955	22,731
Finance lease obligations	25	4,040	8,044
Liabilities directly associated with assets classified as held for sale	20	-	5,164
		152,383	381,020
TOTAL LIABILITIES		1,292,428	1,382,793
TOTAL EQUITY AND LIABILITIES		2,278,135	2,075,857

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 16 to 71 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017
(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 31 December 2015	284,505	(56,053)	178,192	567,525	645,020	(974,467)	644,722	28,127	672,849
Profit for the year	-	-	-	-	53,452	-	53,452	5,796	59,248
Other comprehensive income/(loss)	-	-	-	94,299	-	(50,449)	43,850	1,406	45,256
Total comprehensive income/(loss) for the year	-	-	-	94,299	53,452	(50,449)	97,302	7,202	104,504
Transfer from revaluation reserve to retained earnings	-	-	-	(44,627)	44,627	-	-	-	-
Dividends declared by the Parent	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(4,289)	(4,289)
Non-controlling interests acquired	-	7,550	(2,901)	-	9,693	-	14,342	(14,342)	-
Translation differences on revaluation reserve	-	-	-	(46,548)	46,548	-	-	-	-
Balance at 31 December 2016	284,505	(48,503)	175,291	570,649	719,340	(1,024,916)	676,366	16,698	693,064
Profit for the year	-	-	-	-	202,860	-	202,860	1,531	204,391
Other comprehensive income/(loss)	-	-	-	174,583	-	(23,043)	151,540	2,210	153,750
Total comprehensive income/(loss) for the year	-	-	-	174,583	202,860	(23,043)	354,400	3,741	358,141
Transfer from revaluation reserve to retained earnings	-	-	-	(44,838)	44,838	-	-	-	-
Dividends declared by the Parent *(Note 29)*	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(810)	(810)
Derecognition of interests in subsidiaries *(Note 2)*	-	-	-	(24,841)	24,841	17,800	17,800	(2,488)	15,312
Translation differences on revaluation reserve	-	-	-	(14,099)	14,099	-	-	-	-
Balance at 31 December 2017	284,505	(48,503)	175,291	661,454	925,978	(1,030,159)	968,566	17,141	985,707

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 16 to 71 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2017*	*2016*
Operating activities			
Profit before tax		187,273	46,582
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expense	5	93,225	105,865
Net change in fair value of biological assets and agricultural produce	5	(21,001)	(36,067)
Loss on disposal of subsidiaries	2	25,864	-
Change in allowance for irrecoverable amounts and direct write-offs		3,305	(167)
Loss on impairment of property, plant and equipment, net	12	3,607	8,308
Loss on disposal of property, plant and equipment and other non-current assets		182	1,521
Finance income		(3,472)	(2,281)
Finance costs	10	108,399	106,666
Withholding tax related to interest and payment of dividends		619	5,478
Non-operating foreign exchange loss, net		35,615	142,162
Operating cash flows before movements in working capital		433,616	378,067
Working capital adjustments			
Change in inventories		(44,892)	57,327
Change in biological assets		(4,507)	(4,029)
Change in agricultural produce		(29,787)	(36,050)
Change in other current assets, net		(987)	(822)
Change in taxes recoverable and prepaid		(7,188)	32,443
Change in trade accounts receivable, net		(15,557)	(18,415)
Change in other current liabilities		(15,495)	37,301
Change in trade accounts payable		(1,163)	9,020
Cash generated by operations		314,040	454,842
Interest received		3,395	2,234
Interest paid		(102,832)	(105,139)
Withholding tax related to interest paid		(603)	(2,073)
Income taxes paid		(423)	(334)
Net cash flows from operating activities		213,577	349,530
Investing activities			
Purchases of property, plant and equipment		(101,710)	(91,651)
Purchases of other non-current assets		(12,249)	(6,021)
Purchase of land lease rights		(7,970)	(7,755)
Net cash inflow on disposal of subsidiaries	2	75,558	-
Proceeds from disposals of property, plant and equipment		99	1,196
Purchases of non-current biological assets		(2,321)	(1,704)
Withdrawals of short-term and long-term deposits		4,006	418
Investments in short-term deposits		(1,791)	(408)
Loans provided to employees, net		(151)	(55)
Loans repaid by/(provided to) related parties, net		19	(1,818)
Net cash flows used in investing activities		(46,510)	(107,798)

The accompanying notes on the pages 16 to 71 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
for the year ended 31 December 2017
(in thousands of US dollars, unless otherwise indicated)

	Notes	2017	2016
Financing activities			
Proceeds from bank borrowings		70,711	208,396
Repayment of bank borrowings		(403,613)	(240,926)
Proceeds from bonds issued	24	254,800	-
Repayment of bonds		(9,200)	-
Transaction costs related to corporate bonds issued		(15,145)	-
Transaction costs related to bank loans received		(1,993)	-
Repayment of finance lease obligations		(9,217)	(14,651)
Dividends paid to shareholders	29	(80,000)	(80,000)
Dividends paid by subsidiaries to non-controlling shareholders		(810)	(4,289)
Withholding tax related to dividends paid		-	(3,403)
Consent payment related to corporate bonds	24	-	(9,148)
Net cash flows from/(used in) financing activities		(194,467)	(144,021)
Net (decrease)/increase in cash and cash equivalents		(27,400)	97,711
Cash and cash equivalents attributable to disposal group classified as held for sale		2,098	(2,098)
Net foreign exchange difference		(126)	(3,974)
Cash and cash equivalents at 1 January		150,982	59,343
Cash and cash equivalents at 31 December	19	125,554	150,982
Non-cash transactions			
Effect of revaluation of property, plant and equipment	12	206,130	105,009
Additions of property, plant and equipment under finance leases		5,518	3,907
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		7,135	-
Property, plant and equipment purchased for credit		6,698	-

On behalf of the Board:

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria Kapelyushnaya

The accompanying notes on the pages 16 to 71 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

MHP SE (the “Parent” or “MHP SE”), a limited liability company (Societas Europaea) registered under the laws of Cyprus, was formed on 30 May 2006. MHP SE serves as the ultimate holding company of PJSC “Myronivsky Hliboproduct” (“MHP”) and its subsidiaries. Hereinafter, MHP SE and its subsidiaries are referred to as the “MHP SE Group” or the “Group”. The registered address of MHP SE is 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus .

MHP has converted from a public limited liability company ("société anonyme") into a European company ("Societas Europaea") effective as of 07 August 2017 (the "Conversion").

The Conversion provided the Company with a legal framework, which is recognized in each of the European Union Member States. This will allow the Company’s shareholders to transfer its registered office freely (subject to the applicable legal provisions) to any other place within the European Union without having to liquidate the Company or create a new legal entity.

On 27 December 2017, MHP SE has transferred its registered office from 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, to 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus (“the Transfer”).

The controlling shareholder of MHP SE is Mr. Yuriy Kosyuk (“Principal Shareholder”), who owns 100% of the shares of WTI Trading Limited (“WTI”), which is the immediate majority shareholder of MHP SE.

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (meat processing 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, vegetable oil, mixed fodder. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, convenience food products, milk, goose meat, foie gras and feed grains. During the year ended 31 December 2017 the Group employed 27,589 people (2016: 31,000 people).

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent’s effective ownership interest as of 31 December 2017 and 2016 were as follows:

Name	*Country of registration*	*Year established acquired*	*Principal activities*	*31 December 2017*	*31 December 2016*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	99.9%	99.9%
Larontas Limited	Cyprus	2015	Sub-holding Company	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	Ukraine	1998	Fodder and sunflower oil production	88.5%	88.5%
Vinnytska Ptahofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%
Peremoga Nova	Ukraine	1999	Breeder farm	99.9%	99.9%
Druzhba Narodiv Nova[1)]	Ukraine	2002	Chicken farm	0.0%	100.0%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%
Myronivska Ptahofabryka	Ukraine	2004	Chicken farm	99.9%	99.9%
Starynska Ptahofabryka	Ukraine	2003	Breeder farm	100.0%	100.0%
Ptahofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%
Zernoproduct	Ukraine	2005	Grain cultivation	99.9%	99.9%
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, sunflower oil production	99.9%	99.9%
Druzhba Narodiv[1)]	Ukraine	2006	Cattle breeding, plant cultivation	0.0%	99.9%
NPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	86.1%	86.1%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%
AgroKryazh	Ukraine	2013	Grain cultivation	99.9%	99.9%
Zernovyi kray	Ukraine	2013	Grain cultivation	51.0%	51.0%
Zakhid-Agro MHP	Ukraine	2015	Grain cultivation	100.0%	100.0%
Scylla Capital Limited	British Virgin Islands	2014	Trading in sunflower oil and poultry meat	100.0%	100.0%

[1)] In February 2017 the Group sold its 100% ownership interest in the Crimean companies *(Note 2)*

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1. Corporate information *(continued)*

The Group's operational facilities are located in different regions of Ukraine, including Kyiv, Cherkasy, Dnipropetrovsk, Donetsk, Lviv, Ternopil, Ivano-Frankivsk, Vinnytsia, Sumy and Khmelnitsk regions.

2. Changes in the group structure

Disposal of subsidiaries

Crimean companies

On 17 February 2017 the Group sold its 100% ownership interest in the Group's companies located in Autonomous Republic of Crimea for cash consideration of USD 77,785 thousand. The consideration consisted only of cash, there were no material direct costs related to disposal.

Assets and liabilities of Crimean companies as of the date of disposal were as follows:

	17 February 2017
Property, plant and equipment, net	52,530
Other non-current assets	1,451
Biological assets	9,938
Agricultural produce	9,242
Inventories	11,795
Trade accounts receivable, net	1,917
Taxes recoverable and prepaid	2,913
Other current assets	1,805
Cash and cash equivalents	2,227
Total assets	**93,818**
Trade accounts payable	(3,685)
Other current liabilities	(1,796)
Total liabilities	**(5,481)**
Net assets disposed	**88,337**

The following table presents the net result of the transaction:

Consideration received	77,785
Net assets disposed	(88,337)
Non-controlling interest	2,488
Cumulative exchange loss in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control in subsidiaries[1)]	(17,800)
Loss on disposal	**(25,864)**

1) Upon disposal of subsidiaries, the total cumulative exchange differences attributable to devaluation of functional currency, which were previously a component of other comprehensive income, were reclassified to profit or loss. Previously recognized gain of revaluation surplus remaining in the revaluation reserve of property, plant and equipment were not reclassified to profit or loss, but transferred directly to retained earnings in the amount of USD 24,841 thousand.

Consideration received in cash and cash equivalents	77,785
Less: cash and cash equivalents balances disposed	(2,227)
Net cash inflow arising on the disposal	**75,558**

The loss on disposal is included in the loss for the year from discontinued operations.

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2. Changes in the group structure *(continued)*

Analysis of profit for the year from discontinued operations

Results for the year from discontinued operations

	2016
Revenue	105,574
Other gains	10,357
	115,931
Expenses	(118,190)
Impairment of property, plant and equipment	(6,865)
Loss before tax	**(9,124)**
Income tax expense	(414)
Loss for the year from discontinued operations attributable to:	
Equity holders of the Parent	(10,383)
Non-controlling interests	845
	(9,538)

Cash flows from discontinued operations

	2016
Net cash inflows from operating activities	1,940
Net cash outflows from investing activities	(3,475)
Net cash inflows from financing activities	-
Net decrease in cash and cash equivalents	**(1,535)**

Information on financial result of subsidiaries for the period from 1 January 2017 until date of disposal have been considered immaterial for disclosure.

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 (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law Cap 113. The operating subsidiaries of the Group maintain their accounting records under local accounting standards.

Local principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' local accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Basis of preparation

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Adoption of new and revised International Financial Reporting Standards

The following standards were adopted by the Group on 1 January 2017:

- Amendments to IAS 7: Disclosure Initiative;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses;
- Annual Improvements to IFRSs 2014-2016 Cycle – amendments to IFRS 12.

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

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of bank borrowings (*Note 23*), bonds issued (*Note 24*), finance lease obligations (*Note 25*) and certain other financial liabilities (*Note 26*). A reconciliation between the opening and closing balances of these items is provided in *Note 30*. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in *Note 30*, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs - 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements.

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 [1)]	1 January 2018
IFRS 15 Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15[1)]	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers [1)]	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts [1)]	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRSs - Annual Improvements to IFRSs 2014 –2016 Cycle [1)]	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 16 Leases [1)]	1 January 2019
Amendments to IFRSs - Annual Improvements to IFRSs 2015 –2017 Cycle	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

[1)] Standards have been already endorsed for use in the European Union

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

Standards and Interpretations in issue but not effective *(continued)*

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

• *Classification and measurement of financial assets*. All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

• *Classification and measurement of financial liabilities*. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

• *Impairment.* In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

• *Hedge accounting*. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the management of the Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

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

Standards and Interpretations in issue but not effective *(continued)*

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for financial assets and financial liabilities.

Impairment

The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables as permitted by IFRS 9. As regards the other receivables and loans, the management expects to recognize lifetime and 12-month expected credit losses for these items. In relation to the cash and cash equivalents, the management of the Group considers that they have low credit risk given their strong external credit rating and hence expect to recognize 12-month expected credit losses for these items.

In general, the management anticipates that the application of the expected credit loss model of IFRS 9 would not have significant impact on the amount of loss allowance recognized for these items.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on five-step model defined by IFRS 15 The Group performs a detailed review to understand how IFRS 15 applies to MHP business.

Apart from providing more extensive disclosures on the Group’s revenue transactions, the management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under

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

Standards and Interpretations in issue but not effective *(continued)*

the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As of 31 December 2017, the Group has non-cancellable operating lease commitments in amount of USD 151,662 thousand. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognize a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognized in the Group’s consolidated financial statements and the Management are currently assessing it’s potential impact. It is not practicable to provide a reasonable financial estimate of the effect until the such detailed analysis will be completed.

For other Standards and Interpretations management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods.

Functional and presentation currency

The functional currency of Ukrainian companies of the Group is the Ukrainian Hryvnia (“UAH”); the functional currency of the Cyprus companies of the Group is US Dollars (“USD”). 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 recognized 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;
- All equity items, except for the revaluation reserve, are translated at the historical exchange rate. The revaluation reserve is translated at the closing rate as of the date of the statement of financial position.

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 2017*	*Average for 2017*	*Closing rate as of 31 December 2016*	*Average for 2016*
UAH/USD	28.0672	26.5947	27.1909	25.5458
UAH/EUR	33.4954	30.0128	28.4226	28.2828
UAH/RUB	0.4870	0.4560	0.4511	0.3832

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the MHP SE 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.

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.

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

Accounting for acquisitions *(continued)*

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 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.

Reportable segments represent the Group’s principal business activities. Poultry and related operations segment include sales of chicken meat, sales of by-products such as vegetable oil and related products and other poultry-related products. CODM is considering oil extraction as a part of mixed fodder production rather than a separate line of business as primarily quality and effectiveness of mixed fodder production prevails over oil output. Grain growing operations include sale of grain other than feed grains and green-fodder. Other agricultural operations segment primarily includes sales of other than poultry meat and meat processing products, feed grains and milk.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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

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 and costs incurred or to be incurred in respect of the transaction can be measured reliably. The point of transfer of risk, which may occur at delivery or shipment, varies for contracts with different types of customers. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

VAT refunds and other government grants

The Group's companies are subject to special tax treatment for value-added tax ("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 recognized 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

All groups of property, plant and equipment are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent depreciation and impairment losses, except land and other fixed assets that are carried at historical cost less accumulated depreciation.

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.

For all groups of property, plant and equipment carried at revaluation the 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.

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

Property, plant and equipment *(continued)*

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. The excess of depreciation charge on the revalued asset over the depreciation that would have been charged based on the historical cost of the asset is transferred from revaluation reserve directly to retained earnings over the assets useful life. 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.

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 - 55 years
• Grain storage facilities	20 - 60 years
• Production machinery	10 - 25 years
• Auxiliary and other machinery	5 - 25 years
• Utilities and infrastructure	20 - 50 years
• Vehicles and agricultural machinery	5 - 15 years
• Other fixed assets	3 - 10 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.

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 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 recognized 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 lives 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 derecognized 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 recognized in profit or loss when the asset is derecognized.

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 an 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 the statement of comprehensive income. An impairment loss recognized on 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).

Withholding tax

Passive income (dividends, interest, royalties, etc) from Ukrainian sources that is paid to non-resident entities is generally subject to withholding tax (WHT).

The WHT tax rates 15% (base rates) should be applied unless more favorable rates (reduced rates) are provided by a relevant double taxation treaty (DTT) signed between Ukraine and foreign country.

In order to benefit from reduced tax rate in DTT, the non-resident recipient of income must confirm its tax residency and should also be considered the beneficial owner of such income.

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

Withholding tax *(continued)*

Tax residency status should be confirmed by tax residency certificate issued by tax authorities of the recipient's country of residence for tax year in which the income is paid.

According to the Tax Code of Ukraine, agents, nominee holders, and other intermediaries in respect of received income cannot be beneficial owners of income sourced in Ukraine and are not entitled to favorable treaty provisions. The Ukrainian tax authorities use both legal and economic substance approach for the beneficial owner definition considering also economic substance of the transaction and the substance of the recipient of income.

As result, in order to prove the beneficial ownership status of the non-resident recipient, there should be additional documental support to justify the substance of transactions.

No formal requirements exist to the above documents and, in practice, such documents may include evidence that the recipient of income has a real office, employees and that the recipient is fully entitled to manage and dispose the received income without limitations.

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) Broiler chickens

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 42-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.

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

Biological assets and agricultural produce *(continued)*

(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.

(iv) 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.

(v) 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

The fair value of fodder grain 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 chickens 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. Financial assets and financial liabilities of the Group are represented by cash and cash equivalents, trade accounts receivable, net, bank borrowings, bonds issued, trade accounts payable and other financial liabilities. 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 recognized 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 recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the

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

Financial instruments *(continued)*

asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Trade accounts receivable, net

Trade accounts receivable, net are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Trade accounts receivable, net 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.

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 bank borrowings, bonds issued 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 recognized 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 2017 and 2016 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 recognized directly to the statement of comprehensive income and are classified as finance costs.

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

Leases *(continued)*

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.

Change in accounting policy

Shipping and handling costs charged to customers

During the year ended 31 December 2017 the Group voluntary changed its accounting policy for classification of shipping and handling costs charged to customers.

The Group sells its products for export on various terms, some of which include shipping and handling costs in the price of the product. Sales price of products for local market predominantly includes shipping and handling costs in the price of the product.

Shipping costs include costs incurred to move the product from the Group's initial point of sale to the buyer's designated location and include payments to third-party shippers. They may also include costs incurred directly by the Group (e.g. salaries and overheads related to the activities to prepare the goods for shipment).

Handling costs include costs incurred to store, move and prepare the products for shipment. Handling costs are incurred from when the product is removed from finished goods to when the product is provided to the shipper and may include an allocation of internal overheads.

Shipping and handling costs had been previously reported as part of costs reported in sales, general and administrative expenses.

In the current period the Group decided to change its accounting policy with classification of shipping and handling costs. The presentation of amounts billed to a customer for shipping and handling depends on an analysis of the principal versus agent considerations related to shipping and handling services. If control of the goods transfers on receipt by the customer, the Group will generally be considered to be the principal in the shipping and handling service. If the Group is considered to be a principal in shipping and handling, amounts related to shipping and handling billed to a customer in a sale transaction are accounted as revenues earned for the goods provided and costs related to such services are reported in cost of sales.

If control of the goods transfers when the goods are shipped, the Group will be generally considered as agent with respect to the shipping service. If the Group is considered to be an agent in shipping and handling, only the net commission received is reported as revenue.

Costs related to shipping and handling, which are not charged to the customer or otherwise included in the price are reported as selling, general and administrative expenses.

The Group's management believes that this change in the accounting policy will result in the financial statements providing more relevant and reliable information about true "gross profit" measure.

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

Change in accounting policy *(continued)*

The effect of the retrospective application of this policy on the consolidated statement of comprehensive income was as follows:

	2017	*2016*
Cost of sales according to the old policy	(881,038)	(812,250)
Effect of the change in accounting policy	(31,806)	(16,500)
Cost of sales according to the new policy	(912,844)	(828,750)
Selling, general and administrative expenses according to the old policy	(111,045)	(78,773)
Effect of the change in accounting policy	31,806	16,500
Selling, general and administrative expenses according to the new policy	(79,239)	(62,273)

The change in accounting policies had no effect on earnings per share and on consolidated statement of financial position and on the consolidated statement of cash flows either in the current or previous periods.

Reclassifications and revisions

Certain comparative information presented in the consolidated financial statements for the year ended 31 December 2016 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2017. Such reclassifications and revisions were not significant to the Group consolidated financial statements.

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 recognized 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.

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

Revaluation of property, plant and equipment

As described in Note 3, the Group applies the revaluation model to the measurement of all groups of property, plant and equipment, except land and other fixed assets. At each reporting date, the Group carries out a review of the carrying amount of items of property, plant and equipment accounted for using a revaluation model to determine whether the carrying amount differs materially from fair value.

When determining whether to perform a fair value assessment in a given period, the management of the Group considers development of macroeconomic indicators like changes in prices, inflation rates and devaluation of Ukrainian Hryvnia ("UAH") against USD and EUR. Based on the results of this review, the management of the Group concluded that buildings and structures, grain storage facilities, utilities and infrastructure, production machinery, vehicles and agricultural machinery, auxiliary and other machinery should be revalued as of 31 December 2017.

During the year ended 31 December 2017, the management of the Group appointed an independent appraiser to perform a revaluation of these groups as of 31 December 2017.

The independent appraiser has performed the valuation in accordance with International Valuation Standards applying the following techniques:

- depreciated replacement cost for grain storage facilities, utilities and infrastructure;
- market comparable approach for vehicles and agricultural machinery; and
- depreciated replacement cost and market comparable approach, if applicable, for buildings and structures, production machinery, auxiliary and other machinery.

Key assumptions used by the independent appraiser in assessing the fair value of property, plant and equipment using the depreciated replacement cost and market comparable methods were as follows:

- present condition of particular assets;
- changes in prices of assets and construction materials from the date of their acquisition/construction to the date of valuation;
- external prices for production machinery and vehicles; and
- other external and internal factors that might have effect on fair value of property, plant and equipment under revaluation.

The results of revaluation based on the depreciated replacement cost and market comparable approaches were compared with a revaluation performed using the income approach to check for impairment indicators of revalued assets, if any. The Group used discount factor 12.7% in the revaluation performed using the income approach.

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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, Utilities and infrastructure, Grain storage facilities, Vehicles and agricultural machinery, Auxiliary and other machinery and Production machinery:

Description	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs 2017 (average)	Range of unobservable inputs 2016 (average)	Relationship of unobservable inputs to fair value
Buildings and structures	586,297	*N/A*[1)]	Depreciated replacement cost method	Index of physical depreciation	1-70%	*N/A*[1)]	The higher the index of physical depreciation, the lower the fair value
				Cumulative index of inflation of construction works	1.0 -9.55	*N/A*[1)]	The higher the index, the higher the fair value
Production machinery	269,093	*N/A*[1)]	Market comparable approach/ Depreciated replacement cost method	Index of physical depreciation	0-90%	*N/A*[1)]	The higher the index of physical depreciation, the lower the fair value
Utilities and infrastructure	90,111	78,236	Depreciated replacement cost method	Index of physical depreciation	0-70%	0-81%	The higher the index of physical depreciation, the lower the fair value
				Cumulative index of inflation of construction works	1.0-9.55	1.0-6.17	The higher the index, the higher the fair value
Grain storage facilities	76,837	80,850	Depreciated replacement cost method	Index of physical depreciation	1-70%	6-56%	The higher the index of physical depreciation, the lower the fair value
				Cumulative index of inflation of construction works	1.0-8.71	1.0-6.17	The higher the index, the higher the fair value
Vehicles and agricultural machinery	198,903	185,198	Market comparable approach	Index of physical depreciation	0-90%	0-90%	The higher the index of physical depreciation, the lower the fair value
Auxiliary and other machinery	43,494	39,239	Market comparable approach	Index of physical depreciation	0-90%	5-100%	The higher the index of physical depreciation, the lower the fair value

1) Due to the absence of revaluation during the year ended 31 December 2016

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

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

If the above unobservable inputs to the valuation model were 5 p. p. higher/lower while all other variables were held constant, the carrying amount of the property, plant and equipment under revaluation would decrease/increase by USD 60,563 thousand and USD 64,470 thousand, respectively.

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;
- Estimated changes in future sales prices;
- Projected production costs and costs to sell; and,
- Discount rate.

During the year ended 31 December 2017 the fair value of biological assets and agricultural produce was estimated using discount factors of 12.7% and 18.1% (31 December 2016: 14.9% and 21.4%) 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 recognized 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 recognize 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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5. Segment information

The majority of the Group's operations and non-current assets 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 as follows:

Poultry and related operations segment:

- sales of chicken meat
- sales of vegetable 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 (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 and loss on impairment of property, plant and equipment. 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.

The Group does not disclose geographical revenue information as it is not available and the cost to develop it would be excessive.

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5. Segment information *(continued)*

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

Year ended 31 December 2017	*Poultry and related operations*	*Grain growing operations*	*Other agricultural operations*	*Total reportable segments*	*Eliminations*	*Consolidated*
External sales	1,050,724	117,077	119,951	1,287,752	-	1,287,752
Sales between business segments	37,168	191,993	194	229,355	(229,355)	-
Total revenue	1,087,892	309,070	120,145	1,517,107	(229,355)	1,287,752
Segment results	306,528	65,643	15,496	387,667	-	387,667
Unallocated corporate expenses						(22,304)
Loss on impairment of property, plant and equipment						(3,607)
Other expenses, net [1)]						(148,619)
Profit before tax from continuing operations						213,137
Other information:						
Additions to property, plant and equipment [2)]	93,136	21,069	3,493	117,698	-	117,698
Depreciation and amortization expense [3)]	59,614	29,675	3,268	92,557	-	92,557
Net change in fair value of biological assets and agricultural produce	28,580	(11,863)	4,284	21,001	-	21,001

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

[2)] Additions to property, plant and equipment in 2017 (Note 12) do not include unallocated additions in the amount of USD 7,938 thousand.

[3)] Depreciation and amortization for the year ended 31 December 2017 does not include unallocated depreciation and amortization in the amount of USD 668 thousand.

During the year ended 31 December 2017 the Group decided to include convenience food previously reported in poultry and related operations segment to other agricultural operations in line with how Group's chief operating decision maker ("CODM") started to evaluate performance of the segments. Based on the analysis of convenience food type and nature, the Group believes this disclosure provide more relevant information about the types of goods supplied by the Group's operating divisions. Comparative information has been restated accordingly.

Year ended 31 December 2016	*Poultry and related operations*	*Grain growing operations*	*Other agricultural operations*	*Total reportable segments*	*Eliminations*	*Consolidated*
External sales	953,542	84,753	97,167	1,135,462	-	1,135,462
Sales between business segments	29,759	195,872	249	225,880	(225,880)	-
Total revenue	983,301	280,625	97,416	1,361,342	(225,880)	1,135,462
Segment results	205,746	116,670	12,482	334,898	-	334,898
Unallocated corporate expenses						(18,634)
Loss on impairment of property, plant and equipment						(1,443)
Other expenses, net [1)]						(259,115)
Profit before tax from continuing operations						55,706
Other information:						
Additions to property, plant and equipment [2)]	74,823	18,955	3,685	97,463	-	97,463
Depreciation and amortization expense [3)]	60,065	33,336	3,609	97,010	-	97,010
Net change in fair value of biological assets and agricultural produce	5,039	32,198	1,657	38,894	-	38,894

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5. Segment information *(continued)*

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

[2)] Additions to property, plant and equipment in 2016 (Note 12) do not include unallocated additions in the amount of USD 2,520 thousand.
[3)] Depreciation and amortization for the year ended 31 December 2016 does not include unallocated depreciation and amortization in the amount of USD 1,557 thousand.

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2017 and 2016:

	2017	*2016*
Chicken meat and related products	334,385	243,725
Vegetable oil and related products	259,054	295,596
Grain	108,815	80,990
Other agricultural segment products	30,012	14,409
	732,266	634,720

Export sales of vegetable 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 MENA, EU and CIS countries.

6. Revenue

Revenue for the years ended 31 December 2017 and 2016 was as follows:

	2017	*2016 (Restated Note 5)*
Poultry and related operations segment		
Chicken meat	719,330	590,146
Vegetable oil and related products	260,251	295,596
Other poultry related sales	71,143	67,800
	1,050,724	953,542
Grain growing operations segment		
Grain	117,077	84,753
	117,077	84,753
Other agricultural operations segment		
Other meat	87,806	71,550
Other agricultural sales	32,145	25,617
	119,951	97,167
	1,287,752	1,135,462

7. Cost of sales

Cost of sales for the years ended 31 December 2017 and 2016 was as follows:

	2017	*2016 (Restated Note 3)*
Poultry and related operations	718,407	683,353
Grain growing operations	89,075	62,526
Other agricultural operations	105,362	82,871
	912,844	828,750

For the years ended 31 December 2017 and 2016 cost of sales comprised the following:

	2017	*2016 (Restated Note 3)*
Costs of raw materials and other inventory used	626,104	558,730
Payroll and related expenses	113,875	95,298
Depreciation and amortization expense	82,835	87,992
Other costs	90,030	86,730
	912,844	828,750

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

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8. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2017 and 2016 were as follows:

	2017	*2016 (Restated Note 3)*
Payroll and related expenses	31,759	21,520
Services	17,620	13,380
Depreciation expense	10,390	10,575
Representative costs and business trips	8,920	6,763
Advertising expense	5,256	4,938
Fuel and other materials used	2,588	2,913
Bank services and conversion fees	488	525
Insurance expense	61	169
Other	2,157	1,490
	79,239	62,273

Remuneration to the auditors, included in Services above, approximate to USD 980 thousand for the year ended 31 December 2017 (2016: USD 554 thousand). Such remuneration includes both audit and non-audit services, with the statutory audit fees component approximating USD 420 thousand (2016: USD 390 thousand) for the year ended 31 December 2017 and fees for other assurance services component approximating USD 294 thousand (2016: USD nil), for tax advisory services component approximating USD 130 thousand (2016: USD 61 thousand) and for other non-audit services component approximating USD 136 thousand (2016: USD 103 thousand) for the year ended 31 December 2017.

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 2017 and 2016 were as follows:

	2017	*2016*
VAT refunds	-	34,056
Other government grants	52,605	-
	52,605	34,056

VAT refunds and other government grants for agricultural industry

According to the Tax Code of Ukraine issued in December 2010 and effective since 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.

During the year ended 31 December 2015 and before, VAT collected from agricultural producers was fully retained by these companies. On 24 December 2015, the Law “On amending the Tax Code of Ukraine and certain legislative acts of Ukraine in terms of ensuring the balanced budget receipts in 2016” was adopted effective 1 January 2016. In accordance with the new legislation, agricultural producers were entitled to retain only a portion of VAT on agricultural operations. Producers of grain and industrial crops, cattle and dairy producers, poultry and other agriculture producers retained VAT in a portion of 15%, 80% and 50%, respectively.

On 30 December 2016 the President of Ukraine signed the Law No. 1791 On Amendments to the Tax Code of Ukraine Regarding the Balancing of Budget Revenues in 2017 (hereinafter the “Law No. 1791”). The Law No. 1791 introduces changes to VAT administration for agricultural companies which previously enjoyed a special VAT regime. The special VAT regime for agricultural companies was terminated as of 1 January 2017.

However, in order to continue state support for agricultural companies, the Law No. 1791 introduced budget subsidies for agricultural companies by amending the Law of Ukraine On State Support of Agriculture of Ukraine. The agricultural producers eligible for the subsidies include those involved in poultry production and animal farming, as well as fruit and vegetable farmers. For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and is distributed on

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9. VAT refunds and other government grants income *(continued)*

a monthly basis. As of the date of the authorization of these consolidated financial statements the Government has not yet allocated the specific amount for the state subsidies for qualifying agricultural companies in 2018.

10. Finance costs

Finance costs for the years ended 31 December 2017 and 2016 were as follows:

	2017	*2016*
Interest on corporate bonds	83,102	68,184
Transaction costs related to corporate bonds	4,588	-
Interest on bank borrowings	19,430	35,186
Interest on obligations under finance leases	1,211	1,835
Bank commissions and other charges	4,643	6,063
Total finance costs	112,974	111,268
Less:		
Finance costs included in the cost of qualifying assets	(4,575)	(4,425)
	108,399	106,843

For qualifying assets, the weighted average capitalization rate on funds borrowed during the year ended 31 December 2017 was 9.69% (2016: 9.69%).

Interest on corporate bonds for the years ended 31 December 2017 and 2016 includes amortization of premium and debt issue costs on bonds issued in the amounts of USD 5,788 thousand and USD 5,978 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. The net results of the Group companies incorporated in jurisdictions other than Ukraine were insignificant during the years ended 31 December 2017 and 2016.

During the year ended 31 December 2017, 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. The deferred income tax assets and liabilities as of 31 December 2017 and 2016 are measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

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. On 1 January 2015, the Law "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Tax Reform" (the "Law") became effective. Under the Law, the fixed agricultural tax regime ("FAT") was transformed, without substantial changes to tax rules, by means of introducing a separate (4th) group of single taxpayers – agricultural manufacturers. The tax rates calculated as a percentage of the target-ratio based monetary valuation per hectare of agricultural land resulting in substantially lower tax charges compared to CIT. Agricultural manufacturers are eligible to apply for a single tax if they meet both the following two requirements:

1. The share of the entity's revenue from agricultural production (i.e., sale of the entity's cultivated and processed products) to the total share of its income equals or exceeds 75 per cent; and
2. These agriproducts were cultivated on land that such agricultural manufacturers own or lease, and the ownership title and leases have been duly registered.

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11. Income tax *(continued)*

The components of income tax expense/(benefit) were as follows for the years ended 31 December 2017 and 2016:

	2017	*2016*
Current income tax expense	388	621
Deferred tax benefit	(17,506)	(13,701)
Income tax benefit	(17,118)	(13,080)

The reconciliation between profit before tax from continuing operations multiplied by the statutory tax rate and the income tax benefit for the years ended 31 December 2017 and 2016 was as follows:

	2017	*2016*
Profit before income tax	213,137	55,706
Income tax expense calculated at rates effective during the year ended in respective jurisdictions	39,171	7,405
Tax effect of:		
Income generated by FAT payers (exempt from income tax)	(57,927)	(40,678)
Non-deductible expenses	(3,984)	12,821
Expenses not deducted for tax purposes	4,785	7,004
Translation loss	837	368
Income tax benefit	(17,118)	(13,080)

During the years ended 31 December 2017 and 2016 the Group did not recognize deferred tax assets arising from temporary differences of USD 26,582 thousand and USD 38,911 thousand, respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods, as there are uncertainties on whether sufficient taxable profits will be generated by particular companies of the Group in the future. There is no expiration date of accounting tax losses according to Tax Code of Ukraine.

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 2017 and 2016 deferred tax assets and liabilities comprised the following:

	2017	*2016*
Deferred tax assets arising from:		
Property, plant and equipment	-	6
Other current liabilities	800	761
Inventories	28	326
Tax losses	90,793	81,923
Total deferred tax assets	91,621	83,016
Deferred tax liabilities arising from:		
Property, plant and equipment	(114,684)	(92,700)
Inventories	(546)	(19)
Prepayments to suppliers	-	-
Total deferred tax liabilities	(115,230)	(92,719)
Net deferred tax liabilities	(23,609)	(9,703)

Certain Group's companies incurred losses during the 2017 and preceding years. The Group has recognized deferred tax assets on accounting tax losses to the extent of possible future taxable income or taxable temporary differences.

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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 2017 and 2016:

	2017	*2016*
Deferred tax assets	121	1,561
Deferred tax liabilities	(23,730)	(11,264)
	(23,609)	(9,703)

The movements in net deferred tax liabilities for the years ended 31 December 2017 and 2016 were as follows:

	2017	*2016*
Net deferred tax liabilities as of beginning of the year	(9,703)	(7,487)
Deferred tax benefit	17,506	13,701
Deferred tax liabilities arising on acquisition of subsidiaries	-	-
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income	(30,979)	(16,143)
Translation difference	(433)	226
Net deferred tax liabilities as of end of the year	(23,609)	(9,703)

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(in thousands of US dollars, unless otherwise indicated)

12. Property, plant and equipment

The following table represents movements in property, plant and equipment for the year ended 31 December 2017:

	Land	*Buildings and structures*	*Grain storage facilities*	*Production machinery*	*Auxiliary and other machinery*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Other fixed assets*[1]	*Construction in progress*	*Total*
Cost or fair value:										
At 1 January 2017	1,217	518,152	85,267	264,939	41,529	80,030	218,741	7,548	59,401	1,276,824
Additions	1,661	13,783	1,066	7,054	2,315	2,446	23,748	1,415	72,148	125,636
Disposals	-	(507)	(41)	(664)	(44)	(4)	(3,846)	(125)	-	(5,231)
Transfers	66	7,828	7,540	9,629	(6,317)	(2,460)	(3,208)	178	(13,256)	-
Revaluations	-	65,164	(13,733)	(1,785)	7,850	12,686	(27,785)	-	-	42,397
Impairment loss	-	(885)	(158)	(775)	(797)	(94)	(898)	-	-	(3,607)
Translation difference	(128)	(17,238)	(3,104)	(9,305)	(1,042)	(2,493)	(7,849)	(319)	(4,942)	(46,420)
At 31 December 2017	2,816	586,297	76,837	269,093	43,494	90,111	198,903	8,697	113,351	1,389,599
Accumulated depreciation:										
At 1 January 2017	-	9,181	4,417	39,774	2,290	1,794	33,543	5,491	-	96,490
Depreciation charge for the year	-	14,265	6,025	23,566	4,370	2,720	37,099	1,273	-	89,318
Elimination upon disposal	-	(58)	(6)	(1,659)	(66)	(2)	(3,037)	(122)	-	(4,950)
Eliminated on revaluation	-	(22,270)	(9,982)	(59,451)	(6,134)	(4,312)	(65,191)	-	-	(167,340)
Transfers	-	-	-	(5)	3	-	2	-	-	-
Translation difference	-	(1,118)	(454)	(2,225)	(463)	(200)	(2,416)	(145)	-	(7,021)
At 31 December 2017	-	-	-	-	-	-	-	6,497	-	6,497
Net book value										
At 1 January 2017	1,217	508,971	80,850	225,165	39,239	78,236	185,198	2,057	59,401	1,180,334
At 31 December 2017	2,816	586,297	76,837	269,093	43,494	90,111	198,903	2,200	113,351	1,383,102

[1)] Other fixed assets include bearer plants, office furniture and equipment.

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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 2016:

	Land	*Buildings and structures*	*Grain storage facilities*	*Production machinery*	*Auxiliary and other machinery*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Other fixed assets[1]*	*Construction in progress*	*Total*
Cost or fair value:										
At 1 January 2016	775	595,322	65,181	280,493	36,947	57,575	214,391	16,348	79,803	1,346,835
Additions	567	17,433	340	18,304	10,389	5,356	18,744	2,185	26,665	99,983
Disposals	(39)	(1,157)	(93)	(676)	(379)	(76)	(2,900)	(139)	(247)	(5,706)
Transfers	-	19,500	-	11,228	144	2,684	906	88	(34,550)	-
Reclassified as held for sale *(Note 20)*	-	(37,450)	-	(8,223)	-	(842)	(19,089)	(10,531)	(243)	(76,378)
Revaluations	-	-	28,433	-	2,691	24,263	31,500	-	-	86,887
Impairment loss[2]	-	(24,315)	-	(2,437)	(688)	(229)	(6,052)	(75)	(2,798)	(36,594)
Translation difference	(86)	(51,181)	(8,594)	(33,750)	(7,575)	(8,701)	(18,759)	(328)	(9,229)	(138,203)
At 31 December 2016	1,217	518,152	85,267	264,939	41,529	80,030	218,741	7,548	59,401	1,276,824
Accumulated depreciation:										
At 1 January 2016	-	-	5,083	20,224	10,999	14,503	31,805	5,971	-	88,585
Depreciation charge for the year[3]	-	15,967	5,090	27,010	3,106	2,665	45,218	1,341	-	100,397
Elimination upon disposal	-	(213)	-	(626)	(145)	(63)	(2,180)	(132)	-	(3,359)
Eliminated on revaluation	-	-	(5,034)	-	(9,059)	(12,993)	(27,630)	-	-	(54,716)
Reclassified as held for sale *(Note 20)*	-	(8,808)	-	(3,860)	-	(602)	(12,692)	(922)	-	(26,884)
Translation difference	-	2,235	(722)	(2,974)	(2,611)	(1,716)	(978)	(767)	-	(7,533)
At 31 December 2016	-	9,181	4,417	39,774	2,290	1,794	33,543	5,491	-	96,490
Net book value										
At 1 January 2016	775	595,322	60,098	260,269	25,948	43,072	182,586	10,377	79,803	1,258,250
At 31 December 2016	1,217	508,971	80,850	225,165	39,239	78,236	185,198	2,057	59,401	1,180,334

[1)] Other fixed assets include bearer plants, office furniture and equipment;
[2)] Impairment loss contains USD 35,151 thousand of loss on impairment of property, plant and equipment included in a disposal group held for sale;
[3)] Depreciation charge for the year included in results from discontinued operations USD 7,298 thousand.

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

As of 31 December 2017, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 13,014 thousand (2016: USD 8,661 thousand).

As of 31 December 2017, included within property, plant and equipment were fully depreciated assets with the original cost of USD 5,584 thousand (2016: USD 9,490 thousand).

As of 31 December 2017 and 2016 the net carrying amount of property, plant and equipment, represented by vehicles and agricultural machinery, held under finance lease agreements was USD 21,834 thousand and USD 39,460 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, there were no indicators of impairment as of 31 December 2017 and 2016, except for impairment of certain assets in the amount of USD 3,607 thousand (2016: USD 1,443 thousand).

Revaluation of vehicles and agricultural machinery

During the year ended 31 December 2017 and 2016, the Group engaged independent appraisers to revalue its vehicles and agricultural machinery. The effective dates of revaluation were 31 December 2017 and 31 March 2016 respectively. 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 2017, the Group engaged independent appraisers to revalue its production machinery. The effective date of revaluation was 31 December 2017. 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 depreciated replacement cost method. During the year ended and as of 31 December 2016, the Group evaluated if the fair value of production machinery was materially different from the reported carrying values. Based on analysis of fluctuations of the cumulative index of producers prices, index of physical depreciation and functional currency depreciation, the Management assessed it not to be materially different from the reported book values.

Revaluation of buildings and structures

During the year ended 31 December 2017, the Group engaged independent appraisers to revalue its buildings and structures. The effective date of revaluation was 31 December 2017. The valuation, which conformed to the International Valuation Standards, was determined using depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the buildings and structures. During the year ended and as of 31 December 2016, the Group evaluated if the fair value of buildings and structures was materially different from the reported carrying values. Based on analysis of fluctuations of the cumulative index of inflation of construction works and index of physical depreciation, the Management assessed it not to be materially different from the reported carrying values.

Revaluation of Grain storage facilities

During the year ended 31 December 2017 and 2016, the Group engaged independent appraisers to revalue its grain storage facilities as of 31 December 2017 and 31 March 2016, respectively. The valuation, which conformed to the International Valuation Standards, was determined using depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities.

Revaluation of Auxiliary and other machinery

During the year ended 31 December 2017 and 2016, the Group engaged an independent appraiser to determine the fair value of its Auxiliary and other machinery as of 31 December 2017 and 31 March 2016 respectively. The valuation, which conformed to the International Valuation Standards, was determined using the market comparable approach adjusted based on age and condition of the machinery or for items of specialized nature depreciated replacement cost method.

Revaluation of Utilities and infrastructure

During the year ended 31 December 2017 and 2016, the Group engaged independent appraisers to revalue its utilities and infrastructure as of 31 December 2017 and 31 March 2016, respectively. The valuation, which conformed to the International Valuation Standards, was determined using depreciated replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities.

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

Had the Group's property plant and equipment been measured on a historical cost basis, their carrying amount would have been as follows:

	Fair value hierarchy	*Fair value*		*Net book value if carried at cost*	
		2017	*2016*	*2017*	*2016*
Buildings and structures	Level 3	586,297	508,971	197,780	142,990
Grain storage facilities	Level 3	76,837	80,850	31,013	38,504
Production machinery	Level 2, 3	269,093	225,165	124,617	109,178
Vehicles and agricultural machinery	Level 2	198,903	185,198	82,227	39,791
Utilities and infrastructure	Level 3	90,111	78,236	39,364	42,427
Auxiliary and other machinery	Level 2, 3	43,494	39,239	22,740	26,477

There are no restrictions on the distribution of the revaluation surplus to the shareholders.

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 2017 and 2016:

	2017	*2016*
Cost:		
As of 1 January	54,873	53,868
Additions	7,970	7,755
Translation difference	(2,146)	(6,750)
As of 31 December	60,697	54,873
Accumulated amortization:		
As of 1 January	11,028	7,616
Amortization charge for the year	4,859	4,582
Translation difference	(600)	(1,170)
As of 31 December	15,287	11,028
Net book value:		
As of 1 January	43,845	46,252
As of 31 December	45,410	43,845

14. Biological assets

The balances of non-current biological assets were as follows as of 31 December 2017 and 2016:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*
	2017		*2016*	
Milk cows, units	18.3	17,923	18.1	12,532
Boars and sows, units	0.3	117	1.7	232
Other non-current bearer biological assets		470		323
Total bearer non-current biological assets		18,510		13,087
Non-current cattle and pigs, units	3.8	1,895	3.5	1,471
Total consumable non-current biological assets		1,895		1,471
Total non-current biological assets		20,405		14,558

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14. Biological assets *(continued)*

The balances of current biological assets were as follows as of 31 December 2017 and 2016:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*
	2017		*2016*	
Breeders held for hatchery eggs production, units	3,473	55,716	3,741	46,483
Total bearer current biological assets		55,716		46,483
Broiler chickens, units	40,355	54,207	38,685	40,558
Hatchery eggs, units	35,776	9,016	30,701	6,202
Crops in fields, hectare	88	20,623	93	20,977
Cattle and pigs, units	8	1,250	17	1,845
Other current consumable biological assets		216		149
Total consumable current biological assets		85,312		69,731
Total current biological assets		141,028		116,214

Other current consumable biological assets include geese and other livestock.

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14. Biological assets *(continued)*

The following table represents movements in major biological assets for the years ended 31 December 2017 and 2016:

	Milk cows, boars, sows	*Breeders held for hatchery eggs production*	*Broiler chickens*	*Crops in fields*
As of 31 December 2015	13,837	52,523	49,234	27,224
Costs incurred	5,611	64,707	459,893	219,285
Gains arising from change in fair value of biological assets less costs to sell	7,454	29,415	162,626	107,259
Transfer to consumable biological assets	-	(85,857)	85,857	-
Transfer to bearing non-current biological assets	5,506	-	-	-
Decrease due to sale	(498)	-	-	-
Decrease due to harvest	(17,485)	(8,134)	(712,668)	(329,794)
Reclassified as held for sale	-	-	1,204	-
Translation difference	(1,661)	(6,171)	(5,588)	(2,997)
As of 31 December 2016	12,764	46,483	40,558	20,977
Costs incurred	7,479	102,702	450,363	239,908
Gains arising from change in fair value of biological assets less costs to sell	13,936	29,651	242,893	67,932
Transfer to consumable biological assets	-	(110,586)	110,586	-
Transfer to bearing non-current biological assets	7,675	-	-	-
Decrease due to sale	(417)	-	-	-
Decrease due to harvest	(22,698)	(10,491)	(788,100)	(307,522)
Translation difference	(699)	(2,043)	(2,093)	(672)
As of 31 December 2017	18,040	55,716	54,207	20,623

Information on movements in hatchery eggs and cattle and pigs groups have been considered immaterial for disclosure.

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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, and which are therefore measured at fair value within Level 2 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 2017	Fair value as at 31 December 2016	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (average) 2017	Range of unobservable inputs (average) 2016	Relationship of unobservable inputs to fair value
Crops in fields	20,623	20,977	Discounted cash flows	Crops yield - tonnes per hectare	3.3 – 6.0 (5.0)	3.3 – 6.2 (5.2)	The higher the crops yield, the higher the fair value
				Crops price – per tonne	USD 118 - 362 (209)	USD 101 - 341 (185)	The higher the market price, the higher the fair value
				Discount rate	18.1%	21.4%	The higher the discount rate, the lower the fair value
Breeders held for hatchery eggs production	55,716	46,483	Discounted cash flows	Number of hatchery eggs produced by one breeder	160	165	The higher the number, the higher the fair value
				Hatchery egg price – per egg	USD 0.25	USD 0.20	The higher the market price, the higher the fair value
				Discount rate	12.7%	14.9%	The higher the discount rate, the lower the fair value
Broiler chickens	54,207	40,558	Discounted cash flows	Average weight of one broiler - kg	2.34	2.40	The higher the weight, the higher the fair value
				Poultry meat price – per kg	UAH 8.11 – 38.44 (29.35)	UAH 6.70 – 35.60 (23.59)	The higher the market price, the higher the fair value
Milk cows	17,923	12,532	Discounted cash flows	Daily milk yield - litre per cow	16.80 - 17.55 (17.12)	13.12 - 20.58 (18.13)	The higher the milk yield, the higher the fair value
				Weight of the cow - kg per cow	521 - 559 (544)	514 - 545 (531)	The higher the weight, the higher the fair value
				Milk price – per litre	UAH 7.32 – 8.11 (7.55)	UAH 5.36 – 6.17 (5.83)	The higher the market price, the higher the fair value
				Meat price – per kg	UAH 22.27 - 25.96 (24.41)	UAH 13.55 - 18.88 (17.10)	The higher the market price, the higher the fair value
				Discount rate	12.7%	14.9%	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 42,440 thousand and USD 39,612 thousand, respectively.

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15. Inventories

The balances of inventories were as follows as of 31 December 2017 and 2016:

	2017	*2016*
Components for mixed fodder production	127,812	108,571
Other raw materials	32,645	24,186
Work in progress	28,581	26,073
Sunflower oil	17,970	9,958
Spare parts	10,916	10,201
Mixed fodder	3,521	3,191
Packaging materials	3,041	3,478
Other inventories	1,882	1,674
	226,368	187,332

As of 31 December 2017 and 2016 work in progress in the amount of USD 28,581 thousand and USD 26,073 thousand comprised expenses incurred in cultivating fields to be planted in the years 2018 and 2017, respectively.

As of 31 December 2017, components for mixed fodder production with carrying amount of USD nil thousand (2016: USD 106,101 thousand) were pledged as collateral to secure bank borrowings (Note 23).

16. Agricultural produce

The balances of agricultural produce were as follows as of 31 December 2017 and 2016:

	Thousand tonnes	*Carrying amount*	*Thousand tonnes*	*Carrying amount*
	2017		*2016*	
Chicken meat	37.9	48,103	33.8	36,441
Other meat	*N/A[1)]*	1,618	*N/A[1)]*	2,354
Grain	788	120,537	847	116,316
Other crops	*N/A[1)]*	13,149	*N/A[1)]*	12,278
		183,407		167,389

[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 2 of the fair value hierarchy.

As of 31 December 2017, grains with carrying amount of USD nil thousand (2016: USD 4,000 thousand) were pledged as collateral to secure advances received from customers (Note 26).

17. Taxes recoverable and prepaid

Taxes recoverable and prepaid were as follows as of 31 December 2017 and 2016:

	2017	*2016*
VAT recoverable	31,530	26,034
Miscellaneous taxes prepaid	6,237	5,201
	37,767	31,235

18. Trade accounts receivable, net

The balances of trade accounts receivable were as follows as of 31 December 2017 and 2016:

	2017	*2016*
Agricultural operations	66,190	50,737
Sunflower oil sales	249	284
Due from related parties *(Note 27)*	109	113
Less: allowance for irrecoverable amounts	(4,243)	(266)
	62,305	50,868

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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 2017 the Group determined that trade accounts receivable on sales of poultry meat of USD 2,813 thousand (2016: USD 1,909 thousand) were overdue but do not require allowance for irrecoverable amounts.

For the years ended 31 December 2017 and 2016 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 2017 and 2016 was as follows:

	Trade accounts receivable		*Allowance for irrecoverable amounts*	
	2017	*2016*	*2017*	*2016*
Trade accounts receivable on sales of poultry meat:				
Over 30 but less than 270 days	213	-	(53)	-
Over 270 days	3,966	-	(3,966)	-
	4,179	-	(4,019)	-
Trade accounts receivable on other sales:				
Over 60 but less than 360 days	60	334	(15)	(146)
Over 360 days	209	120	(209)	(120)
	269	454	(224)	(266)
	4,448	454	(4,243)	(266)

19. Cash and cash equivalents

The balances of cash and cash equivalents were as follows as of 31 December 2017 and 2016:

	2017	*2016*
Cash on hand and with banks	125,536	150,951
UAH short-term deposits with banks	18	31
EUR short-term deposits with banks	-	3,588
	125,554	154,570

As of 31 December 2016, EUR short-term deposits with banks in the amount of USD 3,588 thousand were restricted as collateral to secure bank borrowings.

Cash and cash equivalents included in disposal group classified as held for sale as of 31 December 2016 comprised USD 2,098 thousand.

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20. Assets classified as held for sale

As at 31 December 2016 the management of the Group had committed to a plan to dispose of its Crimean companies and anticipated that the disposal was completed on 17 February 2017.

Immediately before the classification of Crimean companies as a disposal group held for sale, the recoverable amount was estimated for certain items of property, plant and equipment and an impairment loss was recognized in the amount of USD 35,151 thousand. The impairment loss in the amount of USD 28,286 thousand is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation reserve. The remaining part of the impairment loss in the amount of USD 6,865 thousands was recognized in profit or loss for the year ended 31 December 2016.

The ultimate disposal value was higher than the aggregate carrying amount of the assets comprising the discontinued operations. As such, as at 31 December 2016, no further impairment loss on reclassification of disposal group as held for sale was recognized.

The major classes of assets and liabilities of the Crimean companies are as follows:

	As at 31 December 2016
Property, plant and equipment, net	49,494
Other non-current assets	1,367
Biological assets	9,364
Agricultural produce	8,708
Inventories	11,113
Trade accounts receivable, net	1,806
Taxes recoverable and prepaid, net	2,745
Other current assets	1,701
Cash and cash equivalents	2,098
Total assets classified as held for sale	**88,396**
Trade accounts payable	(3,472)
Other current liabilities	(1,692)
Total liabilities associated with assets classified as held for sale	**(5,164)**
Intragroup accounts receivable and payable eliminated on consolidation, net[1)]	(5,691)
Net assets of disposal group	**77,541**

[1)] Upon disposal of subsidiaries in 2017, net intragroup accounts were offset with associated increase of net assets disposed (Note 2)

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21. Shareholders' equity

Share capital

As of 31 December 2017 and 2016 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	2017	*2016*
Number of shares issued and fully paid	110,770,000	110,770,000
Number of shares outstanding	106,781,794	106,781,794

The authorized share capital as of 31 December 2017 and 2016 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.

22. 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*	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	11.5%	11.5%	(1,221)	(921)	4,178	3,638
Other subsidiaries with immaterial non-controlling interests	n/a	n/a	2,752	6,717	12,963	13,060
	n/a	n/a	1,531	5,796	17,141	16,698

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22. 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.

	Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	
	2017	**2016**
Current assets	212,203	312,765
Non-current assets	94,348	104,578
Current liabilities	203,197	299,919
Non-current liabilities	85,315	85,648
Equity attributable to owners of the Group	13,861	28,138
Revenue	424,171	509,114
Expenses	(434,786)	(517,121)
Loss for the year	(10,615)	(8,007)
Loss attributable to owners of the Group	(9,394)	(7,086)
Loss attributable to the non-controlling interests	(1,221)	(921)
Loss for the year	(10,615)	(8,007)
Other comprehensive income attributable to owners of the Company	13,555	4,480
Other comprehensive income attributable to the non-controlling interests	1,761	582
Other comprehensive income for the year	15,316	5,062
Total comprehensive income/(loss) attributable to owners of the Company	4,161	(2,606)
Total comprehensive income/(loss) attributable to the non-controlling interests	540	(339)
Total comprehensive income/(loss) for the year	4,701	(2,945)
Net cash (outflow)/ inflow from operating activities	(489)	4,723
Net cash outflow from investing activities	(3,622)	(2,420)
Net cash outflow from financing activities	-	-

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23. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 December 2017 and 2016:

		2017		*2016*	
Bank	*Currency*	*WAIR [1)]*	*USD' 000*	*WAIR [1)]*	*USD' 000*
Non-current					
Foreign banks	USD	7.72%	121,576	8.09%	241,823
Foreign banks	EUR	2.57%	17,241	1.33%	17,744
			138,817		259,567
Current					
Ukrainian banks	UAH	13.00%	9,620	-	-
Ukrainian banks	USD	-	-	7.20%	68,752
Foreign banks	USD	-	-	6.93%	65,500
Current portion of long-term bank borrowings	USD, EUR		27,297		102,555
			36,917		236,807
Total bank borrowings			175,734		496,374

[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.

Term loans and credit line facilities were as follows as of 31 December 2017 and 2016:

	2017	*2016*
Credit lines	9,620	134,252
Term loans	166,114	362,122
	175,734	496,374

As of 31 December 2017 and 2016 all of the Group's bank term loans and credit lines bear floating interest rates.

Bank borrowings and credit lines outstanding as of 31 December 2017 and 2016 were repayable as follows:

	2017	*2016*
Within one year	36,917	236,944
In the second year	72,950	134,837
In the third to fifth year inclusive	58,719	113,758
After five years	7,148	10,835
	175,734	496,374

As of 31 December 2017, the Group had available undrawn facilities of USD 264,895 thousand (2016: USD 56,479 thousand). These undrawn facilities expire during the period from March 2018 until August 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: liability to equity ratio, net debt to Adjusted EBITDA ratio, Adjusted 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.

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23. Bank borrowings *(continued)*

During the years ended 31 December 2017 and 2016 the Group has complied with all covenants imposed by banks providing the loans.

The Group's bank borrowings are jointly and severally guaranteed by MHP, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Oril-Leader, Peremoga Nova, Starynska Ptahofabryka, Zernoproduct, Katerynopilsky Elevator, Agrofort, NPF Urozhay, MHP SE, Scylla Capital Limited, Myronivska Ptahofabryka, Ptahofabryka Snyatynska Nova, Vinnytska Ptahofabryka, Zakhid-Agro MHP, Urozhayna Krayina, Raftan Holding Limited, Merique Holding Limited.

As of 31 December 2017, the Group had deposits with banks in the amount of USD 2,524 thousand (2016: USD 4,165 thousand) that were restricted as collateral to secure bank borrowings.

As of 31 December 2016, the Group had borrowings of USD 89,046 thousand that were secured. These borrowings were secured by inventories with a carrying amount of USD 106,101 thousand (Note 15).

As of 31 December 2017 and 2016 accrued interest on bank borrowings was USD 2,578 thousand and USD 7,606 thousand, respectively.

24. Bonds issued

Bonds issued and outstanding as of 31 December 2017 and 2016 were as follows:

	2017	*2016*
8.25% Senior Notes due in 2020	495,600	750,000
7.75% Senior Notes due in 2024	500,000	-
Unamortized debt issuance cost	(25,512)	(24,639)
Total long-term portion of bonds issued	970,088	725,361

As of 31 December 2017 and 2016 accrued interest on bonds issued was USD 15,377 thousand and USD 15,125 thousand, respectively.

7.75% Senior Notes

On 10 May 2017, MHP SE issued USD 500,000 thousand 7.75% Senior Notes due in 2024 at par value. Out of the total issue amount USD 245,200 thousand were designated for redemption and exchange of existing 8.25% Senior Notes due in 2020.

Early redemption of 8.25% Senior Notes due in 2020 out of issue of 7.75% Senior Notes due in 2024, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus, all the related expenses, including part of consent fees, were capitalized and will be amortized over the maturity period of the 7.75% Senior Notes due in 2024 in the amount of USD 9,830 thousand. Other related expenses, including part of consent fees, in the amount of USD 4,599 thousand were expensed as incurred.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited, Raftan Holding 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 Adjusted EBITDA ratio as defined by the indenture, restrictions on mergers or

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24. Bonds issued *(continued)*

consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. 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.

8.25% Senior Notes

On 8 April 2013, MHP SE 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 fund the early redemption and exchange of its existing 10.25% Senior Notes due in 2015.

The early redemption of the 10.25% Senior Notes due in 2015 out of the issuance of 8.25% Senior Notes due in 2020, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange. Thus all the related expenses, including part of 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 part of consent fees, in the amount of USD 16,515 thousand were expensed as incurred.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP, Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Snyatynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited, Raftan Holding Limited, Merique Holding 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 Adjusted EBITDA ratio as defined by the 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 the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. 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.

Consent solicitation

On 7 March 2016, the Group received consent from the Holders of the outstanding USD 750,000 thousand 8.25% Senior Notes for certain proposed amendments to the Indenture and the Notes. Amendments were obtained before the Consent Expiration Date (7 March 2016). The Amendments were implemented by way of execution of the Supplemental Indenture on 8 March 2016, and became effective from the Consent Settlement Date (9 March 2016).

In relation to the Notes, the Company has, on the Consent Settlement Date, paid to those Holders from whom valid Consents were delivered and not revoked on or prior to the Consent Expiration Date and which Consents are accepted by the Company the Consent Payment of USD 12.50 for each USD 1 thousand in principal amount of the Notes that were subject of the relevant Electronic Instructions.

During the reporting periods ended 31 December 2017 and 31 December 2016 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes is 9.25% per annum and 9.69% per annum for the year ended 31 December 2017 and 2016, respectively.

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25. 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 2017, the weighted average interest rates on finance lease obligations were 7.78% and 9.77% for finance lease obligations denominated in EUR and USD, respectively (2016: 6.46% and 8.04%).

The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 31 December 2017 and 2016:

	Minimum lease payments		*Present value of minimum lease payments*	
	2017	*2016*	*2017*	*2016*
Payable within one year	4,979	8,854	4,040	8,044
Payable in the second year	3,780	3,060	3,118	2,648
Payable in the third to fifth year inclusive	4,875	3,411	4,292	2,933
	13,634	15,325	11,450	13,625
Less:				
Future finance charges	(2,184)	(1,700)	-	-
Present value of finance lease obligations	11,450	13,625	11,450	13,625
Less:				
Current portion			(4,040)	(8,044)
Finance lease obligations, long-term portion			7,410	5,581

26. Other current liabilities

Other current liabilities were as follows as of 31 December 2017 and 2016:

	2017	*2016*
Accrued payroll and related taxes	27,640	24,638
Amounts payable for property, plant and equipment	11,173	5,960
Advances from and other payables due to third parties	6,774	26,382
Other payables	4,709	4,786
	50,296	61,766

As of 31 December 2016, the Group had advances received from customers of USD 10,000 thousand that were secured by agricultural produce with a carrying amount of USD 4,000 thousand (Note 16). There were no advances received from customers that were secured as of 31 December 2017.

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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 2017 and 2016 were as follows:

	2017	*2016*
Loans provided to key management personnel	425	760
Purchases from related parties	32	69

The balances owed to and due from related parties were as follows as of 31 December 2017 and 2016:

	2017	*2016*
Advances and finance aid receivable	3,188	3,310
Loans to key management personnel	956	884
Trade accounts receivable *(Note 18)*	109	113
Payables due to related parties	17	6

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 14,143 thousand and USD 8,421 thousand for the years ended 31 December 2017 and 2016, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest. The loans to key management personnel are unsecured.

Total compensation of the Group's independent non-executive directors, which consists of contractual salary, amounted to USD 460 thousand and USD 451 thousand in 2017 and 2016, respectively.

Key management personnel totalled 37 and 39 individuals as of 31 December 2017 and 2016, respectively, including 2 and 3 independent non-executive directors as of 31 December 2017 and 2016, respectively.

Other transactions with related parties

In December 2016 the Group increased its effective ownership interest in Starynska breeding farm to 100% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 531,395 treasury shares held by the Group. The difference between fair value of shares transferred and their carrying value in the amount of USD 2,901 thousand was recognized as an adjustment to additional paid-in capital.

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28. Contingencies and contractual commitments

Operating Environment

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2016-2017, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions.

In 2017, annual inflation rate amounted to 13.7% (2016: 12.4%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 2.1% (2016: 1.4%) and stabilization of national currency. From trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

In terms of currency regulations, the National Bank of Ukraine ("NBU") decreased the required share of mandatory sale of foreign currency proceeds from 65% to 50% from April 2017, increased settlement period for export-import transactions in foreign currency from 120 to 180 days from May 2017, and allowed companies to pay the 2013 (and earlier) dividends with a limit of USD 2 million per month from November 2017 (from June 2016, companies were allowed to pay dividends for 2014–2016 to non-residents with a limit of USD 5 million per month).

In March 2015, Ukraine signed four-year Extended Fund Facility ("EFF") with the International Monetary Fund ("IMF") that will last until March 2019. The total program amounted to USD 17.5 billion, while Ukraine has so far received only USD 8.7 billion from the entire amount. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance the bonds due in 2019. The NBU expects that Ukraine will receive another USD 3.5 billion from the IMF in 2018. To receive next tranches, the government of Ukraine has to implement certain key reforms, including in such areas as pension system, anti-corruption regulations, and privatization.

Further 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.

The management of the Group believes that the negative impact of the political and economic turmoil at the Group's entities is reasonably limited due to the Group's significant portion of export sales, its access to the international financial markets and the significant distance of its main production sites from any conflict zones.

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28. Contingencies and contractual commitments *(continued)*

Taxation and legal issues

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. The local and national tax environment 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.

Facing current economic and political issues, the Government has implemented certain reforms in the tax system of Ukraine by adopting the Law of Ukraine 'On Amending the Tax Code of Ukraine and Certain Laws of Ukraine', which is effective from 1 January 2015, except for certain provisions which will take effect at a later date.

Management believes that the Group has been in compliance with all requirements of effective tax legislation and currently is assessing the possible impact of the introduced amendments.

The Group exports vegetable oil, chicken meat and related products, and performs intercompany transactions, which may potentially be in the scope of the Ukrainian transfer pricing ("TP") regulations. The Group has submitted the controlled transaction report for the year ended 31 December 2016 within the required deadline, and has prepared all necessary documentation on controlled transactions for the year ended 31 December 2017 as required by legislation and plans to submit report.

As of 31 December 2017, the Group's management assessed its possible exposure to tax risks for a total amount of USD 4,392 thousand related to corporate income tax (31 December 2016: USD 4,210 thousand). No provision was charged of such possible tax exposure.

As of 31 December 2017, companies of the Group were engaged in ongoing litigation with tax authorities for the amount of USD 2,273 thousand (2016: USD 6,069 thousand), including USD 1,534 thousand (2016: USD 2,689 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Of this amount, USD 1,457 thousand as of 31 December 2017 (2016: USD 4,965 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. Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and therefore no respective provision is required in the Group's financial statements as of the reporting date.

Contractual commitments on purchase of property, plant and equipment

During the years ended 31 December 2017 and 2016, 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 2017, purchase commitments amounted to USD 17,412 thousand (2016: USD 2,656 thousand).

Commitments on land operating leases

The Group has the following contractual obligations in respect of agricultural land operating leases as of 31 December 2017 and 2016:

	2017	*2016*
Within one year	20,833	18,207
In the second to the fifth year inclusive	69,896	57,212
After fifth year	60,933	43,257
	151,662	118,676

Ukrainian legislation provides for a ban on sales of agricultural land plots till 1 January 2019. 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 March 2017, the Board of Directors of MHP SE approved the payment of an interim dividend of USD 0.7492 per share, equivalent to approximately USD 80,000 thousand, which were paid to shareholders during the year ended 31 December 2017.

30. Fair value of financial instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 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 approximate 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*	
	2017	*2016*	*2017*	*2016*
Financial liabilities				
Bank borrowings *(Note 23)*	178,312	503,980	168,627	490,923
Senior Notes due in 2020, 2024 *(Note 24)*	985,465	740,486	1,085,693	729,000
Finance lease obligations *(Note 25)*	11,450	13,625	11,691	14,079

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

The fair value of bank borrowings and finance lease obligations as of 31 December 2017 was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings: 7.7% (2016: 8.3%) and for finance lease obligations of 9.3% (2016: 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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30. Fair value of financial instruments *(continued)*

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

				Non-cash movements			
	01 January 2017	Cash flow from proceeds / (repayments)	Transaction costs payments	Foreign exchange movements	Purchases through direct bank-lender payments to the vendor and under finance lease and vendor financing agreements	Amortisation and write-off of transaction costs	31 December 2017
Bank borrowings *(Note 23)*	496,374	(332,902)	(1,993)	6,325	7,135	795	175,734
Senior Notes due in 2020, 2024 *(Note 24)*	725,361	245,600	(15,145)	4	-	14,268	970,088
Finance lease obligations *(Note 25)*	13,625	(9,217)	-	1,524	5,518	-	11,450
	1,235,360	(96,519)	(17,138)	7,853	12,653	15,063	1,157,272

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31. Risk management policies

During the years ended 31 December 2017 and 2016 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.

Calculation of net debt was aligned with definitions used for the purpose of assessment of compliance with debt covenants provided in respective loan agreements. Thus, the accrued interest which has been included previously as part of the carrying amount of bank borrowings, bonds issued and finance lease obligations has been excluded from the amount of total debt. The comparative information for the year ended 31 December 2016 has been restated accordingly by the way of reducing previously reported amount of net debt in the amount of USD 1,258,091 thousand by the accrued interest in the amount of USD 22,731 thousand.

As of 31 December 2017 and 2016 the leverage ratio was as follows:

	2017	*2016*
Bank borrowings *(Note 23)*	175,734	496,374
Bonds issued *(Note 24)*	970,088	725,361
Finance lease obligations *(Note 25)*	11,450	13,625
Total Debt	1,157,272	1,235,360
Less:		
Cash and cash equivalents and Short-term bank deposits *(Note 19)*	(125,554)	(154,570)
Net debt	1,031,718	1,080,790
Operating profit before loss on impairment of property, plant and equipment	365,363	316,264
Adjustments for:		
Depreciation and amortization expense *(Notes 7, 8)*	93,225	98,567
Adjusted operating profit	458,588	414,831
Net debt to adjusted operating profit	2.25	2.61

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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. 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

	2017	*2016*
Financial assets:		
Long-term bank deposits	2,524	577
Loans to employees and related parties	1,422	1,222
Other receivables	11,429	14,082
Trade accounts receivable, net *(Note 18)*	62,305	50,868
Cash and cash equivalents *(Note 19)*	125,554	154,570
	203,234	221,319
Financial liabilities:		
Bank borrowings *(Note 23)*	175,734	496,374
Bonds issued *(Note 24)*	970,088	725,361
Finance lease obligations *(Note 25)*	11,450	13,625
Amounts payable for property, plant and equipment *(Note 26)*	11,173	5,960
Accrued interest *(Note 23,24)*	17,955	22,731
Trade accounts payable	43,175	46,508
Accrued payroll	25,456	22,976
Other payables *(Note 26)*	4,709	4,786
	1,259,740	1,338,321

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. As of 31 December 2017 about 26% (2016: 28%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the longest contractual receivable settlement period among customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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 2017 and 2016. 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 2017					
Bank borrowings	178,312	196,021	45,779	142,408	7,834
Bonds issued	985,465	1,349,693	79,637	711,931	558,125
Finance lease obligations	11,450	13,634	4,979	8,655	-
Total	1,175,227	1,559,348	130,395	862,994	565,959
Year ended 31 December 2016					
Bank borrowings	503,980	547,622	261,040	274,611	11,971
Bonds issued	740,486	966,563	61,875	904,688	-
Finance lease obligations	13,625	15,325	8,854	6,471	-
Total	1,258,091	1,529,510	331,769	1,185,770	11,971

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 2017 and 2016, the current ratio was as follows:

	2017	*2016*
Current assets	801,756	821,428
Current liabilities	152,383	381,020
	5.26	2.16

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:

	2017		*2016*	
	USD	*EUR*	*USD*	*EUR*
ASSETS				
Long-term bank deposits	-	2,524	-	577
Other non-current assets, net	11,617	-	5,039	-
Trade accounts receivable, net	22,266	2,311	20,315	117
Other current assets, net	110	-	8,408	-
Cash and cash equivalents	99,204	5,669	107,539	10,240
	133,197	10,504	141,301	10,934
LIABILITIES				
Current liabilities				
Trade accounts payable	2,776	3,083	2,365	4,544
Other current liabilities	24	5,929	368	3,380
Accrued interest	17,846	109	22,570	161
Short-term bank borrowings	12,121	15,176	212,289	24,518
Short-term finance lease obligations	3,142	887	5,138	2,906
	35,909	25,184	242,730	35,509
Non-current liabilities				
Long-term bank borrowings	121,576	17,241	241,685	17,882
Bonds issued	970,088	-	725,361	-
Long-term finance lease obligations	5,362	1,986	4,730	853
	1,097,026	19,227	971,776	18,735
	1,132,935	44,411	1,214,506	54,244

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, gain/(loss)*
2017		
Increase in USD exchange rate	10%	(99,974)
Increase in EUR exchange rate	10%	(3,391)
Decrease in USD exchange rate	5%	49,987
Decrease in EUR exchange rate	5%	1,695
2016		
Increase in USD exchange rate	10%	(107,321)
Increase in EUR exchange rate	10%	(4,331)
Decrease in USD exchange rate	5%	53,660
Decrease in EUR exchange rate	5%	2,166

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31. Risk management policies *(continued)*

Currency risk *(continued)*

During the year ended 31 December 2017 the Ukrainian Hryvnia depreciated against the EUR and USD by 15.14% and 3.12%, respectively (2016: depreciated against the EUR by 7.74% and 11.73% against the USD). As a result, during the year ended 31 December 2017 the Group recognized net foreign exchange losses in the amount of USD 35,615 thousand (2016: foreign exchange losses in the amount of USD 145,217 thousand) in the consolidated statement of comprehensive income.

In April 2017, the National Bank of Ukraine (“NBU”) decreased a requirement to sell foreign currency proceeds from any export sales at Ukrainian interbank currency market to 50%. During the year ended 31 December 2017 USD 336 thousand (2016: USD 235 thousand) net foreign exchange gain resulting from the difference in NBU and Ukrainian interbank currency market exchange rates, was included in Other operating income.

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 2017 and 2016:

	2017	*2016*
Chicken meat and related products	334,385	243,725
Vegetable oil and related products	259,054	295,596
Grain	108,815	80,990
Other agricultural segment products	30,012	14,409
	732,266	634,720

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect primarily borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). 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% (2016: 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, gain/(loss)*
		USD ‘ 000
2017		
LIBOR	5%	(7,110)
LIBOR	-5%	7,110
EURIBOR	5%	(1,765)
EURIBOR	-5%	1,765
2016		
LIBOR	5%	(23,192)
LIBOR	-5%	23,192
EURIBOR	5%	(2,308)
EURIBOR	-5%	2,308

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

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31. Risk management policies *(continued)*

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.

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 2017 was USD 23,680 thousand and is recorded in the consolidated statement of comprehensive income on an accrual basis (2016: USD 18,652 thousand). 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:

	2017	*2016*
Profit for the year attributable to equity holders of the Parent	228,724	63,835
Earnings used in calculation of earnings per share	228,724	63,835
Weighted average number of shares outstanding	106,781,794	106,256,207
Basic and diluted earnings per share (USD per share)	2.14	0.60

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

There are no material subsequent events to mention.

35. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors of MHP SE on 06 March 2018.