MHP S.A.
CONSOLIDATED MANAGEMENT REPORT OF THE BOARD OF DIRECTORS
March 9, 2016

FINANCIAL AND OPERATIONAL HIGHLIGHTS

MHP S.A. (LSE:MHPC), one of the leading agro-industrial companies in Ukraine, focusing on the production of poultry and cultivation of grain, today announces its audited results for the fourth quarter and twelve months ended December 31, 2015.

OPERATIONAL HIGHLIGHTS

Q4 2015 highlights

- Poultry production volumes reached 145,880 tonnes, up by 3% year-on-year (Q4 2014: 142,120 tonnes), due to the increasing production volumes at the Vinnytsia poultry farm
- The average chicken price increased by 25% year-on-year to UAH 29.70 per kg (Q4 2014: UAH 23.72 per kg) (excluding VAT) mainly due to the Ukrainian Hryvnia depreciation
- Chicken meat export decreased by 19% to 31,480 tonnes (Q4 2014: 38,775 tonnes) as a result of decreased exports to the CIS region

12M 2015 highlights

- Poultry production volumes increased by 4% to 566,600 tonnes (12M 2014: 546,500 tonnes)
- The average chicken price increased by 39% to UAH 27.77 per kg (excluding VAT) compared to UAH 19.99 per kg in 12M 2014 predominantly due to the Ukrainian Hryvnia depreciation
- Chicken meat export decreased by 6% to 132,080 tonnes (12M 2014: 140,920 tonnes)
- Following reconstruction of the Peremoga Nova breeding farm, the imported share of hatchery eggs halved during the year, declining to 16% of production demand in December 2015

FINANCIAL HIGHLIGHTS

Q4 2015 highlights

- Revenue of US$ 285 million, a decrease by 17% year-on-year
- Export revenue amounted for US$ 118 million, 41% of total revenue (Q4 2014: US$ 168 million, 49% of total revenue)
- Operating profit of US$ 49 million decreased by 38%; overall operating profit margin was 17%
- EBITDA margin lowered to 26%, US$ 73 million from 30%, US$ 102 million
- Net loss for the period is US$ 89 million, compared to loss US$ 110 million for the Q4 2014, including US$ 130 million (Q4 2014: US$ 217 million) related to non-cash foreign exchange translation losses

12M 2015 highlights

- Revenue of US$ 1,183 million, decreased by 14% year-on-year
- Export revenue amounted to US$ 524 million, 44% of total revenue (12M 2014: US$ 580 million, 42% of total revenue)
- Operating profit of US$ 364 million, decrease by 21% year-on-year
- EBITDA amounted to US$ 459 million, decrease by 17% year-on-year, EBITDA margin is 39%, last year 40%
- Net loss of US$ 126 million, including US$ 419 million related to non-cash foreign exchange translation losses
- Proposed dividend of US$ 0.7529 per share (last year US$ 0.47 per share), equivalent to approximately US$ 80 million (last year US$ 50 million), to be paid as an interim dividend for 2016 contingent upon completion of the due diligence required by Luxembourg law, with a decision expected by 16 March 2016

FINANCIAL OVERVIEW

(in mln. US$, unless indicated otherwise)	**Q4 2015**	**Q4 2014**	*% change**	**12M 2015**	**12M 2014**	*% change**
Revenue	**285**	**345**	**-17%**	**1,183**	**1,379**	**-14%**
IAS 41 standard gains	(32)	(28)	14%	22	53	-58%
Gross profit	**47**	**84**	**-44%**	**366**	**501**	**-27%**
Gross profit margin	*16%*	*24%*	*-8 pps*	*31%*	*36%*	*-5 pps*
Operating profit	**49**	**79**	**-38%**	**364**	**460**	**-21%**
Operating profit margin	*17%*	*23%*	*-6 pps*	*31%*	*33%*	*-2 pps*
EBITDA	**73**	**102**	**-28%**	**459**	**555**	**-17%**
EBITDA margin	*26%*	*30%*	*-4 pps*	*39%*	*40%*	*-1 pps*
Net profit before foreign exchange loss	**41**	**106**	**-61%**	**293**	**365**	**-20%**
Net profit margin before forex loss	*14%*	*31%*	*-17 pps*	*25%*	*26%*	*-1 pps*
Foreign exchange loss	(130)	(216)	*-40%*	(419)	(777)	*-46%*
Net loss	**(89)**	**(110)**	**-19%**	**(126)**	**(412)**	**-69%**
Net profit/(loss) margin	*-31%*	*-32%*	*1 pps*	*-11%*	*-30%*	*19 pps*

** pps – percentage points*

Average official FX rate for Q4 2015: UAH/US$ 22.8491 and UAH/US$ 14.4336 in Q4 2014

Average official FX rate for 12M 2015: UAH/US$21.8290 in and UAH/US$ 11.9095 in 12M 2014

Chief Executive Officer, Yuriy Kosyuk, commented:

“Our Company continues to develop positively despite all the challenges in Ukraine.

Our strategy for growth is to sustain our leading market position in Ukraine and to continue to develop our export opportunities worldwide, which will result in further growth of hard currency revenues from their current share of 44% of total revenue.

Our targets for 2016 are to complete a number of poultry production projects to increase poultry exports and to optimize our costs by achieving self-sufficiency in hatching eggs.

I am confident that our strategy of further growth both in poultry and grain will continue to deliver strong operational and financial performance in 2016 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:

Date:	Thursday, 10 March 2016
Time:	09.00 New York / 14.00 London / 16.00 Kyiv / 17.00 Moscow
Title:	Financial Results for Q4 and FY 2015
International/UK Dial in:	+44 (0) 1452 55 5566
USA free call:	1866 9669439
Russia free call	8108 002 097 2044
Conference ID	56711422

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

http://engage.vevent.com/rt/mhp/index.jsp?seid=29

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Segment Performance

Poultry and related operations

	Q4 2015	Q4 2014	% change	12M 2015	12M 2014	% change
Poultry						
Sales volume, third parties tonnes	129,610	128,680	1%	537,290	525,460	2%
Price per 1 kg net of VAT, UAH	29.70	23.72	25%	27.77	19.99	39%
Sunflower oil						
Sales volume, third parties tonnes	69,035	84,035	-18%	286,745	296,150	-3%
Soybeans oil						
Sales volume, third parties tonnes	3,710	-	n/a	13,950	-	n/a

Aggregate volume of chicken meat sold to third parties in 12M 2015 and Q4 2015 increased moderately by 2% and 1% respectively. Domestic sales increased by 5% and 9% year-on-year and constituted 405,210 tonnes and 98,130 tonnes in 12M 2015 and Q4 2015 respectively. Increase in sales on domestic market is mainly attributable to the increased demand for chicken meat as a result of change in consumer's preferences in favour of more affordable meats.

Export sales of Q4 2015 and 12M 2015 decreased by 19% to 31,480 tonnes and 6% to 132,080 tonnes respectively. Decrease in export sales is mainly attributable to decrease in export to the CIS market (Uzbekistan, Russia, Kazakhstan, Georgia, Kirgizstan etc.). At the same time, during 12M 2015 MHP's sales to the EU have grown by 65% compared to 12M 2014, which resulted in export of fresh and frozen chicken meat over 27,285 tonnes. Among prevailing EU export destinations there are 17 countries: the Netherlands, Germany, Romania, Ireland, Belgium, Poland, Italy, Cyprus and others.

Through the 12M 2015 the aggregate average chicken meat price was UAH 27.77, 39% higher in Hryvnia terms than the corresponding price for 12M 2014. Increase is mainly attributable to the depreciation of local currency during the reporting period as well as due to substantial part of sales denominated in hard currencies.

During 12M 2015 MHP's sales of sunflower oil have decreased by 3% compared to 12M 2014 and reached 286,745 tonnes. During 2015, MHP has started to produce soybean meal, further deepening in its strategy of vertical integration. As a result, during 2015 MHP has started to export soybeans oil. Sales of soybeans oil for 12M 2015 have amounted to 13,950 tonnes.

(in mln. US$, unless indicated otherwise)	Q4 2015	Q4 2014	*% change**	12M 2015	12M 2014	*% change**
Revenue	**236**	**288**	**-18%**	**951**	**1,177**	**-19%**
- Poultry and other	180	221	-19%	717	930	-23%
- Vegetable oil	56	67	-17%	234	247	-5%
IAS 41 standard gains	**(3)**	**1**	**n/a**	**19**	**32**	**-41%**
Gross profit	**49**	**96**	**-49%**	**289**	**430**	**-33%**
Gross margin	21%	33%	-12 pps	30%	37%	-7 pps
EBITDA	**68**	**106**	**-36%**	**354**	**490**	**-28%**
EBITDA margin	29%	37%	-8 pps	37%	42%	-5 pps
EBITDA per 1 kg (net of IAS 41)	0.55	0.82	-33%	0.62	0.87	-29%

** pps – percentage points*

Revenue of Poultry and related operations segment for Q4 2015 and 12M 2015 has decreased by 18% and 19% year-on-year respectively. Despite increase in chicken meat prices denominated in UAH, it's US$ equivalent has decreased as a result of strong devaluation of Hryvnia against US$, consequently leading to the overall decrease in US$ equivalent revenues.

Gross profit of the poultry and related operations segment for 12M 2015 decreased by 33% and amounted to US$ 289 million, mainly as a result of increase in costs, partly offset, but to a lesser extent by increase in sales prices. The main drivers of increase in cost of production are imported hatchery eggs as a result of suspension of production at Shahtarska breeder farm as well as increase in components of mixed fodder costs.

Grain growing operations

In 2015 MHP harvested around 340,000 hectares of land in Ukraine, of which 50,000 ha are newly acquired assets as a result of swap agreement with Agrokultura AB, whereby the Group has agreed to swap group of companies Voronezh Agroholding with the group of companies Agrokultura Ukraine.

In 2015 MHP's harvest constituted around 1.9 million tons of crops, 7% less compared to 2014 mainly related to lower yields on corn as a result of dry weather conditions in the southern parts of Vinnytsia and Cherkassy regions of Ukraine. Nevertheless, due to operational efficiency and employment of best practices, our yields of crops remain substantially higher than Ukraine's average.

	2015 [1]		***2014 [1]***	
	Production volume	***Cropped land***	***Production volume***	***Cropped land***
	in tonnes	*in hectares*	*in tonnes*	*in hectares*
Corn	841,745	125,994	1,180,793	126,842
Wheat	322,055	53,752	260,670	43,016
Sunflower	176,170	57,541	167,014	49,551
Rapeseed	76,385	22,653	39,566	10,493
Soya	56,650	35,831	53,867	25,462
Other [2]	418,690	44,229	324,765	34,636
Total	**1,891,695**	**340,000**	**2,026,675**	**290,000**

[1] Only land of grain growing segment, including Agrokultura land;
[2] Including barley, rye, sugar beet and other and excluding land left fallow as part of crop rotation.

	2015		***2014***	
	MHP's average [1]	***Ukraine's average*** [1]	***MHP's average*** [1]	***Ukraine's average***[1]
	tonnes per hectare		*tonnes per hectare*	
Corn	6.7	5.7	9.3	6.2
Wheat	6.0	3.9	6.1	4.0
Sunflower	3.1	2.2	3.4	1.9
Rapeseed	3.4	2.6	3.8	2.5
Soya	1.6	1.9	2.1	2.2

[1] MHP and Ukraine yields are net weight. Data for Ukraine yields is sourced by AgroPerspektiva;

(in mln. US$)	**12M 2015**	**12M 2014**	*% change*
Revenue	**117**	**77**	**52%**
IAS 41 standard gains	(2)	29	n/a
Gross profit	**55**	**60**	**-8%**
EBITDA	**94**	**97**	**-3%**
EBITDA per 1 hectare	*276*	*294*	*-6%*

Grain growing segment's revenue of 12M 2015 raised by 52% year-on-year and amounted to US$ 117 million. Increase is mainly explained by increase in revenue from sale of crops (mainly corn and wheat) harvested in previous year (12M 2015 revenue from crops harvested in 2014: US$ 55 million, 12M 2014 revenue from crops harvested in 2013: US$ 24 million) as well as increase in revenue from sale of crops (wheat, rapeseed and barley) harvested in the reporting period (12M 2015 revenue from crops harvested in 2015: US$ 63 million, 12M 2014 revenue from crops harvested in 2014: US$ 54 million).

IAS 41 standard loss for 12M 2015 amounted to US$ 3 million. The loss represents the net change in effect of revaluation of agricultural produce (corn, wheat and soya) remaining in stock as of 31 December 2015 and 2014. Decrease in IAS 41 gain is mainly attributable to lower amount of crops in stock as of 31 December 2015 compared to 31 December 2014 mainly due to lower yields in 2015.

MHP has around 97,340 ha under winter crops, of which 60% is sowed with winter wheat, 23% with winter rapeseeds and 16% with winter barley. The rest is triticale and rye.

EBITDA for the 12M 2015 of grain growing segment has decreased by 3% compared to 12M 2014 and amounted US$ 94 million.

Total land bank of MHP's grain growing segment constituted 370,000 hectares as of 31 December 2015 - of which around 360,000 hectares are going to be harvested in 2016.

Other agricultural operations

Meat processing products	Q4 2015	Q4 2014	% change	12M 2015	12M 2014	% change
Sales volume, third parties tonnes	8,895	7,230	23%	29,845	31,180	-4%
Price per 1 kg net VAT, UAH	44.84	32.61	38%	43.49	28.28	54%

Sales volume of meat processing products decreased by 4% year-on-year and amounted to 29,845 tonnes in 12M 2015 mainly as a result of change in consumer preferences in favour of more affordable products.

The average processed meat price increased by 38% year-over-year to UAH 44.84 per kg in Q4 2015 and by 54% to UAH 43.49 per kg in 12M 2015 mostly due to depreciation of local currency.

(in mln. US$, except margin data)	Q4 2015	Q4 2014	*% change**	12M 2015	12M 2014	*% change**
Revenue	**34**	**27**	***26%***	**115**	**124**	**-7%**
- Meat processing	17	17	*0%*	63	79	-20%
- Other	17	10	*70%*	52	45	16%
IAS 41 standard gains	**5**	**(8)**	***163%***	**5**	**(7)**	**171%**
Gross profit	**9**	**(9)**	***200%***	**22**	**7**	**214%**
Gross margin	*26%*	*-33%*	*59 pps*	*19%*	*6%*	*13 pps*
EBITDA	**11**	**(8)**	***238%***	**24**	**5**	**380%**
EBITDA margin	*32%*	*-30%*	*62 pps*	21%	4%	17 pps

** pps – percentage points*

Segment revenue of 12M 2015 decreased by 7% year-on-year, in line with the decrease in sales volume and amounted to US$ 115 million.

Current Group financial position and cash flow

(in mln. US$)	Q4 2015	Q4 2014	12M 2015	12M 2014
Cash from operations	**71**	**85**	**336**	**410**
Change in working capital	(68)	(83)	(145)	(146)
Incl. PXF finance	*58*	*10*	*80*	*10*
Net Cash from operating activities	**3**	**2**	**191**	**264**
Cash used in investing activities	(57)	(28)	(163)	(128)
Non-cash financing	1	4	**(7)**	(1)
CAPEX	**(56)**	**(26)**	**(170)**	**(129)**
Cash from financing activities	*(25)*	*(26)*	*(65)*	*(185)*
Incl. Dividends	-	*(5)*	*(50)*	*(102)*
Non-cash financing	*(1)*	*(2)*	*7*	*1*
Deposits	-	-	-	-
Total financial activities	**(26)**	**(28)**	**(58)**	**(184)**
Total change in cash	**(79)**	**(52)**	**(37)**	**(49)**

Cash flow from operations before changes in working capital for 12M 2015 has decreased by 18% and amounted to US$ 336 million in 12M 2015 (12M 2014: US$ 410 million)*.

** Please refer to paragraph Poultry and related operations and Grain growing operations for details*

Use of funds in working capital during Q4 2015 and 12M 2015 is mostly related to seasonal purchases of grain stock (mainly sunflower) used for poultry feed. Change in working capital includes PXF financing related to the purchase of sunflower seeds that remained in stock as of 31 December 2015 in amount of US$ 80 million.

In 12M 2015 total CAPEX amounted to US$170 million related to the reconstruction of Peremoga Nova poultry farm, expansion of Starynska breeding farm as well as rearing sites expansion on Myronivka and Oril Leader poultry farms as well as soybean oil crushing plant.

Myronivka and Oril Leader farms were being expanded during 2015 and are expected to be launched into operations in early 2016.

Debt Structure and Liquidity

(in mln. US$)	**31 December 2015**	**30 September 2015**	**31 December 2014**
Total Debt	**1,279**	**1,213**	**1,215**
LT Debt	1,016	1,010	899
ST Debt	263	203	316
Cash and bank deposits	(59)	(107)	(100)
Net Debt	**1,220**	**1,106**	**1,115**
LTM EBITDA	459	488	555
Net Debt / LTM EBITDA	*2.66*	*2.27*	2.01

As of December 31, 2015, the Company's debt structure remained relatively unchanged compared to 30 September 2015: the share of long-term debt in the total outstanding debt is about 79%. The weighted average interest rate is around 8%.

At the end of 12M 2015, MHP's cash and cash equivalents amounted to US$ 59 million. Net debt increased to US$ 1,220 million, compared to US$ 1,115 million as at 31 December 2014.

The Net Debt / LTM EBITDA ratio was 2.66 as of 31 December 2015, 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 2015 amounted to US$ 524 million or 44% of total revenue (US$ 580 million or 42% of total sales in 12M 2014).

Dividends

The Directors propose a dividend of US$ 0.7529 per share (last year US$ 0.47 per share), equivalent to approximately US$ 80 million (last year US$ 50 million), to be paid as an interim dividend for 2016 contingent upon completion of the due diligence required by Luxembourg law, with a decision expected by 16 March 2016

Subsequent events

There are no subsequent events to mention.

Change in the group structure

In May 2015 the Group has signed an asset swap agreement with Agrokultura AB, whereby the equity ownership in Voronezh Agro Holding was swapped with the equity ownership in group of companies Agrokultura Ukraine. The transaction has been completed with effective transfer of control in June 2015.

Voronezh Agro Holding, is a grain growing business, cultivating a land bank of about 40,000 hectares in the Voronezh region of the Russian Federation, with approximately 150,000 tonnes of grain storage capacities.

Group of companies Agrokultura Ukraine is a grain growing business cultivating a land bank of about 60,000 hectares in Lviv, Ternopil and Ivano-Frankivsk regions of Ukraine, with approximately 90,000 tonnes of grain storage capacities.

As of 31 December 2015, the Group has started legal reorganization of group of companies Agrokultura.The Group plans to finalise reorganization in 2016.

In July 2015 the Group acquired from third parties a 100% interest in a group of companies “Dnister-Agro”, a grain growing business, cultivating a land bank of 10,000 hectares in the Vinnytsia region of Ukraine. The transaction was accounted for under the acquisition method.

Outlook

Our winter crops are in good conditions that provide the Company with a positive outlook for 2016 harvest of winter wheat and winter rapeseeds.

Our main drivers for the growth in 2016 will be the following:

- An increase in production volume of chicken meat by around 40,000 tonnes as a result of our capital investments into expansion of Myronivska and Oril Leader poultry complexes (additional rearing sites)
- An achievement of 100% self-sufficiency in hatching eggs owing to internal production at Peremoga Nova
- An expansion of landbank: in line with a strategy, MHP continues to consider a few opportunities in the regions so that by the end of 2016 the current landbank may be increased by at least 50,000 ha.

We are confident that due to our vertically integrated business model, we will deliver good financial results, supported by significant and growing share of hard currency revenues from our chicken meat, oils and grain export sales.

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 15 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 been traded on the London Stock Exchange under the ticker symbol MHPC.

Forward-Looking Statements

This report might contain forward-looking statements that refer to future events or forecast financial indicators for MHP S.A. Such statements do not guarantee that these are actions to be taken by MHP S.A. 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 S.A. does not intend to change these statements to reflect actual results.

CORPORATE GOVERNANCE

MHP is registered in Luxembourg. Its shares are listed on the London Stock Exchange. The Company complies with the Ten Principles of Corporate Governance approved by the Luxembourg Stock Exchange and voluntary corporate governance regime stated in the UK Corporate Governance Code. The Company upholds and practices the highest standards of ethics and integrity in its relationships with its shareholders, directors, personnel, business community and other third parties including government and regulatory agencies.

The main aspects of the Company's corporate governance policy are described in the Corporate Governance Charter approved by the Board of Directors in May 2012 and published on the Company's corporate website at http://www.mhp.com.ua/en/investor-relations/corporate-governance.

Board of Directors

The Board is responsible for the overall conduct of the Company's business and has the powers, authorities and duties vested in it by and pursuant to the relevant Luxembourg laws and regulations and the Articles of association of the Company: http://www.mhp.com.ua/en/investor-relations/corporate-governance/articles-of-association.

Members of the Board are elected by a majority vote of shareholders at the annual general meeting "AGM", may be elected for a six-year period and may be re-elected an unlimited number of times. Of the Board's seven directors, four are independent. The Board is assisted by two Board committees: the Audit Committee and the Nominations and Remuneration Committee. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions.

The Board has a Senior Independent Director, John Grant, which was designated by the Nominations and Remuneration Committee during the meeting, held on 11 March, 2011. The Senior Independent Director is available to shareholders if they have any concerns that they cannot resolve through the normal channels of contact. The Senior Independent Director also provides a sounding board for the Chairman, and is responsible for the evaluation of the Chairman and serves as a trusted intermediary for Non-executive Directors as and when necessary. In 2015 the Senior Independent Director received no requests from shareholders/stakeholders.

In 2015, the Board conducted an annual effectiveness review in order to evaluate its performance as well as that of its committees and individual Directors. The evaluation process was initiated by a questionnaire and then supplemented by individual interviews by the Chairman with each of the Directors. The conclusions were analyzed by the Board to further strengthen its composition and performance.

During the year, the Board comprised:

Charles E Adriaenssen, Independent Non-executive Director, Chairman

Dr John C Rich, Independent Non-executive Director

John Grant, Non-executive Director, Senior Independent Director

Philippe Lamarche, Independent Non-executive Director

Yuriy Kosyuk, Chief Executive Officer, Executive Director

Yuriy Melnyk, First Deputy CEO, COO, Executive Director

Viktoria Kapelyushnaya, Chief Financial Officer, Executive Director

During 2015 the attendance by Directors of the Board’s meetings was at the level of 100%.

The term of office of each member of the Board of Directors will expire at the annual general shareholders meeting to be held on 16 June, 2016.

Each Director has signed a letter of appointment with the Company which applies for as long as he or she remains a Director. The letters do not provide for any benefits on termination of directorship and, in the case of Mr Adriaenssen, Dr Rich, Mr Grant and Mr Lamarche provide for payment of compensation and the reimbursement of certain expenses. Ms Kapelyushnaya and Mr Melnyk do not receive compensation for their service as Directors of MHP S.A. in addition to their remuneration as executive management of PJSC MHP or the relevant subsidiary.

The terms and conditions for Mr Kosyuk’s appointment as Chief Executive Officer “CEO” were agreed and signed on 21 June 2006. The terms are for the duration of his office and do not provide for any benefits on termination of his directorship. Mr Kosyuk may, however, resign from his position as CEO only subject to a prior three-month’ notice.

The terms contain confidentiality obligations applicable to Mr Kosyuk for a period of five years after termination of his office. The amount of remuneration and benefits paid by the Company to the persons responsible for the day-to-day management of the Company is reported by the Board of Directors to the AGM.

The amount of remuneration and benefits of all members of the Board of Directors, including the Chief Executive Officer, regardless of whether such remuneration is paid by the Company or by any other entity within the Group, is established by the Nominations and Remuneration Committee. In addition, the amount of remuneration paid to Non-executive Directors is approved by the AGM.

Nominations and Remuneration Committee

Charles E Adriaenssen, Chairman

John Grant

Dr John C Rich

The Committee’s main tasks are:

• To recommend to the Board the appointment or renewal of Directors, to review remuneration and monitor performance of the Board, and to make recommendations to the Board in respect of the necessary skills and experience required to improve the functioning of the Board.

• To monitor the performance of key officers of the Company and evaluate results versus stated objectives, to monitor training needs and programmes to improve employee effectiveness, to ensure the Company develops successors for all key positions.

• To oversee the development and approval by the Board of the Company’s overall compensation policy including its long-term incentive plans, to ensure that top managers are incentivized to achieve and are compensated for exceptional performance, to oversee the maintenance and continuous improvement of the Company’s compensation policy with a view to aligning the interests of employees with the interests of shareholders.

• To submit for approval to the Board the compensation packages of the CEO and of the Executive Management.

• To approve all external hiring of key officers.

During 2015, the committee held 2 meetings, and all of the committee members attended.

Audit Committee

John Grant, Chairman

Dr John C Rich

Philippe Lamarche

The Committee's main tasks are:

• To review and monitor the integrity of the Company's financial statements, announcements of results and any other formal announcement relating to its financial performance, significant financial reporting issues and judgements and to make recommendations to the Board with respect to the financial statements.

• To keep under review and report to the Board on the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, management and reporting of risks.

• To review the Company's policies and procedures for the identification, management and reporting of nonfinancial risks, to review reports on the risk management process and to report to the Board on the effectiveness of the risk assurance process.

• To monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

• To approve appointment, reappointment, compensation and oversight of the Company's external auditors.

• To assist the Board in overseeing compliance with all legal and regulatory requirements.

During 2015, the Committee held 3 meetings, and the average attendance of the Committee members was at the level of 100%.

Remuneration of auditors

Remuneration to the auditors approximate to USD 702 thousand, USD 604 thousand and USD 1,025 thousand for the years ended 31 December 2015, 2014 and 2013, respectively. Such remuneration includes both audit and non-audit services, with the audit fees component approximating USD 430 thousand for the years ended 31 December 2015 and USD 550 thousand for each of the years ended 31 December 2014 and 2013.

The Company has rules and processes in place to ensure independence of the auditors, including non-audit fees limitation set by the Board and annual investigations by the Audit Committee of whether any services provided are incompatible with independence of the auditors.

Internal control and risk management

The Board of Directors is ultimately responsible for the Company's governance, risk management, internal control environment and processes and formally reviews their effectiveness at least annually.

There is a continuous process for identifying, evaluating and managing the significant risks the Company faces and the Board regularly monitors exposure to key business risks. The Company has an independent internal audit function whose activities are overseen by the Audit Committee.

The Board of Directors has an approved in principle MHP Anti-Bribery Policy, the document which is aimed at establishing the key principles and requirements in order to prevent corruption and bribery and ensure compliance with the applicable anti-corruption laws (to the extent applicable to MHP Group companies) enacted in the jurisdictions in which MHP Group companies operate. Also, the Board of Directors approved in principle MHP Code of Ethics and Conflict of Interest Policy.
The aim of the Code of Ethics is to ensure consistency in managers' and employees' behaviour within MHP and their interactions with third parties. To this end, certain procedures have been devised to avoid potential violations of the Code.

The Conflict of Interest Policy covers any transactions involving conflicts of interest (whether actual or potential) of: (1) MHP's management team members, including directors of subsidiaries and branches ("key management"); (2) MHP's line managers who have authority to authorize transactions on behalf of MHP ("line managers"); (3) other MHP employees who are authorized to internally approve any decisions as to significant provisions of transactions based on the internal policies and instructions ("responsible employees") or have power to influence such decisions.

Financial reporting process

MHP has in place a comprehensive financial review cycle, which includes a detailed annual budgeting process. The annual budget and the business plan, upon which the budget is based, is reviewed and approved by the Board of Directors.

Major commercial and financial risks are assessed as part of the business planning process. There is a comprehensive system of financial reporting, with monthly performance reports presented to the Board of Directors.

At the Group level, MHP has in place common accounting policies and procedures on financial reporting and closing. Management monitors the publication of the new reporting standards and works closely with the external auditors in evaluating in advance the potential impact of these standards.

Compensation of key management

Personnel

Total compensation of the Group's key management personnel amounted to USD 7,778 thousand, USD 8,895 thousand and USD 12,969 thousand for the years ended 31 December 2015, 2014 and 2013, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Total compensation of the Group's non-executive directors, which consists of contractual salary, amounted to USD 496 thousand, USD 591 thousand and USD 550 thousand in 2015, 2014 and 2013, respectively.

Key management personnel totaled 40, 40 and 42 individuals as of 31 December 2015, 2014 and 2013, respectively, including 4 independent directors as of 31 December 2015, 2014 and 2013.

Litigation statement on the directors and officers

No member of the Board of Directors or of MHP's senior management had, for at least five years:

1. any convictions relating to fraudulent offences;

2. been a senior manager or a member of the administrative or supervisory bodies of any company at the time of, or preceding, any bankruptcy, receivership or liquidation; or

3. been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor had ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company, or from acting in the management or conduct of the affairs of a company.

Share options

At the date of this annual report, neither the Company nor PJSC MHP has a share option plan and no share options have been granted to members of the Board of Directors, members of MHP's senior management or employees.

Additional disclosures

At the date of this annual report, there were no takeover bids made over the Company's shares. According to the terms of the Senior Notes, the Company may be required to offer to repurchase the Senior Notes from the holders if a change in control as a result of a takeover bid occurs.

There are no agreements between the Company and its Directors or employees providing for compensation on loss of office or employment (whether through resignation, purported redundancy or otherwise) that would occur because of a takeover bid.

Dividend policy

In March 2013 the Board of Directors approved the adoption of a dividend policy which maintains a balance between the need to invest in further development and the right of shareholders to share the net profit of the Company. The new dividend policy confirms the Company's intention to pay annual dividends to the shareholders on a regular basis. The Company paid U.S.$120 million, U.S.$80 million and U.S.$50 million of dividends in 2013, 2014 and 2015 respectively.

BOARD OF DIRECTORS

Charles E Adriaenssen, 10 years on the governance body

Non-executive Chairman, Chairman of the Nominations and Remuneration Committee

Mr Adriaenssen joined the board as Chairman in 2006. He is founder and Chairman of Outhere SA, an independent European classical music producer, and Managing Director of Oaks Estate, an investment company. He serves on the board of several funds and private investee companies. Between 2000 and 2004 he was on the board of the Belgian Brewer ABInbev, then on the board of EPS SA, an ABInbev holding company. Between 1982 and 1995 he was a diplomat in Belgium's Foreign Service. Mr Adriaenssen holds a degree in philosophy from the University of Vienna and a law degree from the University of Antwerp.

John Grant

Non-executive Director, Chairman of the Audit Committee, Member of the Nominations and Remuneration Committee, Senior Independent Director

Mr Grant is Chairman of Gas Turbine Efficiency Limited, and is a non-executive director of Melrose plc, Pace plc and Wolfson Microelectronics plc. He was previously Chairman of Torotrak plc, Hasgo Group Limited and the Royal Automobile Club Motor Sports Association Limited and a non-executive director of National Grid plc, Corac Group plc and the Royal Automobile Club Limited. From 1992 to 1996, he was Finance Director of Lucas Industries plc and Lucas Varity plc, and before that was Director of Corporate Strategy for the Ford Motor Company.

Mr Grant holds a BSc in economics from Queen's University, Belfast, and an MBA from Cranfield School of Management.

Dr John C Rich

Non-executive Director, Member of the Audit Committee, Member of the Nominations and Remuneration Committee

Dr Rich joined the board in 2006.

He is the Managing Director of Australian Agricultural Nutrition and Consulting Pty Ltd (AANC) and is a specialist agri-business consultant for the IFC and IFC invested clients. From 1990 to 2003, he was an executive director of Austasia Pty Ltd, an agri-business conglomerate which has operations in Australia, South East Asia and China, and from 1995 to 2002 was a director of AN-OSI Pty Ltd, a company that specialized in supply-chain management for feedlot beef, poultry and dairy operations in Asia and Europe.

Dr Rich holds a BSc and a BVSc from the University of Sydney, is a member of the Australian College of Veterinary Scientists and a registered financial member of the Australian College of Veterinary Surgeons.

He has completed a number of post-graduate courses in agricultural and food-related industries.

Philippe Lamarche

Non-executive director, Member of the Audit Committee

Mr Philippe Lamarche joined the board in 2011.

He is the Senior Private Banker of Banque Puilaetco Dewaay, Luxembourg.

Has Degree in Law and Economics of The Catholic University of Louvain (IAG).

Philippe Lamarche is a member of the Belgian Association of Financial Analysts.

Yuriy Kosyuk

Chief Executive Officer

Mr Kosyuk founded MHP in 1998 and is also the CEO of PJSC MHP.

In 1995 he founded the Business Centre for the Food Industry (BCFI) and was President until 1999. BCFI operated in the domestic and export markets for grain and other agricultural products.

Mr Kosyuk graduated as a processing engineer in meat and milk production from the Kiev Institute of Food Industry in 1992.

Yuriy Melnyk

Chief Operational Officer

In July 2010 Yuriy Melnyk was appointed First Deputy CEO of Myronivsky Hliboproduct (“MHP”).

Prior to joining MHP Yuriy held the position of Agricultural Minster for Ukraine and Deputy Prime Minister of Ukraine, as well as serving as an advisor to the Prime Minister of Ukraine. Yuriy is a Doctor of Agriculture and has been a correspondent member of National Academy of Sciences of Ukraine from 2002. In 2004 he was awarded the State Prize of Ukraine in science and technology.

He graduated from the Academy of Agriculture of Ukraine as a Zooengineer in 1985.

Viktoria Kapelyushnaya

Chief Financial Officer

Ms Kapelyushnaya, who is also Financial Director of JSC MHP, joined MHP in 1998 and was elected to the board in 2006. She was previously Deputy Chief Accountant, then Chief Accountant, of BCFI. She holds diplomas in meat processing engineering, 1992, and financial auditing, 1998, from the Kiev Institute of Food Industry.

DIRECTOR'S REPORT

Principal activities and review of the business

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

Poultry segment

This division produces and sells chicken products, vegetable oil, soybean oil, mixed fodder and convenience foods. It incorporates four chicken and two breeder farms, two sunflower oil plants and a soya crushing plant, four feed mills, and convenience food facilities.

In 2015 production of:

- four chicken meat facilities constituted 566,600 tonnes of chicken meat;
- two breeding farms constituted 320,290,000 eggs;
- two sunflower oil plants constituted 286,745 tonnes;
- one soya crushing plant constituted 13,950 tonnes;
- four feed mill plants constituted 1,564,440 tonnes;
- convenience food production constituted 11,126 tonnes.

Grain segment

This division grows crops for fodder and for sale to third parties on 360,000 hectares of land incorporating a number of arable farms in Ukraine and grain storage facilities of 1,623,842 m^3 and over 410,000 tonnes capacity in plastic bags (land 'sleeves').

Other agricultural operations

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

Future developments

The Group's strategy is:

- To expand its poultry production capacity;
- To continue expansion on exports;
- To expand its land bank to around 550,000 hectares by 2022 to provide stability in the ingredients for fodder;
- To increase the efficiency of its production through modernization and innovation, improvement in cost and quality controls, use of up-to-date technology deepening vertical integration;
- To develop to higher level and improve high biosecurity standards, environmental health and safety (EHS) and animal welfare practices;
- To promote and develop its strong brands through consumer-driven innovations and introduction of new products;
- To increase its presence in value-added food products, such as processed meat and convenience food.

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

Going concern

After reviewing the 2016 budget and longer-term plans, the Directors are satisfied that, at the time of the approval of the financial statements, it was appropriate to adopt the going concern basis in preparing the financial statements of the Group.

Directors during the year

The following served as directors of the Company during the year ended 31 December 2015:

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

Corporate governance statement

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

Board meetings

During 2015, the Board of Directors held eight meetings, and the attendance of the Board of Directors members was at the level of 100 % (sometimes directors took part in the meetings via conference call).

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

Research and Development

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

Other matters

MHP S.A. does not have branches.

Internal control and Risk management

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

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

Operational risks

Risk: Fluctuations in demand and market prices

Potential Impact: A drop in demand.

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

Risk: Avian flu and other livestock diseases

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

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

Risk: Fluctuations in grain prices

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

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

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

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

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

Risk: Unfavorable weather conditions

Potential Impact: Inclement weather could affect crop yield.

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

Financial risks

Risk: Credit risk

Potential Impact: Debtors fail to make scheduled payments.

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

Risk: Liquidity risk

Potential Impact: Lack of funds to make payments due.

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

Risk: Currency exchange risk

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

Mitigation: We earn 44% of our total revenue in US dollars through the sale of sunflower oil, sunflower husk, chicken meat and grain. The amount of exports sales will continue to increase with further expansion of Vinnytsia poultry complex and strengthening of positions on export markets. This will allow us to service all our dollar-denominated loans and payments for operational purchases.

Risk: Interest rate risk

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

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

Risk: Political and country risks

Potential Impact: Decrease in profitability and impairment of assets.

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

Nominations and Remuneration Committee

During 2015 the committee had two meetings, on which following activities were performed:

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

Audit Committee

During 2015 the committee had three meetings, during which the following activities were performed:

- Review and discussion with the external auditors of their report on the 2015 financial statements;
- Review and endorsement of the risk assessment model, which describes management's assessment of the key risks facing the business and the actions in place to mitigate these risks;
- Review of the effectiveness of the Group’s internal control systems and processes;
- Revision and adoption of the Internal Audit Charter;
- Approval of the Internal Audit Plan for 2015;
- Meeting with the Head of Internal Audit and discussion of results;
- Review of the independence and effectiveness of the external auditors, including consideration of the quality of their service, and the extent of the non-audit services they provided, and consideration of whether to recommend their reappointment.

Communication with the shareholders

The directors highlight the importance of effective and clear communication with the shareholders. During 2015 shareholders had a number of meetings and discussions with the Board members, predominantly with Mr Yuriy Kosyuk, Mr Yuriy Melnyk, amd Ms Victoria Kapelyushnaya, including meetings at conferences and regular conference calls.

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

Disclosure of information to auditors

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

On behalf of the Board of Directors

Yuriy Kosyuk, CEO

Victoria Kapelyushnaya, CFO

MHP S.A. AND ITS SUBSIDIARIES
Consolidated Financial Statements

As of and for the year ended 31 December 2015

CONTENT

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors is responsible for the preparation of the consolidated financial statements that present fairly the financial position of MHP S.A. and its subsidiaries (the "Group" or the "Company") as of 31 December 2015 and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

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

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

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

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

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorized for issue by the Board of Directors on 9 March 2016.

Board of Directors' responsibility statement

We confirm that, to the best of our knowledge, the Consolidated Financial Statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole. We also confirm that, to the best of our knowledge, the 2015 Director's Report and Consolidated Financial Statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

MHP S.A.

5, rue Guillaume Kroll

L-1882 Luxembourg

INDEPENDENT AUDITOR'S REPORT

Report on the consolidated financial statements

Following our appointment, we have audited the accompanying consolidated financial statements of MHP S.A. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

Responsibility of the réviseur d'entreprises agréé

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MHP S.A. as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw your attention to Note 29 “Contingencies and contractual commitments” to the consolidated financial statements, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

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

For Deloitte Audit, Cabinet de révision agréé

______________, Réviseur d’entreprises agréé

Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2015*	*2014*	*2013*
Revenue	7	1,183,283	1,379,048	1,496,079
Net change in fair value of biological assets and agricultural produce		21,786	52,911	13,634
Cost of sales	8	(838,679)	(931,054)	(1,185,987)
Gross profit		366,390	500,905	323,726
Selling, general and administrative expenses	9	(79,037)	(110,817)	(130,615)
VAT refunds and other government grants income	10	75,435	89,896	100,885
Other operating income/(expenses), net		1,127	(19,973)	(22,160)
Operating profit before loss on impairment of assets in Donetsk region and reversal of impairment of property, plant and equipment, net		363,915	460,011	271,836
Loss on impairment of assets in Donetsk region, net	5	-	(48,823)	-
Reversal of impairment of property, plant and equipment, net		-	3,787	-
Operating profit		363,915	414,975	271,836
Finance income		2,567	3,860	3,766
Finance costs:	11			
Interests and other finance costs		(105,571)	(108,524)	(93,121)
Transaction costs related to corporate bonds		-	-	(16,654)
Finance costs		(105,571)	(108,524)	(109,775)
(Loss) on disposal/Gain from acquisition of subsidiaries	2	(4,725)	-	6,776
Foreign exchange loss, net	32	(418,926)	(777,677)	(11,052)
Other expenses, net		(3,350)	(4,546)	(1,316)
Other expenses, net		(530,005)	(886,887)	(111,601)
(Loss)/Profit before tax		(166,090)	(471,912)	160,235
Income tax benefit	12	40,364	59,574	2,005
(Loss)/Profit for the year		(125,726)	(412,338)	162,240
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss:				
Effect of revaluation of property, plant and equipment	13	224,142	768,656	-
Other comprehensive loss		-	(2,982)	-
Deferred tax on revaluation of property, plant and equipment charged directly to other comprehensive income		(30,842)	(92,506)	-
Items that may be reclassified to profit or loss:				
Cumulative translation difference		(292,103)	(481,808)	(22)
Other comprehensive (loss)/income		(98,803)	191,360	(22)
Total comprehensive (loss)/income for the year		(224,529)	(220,978)	162,218
(Loss)/Profit attributable to:				
Equity holders of the Parent		(133,399)	(419,985)	155,907
Non-controlling interests		7,673	7,647	6,333
		(125,726)	(412,338)	162,240
Total comprehensive (loss)/income attributable to:				
Equity holders of the Parent		(212,847)	(230,775)	155,885
Non-controlling interests		(11,682)	9,797	6,333
		(224,529)	(220,978)	162,218
Earnings per share				
Basic and diluted (loss)/earnings per share (USD per share)	34	(1.26)	(3.98)	1.48

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 64 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2015	31 December 2014 (As restated, Note 3)	31 December 2013 (As restated, Note 3)
ASSETS				
Non-current assets				
Property, plant and equipment	13	1,249,672	1,486,681	1,493,739
Land lease rights	14	46,252	27,236	48,837
Deferred tax assets	12	5,740	247	20,022
Long-term VAT recoverable, net		-	-	2,414
Non-current biological assets	15	23,782	30,313	70,442
Long-term bank deposits		4,125	4,848	5,802
Other non-current assets		9,241	12,344	17,656
		1,338,812	1,561,669	1,658,912
Current assets				
Inventories	16	279,028	203,248	245,861
Biological assets	15	139,800	133,254	199,680
Agricultural produce	17	120,574	159,655	172,721
Other current assets, net		27,345	29,974	38,373
Taxes recoverable and prepaid, net	18	72,031	46,441	209,149
Trade accounts receivable, net	19	38,800	59,619	70,912
Cash and cash equivalents	20	59,343	99,628	172,470
		736,921	731,819	1,109,166
TOTAL ASSETS		2,075,733	2,293,488	2,768,078
EQUITY AND LIABILITIES				
Equity				
Share capital	21	284,505	284,505	284,505
Treasury shares		(56,053)	(67,741)	(65,393)
Additional paid-in capital		178,192	181,982	181,982
Revaluation reserve	13	567,525	646,049	19,665
Retained earnings		645,020	547,994	1,016,030
Translation reserve		(974,467)	(710,372)	(241,249)
Equity attributable to equity holders of the Parent		644,722	882,417	1,195,540
Non-controlling interests	22	28,127	63,105	53,665
Total equity		672,849	945,522	1,249,205
Non-current liabilities				
Bank borrowings	23	278,131	152,302	192,297
Bonds issued	24	728,530	724,522	951,728
Finance lease obligations	25	9,595	22,206	39,370
Deferred tax liabilities	12	13,227	20,671	7,043
		1,029,483	919,701	1,190,438
Current liabilities				
Trade accounts payable	26	47,669	42,821	101,990
Other current liabilities	27	39,320	47,428	86,823
Bank borrowings	23	249,057	81,330	98,367
Bonds issued	24	-	218,555	-
Accrued interest	23, 24	23,328	21,738	20,771
Finance lease obligations	25	14,027	16,393	20,484
		373,401	428,265	328,435
TOTAL LIABILITIES		1,402,884	1,347,966	1,518,873
TOTAL EQUITY AND LIABILITIES		2,075,733	2,293,488	2,768,078

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

The accompanying notes on the pages 11 to 64 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Parent								
	Share capital	*Treasury shares*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2013 *(Restated, Note 3)*	284,505	(65,393)	181,982	19,665	980,123	(241,227)	1,159,655	39,008	1,198,663
Profit for the year	-	-	-	-	155,907	-	155,907	6,333	162,240
Other comprehensive loss	-	-	-	-	-	(22)	(22)	-	(22)
Total comprehensive income for the year	-	-	-	-	155,907	(22)	155,885	6,333	162,218
Dividends declared by the Parent	-	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(804)	(804)
Non-controlling interests acquired	-	-	-	-	-	-	-	9,128	9,128
Translation differences on revaluation reserve	-	-	-	-	-	-	-	-	-
Balance at 31 December 2013 *(Restated, Note 3)*	284,505	(65,393)	181,982	19,665	1,016,030	(241,249)	1,195,540	53,665	1,249,205
(Loss)/profit for the year	-	-	-	-	(419,985)	-	(419,985)	7,647	(412,338)
Other comprehensive income/(loss)	-	-	-	661,315	(2,982)	(469,123)	189,210	2,150	191,360
Total comprehensive (loss) for the year	-	-	-	661,315	(422,967)	(469,123)	(230,775)	9,797	(220,978)
Dividends declared by the Parent	-	-	-	-	(80,000)	-	(80,000)	-	(80,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(505)	(505)
Acquisition of treasury shares	-	(2,348)	-	-	-	-	(2,348)	-	(2,348)
Non-controlling interests acquired	-	-	-	-	-	-	-	148	148
Translation differences on revaluation reserve	-	-	-	(34,931)	34,931	-	-	-	-
Balance at 31 December 2014 *(Restated, Note 3)*	284,505	(67,741)	181,982	646,049	547,994	(710,372)	882,417	63,105	945,522
(Loss)/profit for the year	-	-	-	-	(133,399)	-	(133,399)	7,673	(125,726)
Other comprehensive income/(loss)	-	-	-	187,914	-	(267,362)	(79,448)	(19,355)	(98,803)
Total comprehensive income/(loss) for the year	-	-	-	187,914	(133,399)	(267,362)	(212,847)	(11,682)	(224,529)
Transfer from revaluation reserve to retained earnings	-	-	-	(36,825)	36,825	-	-	-	-
Dividends declared by the Parent *(Note 30)*	-	-	-	-	(50,000)	-	(50,000)	-	(50,000)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(408)	(408)
Non-controlling interests acquired *(Note 2)*	-	11,688	(3,790)		13,987		21,885	(21,885)	-
Derecognition of interests in subsidiaries *(Note 2)*	-	-	-	(9,738)	9,738	3,267	3,267	(1,003)	2,264
Translation differences on revaluation reserve *(Note 3)*	-	-	-	(219,875)	219,875	-	-	-	-
Balance at 31 December 2015	284,505	(56,053)	178,192	567,525	645,020	(974,467)	644,722	28,127	672,849

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushna

The accompanying notes on the pages 11 to 64 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2015*	*2014*	*2013*
Operating activities				
(Loss)/profit before tax		(166,090)	(471,912)	160,235
Non-cash adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortization expense	6	94,665	94,663	119,014
Net change in fair value of biological assets and agricultural produce	6	(21,786)	(52,911)	(13,634)
Loss on disposal/(Gain) from acquisition of subsidiaries	2	4,725	-	(6,776)
Change in allowance for irrecoverable amounts and direct write-offs		156	18,002	27,888
Loss on impairment of assets in Donetsk region		-	48,823	-
Reversal of impairment of property, plant and equipment, net		-	(3,787)	-
Loss on disposal of property, plant and equipment and other non-current assets		461	410	358
Finance income		(2,567)	(3,860)	(3,766)
Finance costs	11	105,571	108,524	109,775
Non-operating foreign exchange loss, net		418,926	777,677	11,052
Operating cash flows before movements in working capital		434,061	515,629	404,146
Working capital adjustments				
Change in inventories		(154,396)	(110,270)	9,833
Change in biological assets		(38,324)	(29,344)	(6,565)
Change in agricultural produce		(9,279)	(46,416)	(32,843)
Change in other current assets, net		(9,464)	(13,234)	(8,313)
Change in taxes recoverable and prepaid, net		(46,592)	63,903	925
Change in trade accounts receivable, net		8,802	(26,588)	3,123
Change in other liabilities		7,321	26,310	32,513
Change in trade accounts payable		16,473	(20,267)	27,919
Cash generated by operations		208,602	359,723	430,738
Interest received		2,314	3,709	3,766
Interest paid		(99,182)	(101,677)	(93,581)
Income taxes paid		(1,589)	(7,444)	(9,297)
Net cash flows from operating activities		110,145	254,311	331,626
Investing activities				
Purchases of property, plant and equipment		(145,255)	(112,611)	(157,216)
Purchases of other non-current assets		(1,004)	(6,320)	(3,020)
Purchase of land lease rights		(6,644)	(6,742)	(5,231)
Acquisition of subsidiaries, net of cash acquired		(8,633)	-	(61,056)
Proceeds from disposals of property, plant and equipment		779	844	2,815
Purchases of non-current biological assets		(1,588)	(562)	(1,507)
Withdrawals of short-term and long-term deposits		252	472	629
Loans (provided to)/repaid by employees, net		(641)	(118)	495
Loans (provided to)/repaid by related parties, net		(73)	(2,263)	25
Net cash flows used in investing activities		(162,807)	(127,300)	(224,066)

The accompanying notes on the pages 11 to 64 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (*continued*)

for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

	Notes	2015	2014	2013
Financing activities				
Proceeds from bank borrowings		556,335	63,555	65,333
Repayment of bank borrowings		(251,547)	(94,278)	(323,079)
Proceeds from bonds issued	24	-	-	400,000
Repayment of bonds		(219,567)	(15,200)	-
Transaction costs related to corporate bonds issued		-	-	(45,507)
Transaction costs related to bank loans received		(1,051)	(4,254)	(1,172)
Repayment of finance lease obligations		(18,327)	(20,538)	(23,912)
Dividends paid to shareholders	28, 30	(49,996)	(100,974)	(99,026)
Dividends paid by subsidiaries to non-controlling shareholders	28, 30	(408)	(731)	(775)
Acquisition of treasury shares		-	(2,348)	-
Net cash flows from/(used in) financing activities		15,439	(174,768)	(28,138)
Net (decrease)/increase in cash and cash equivalents		(37,223)	(47,757)	79,422
Net foreign exchange difference		(3,062)	(25,085)	(1,737)
Cash and cash equivalents at 1 January		99,628	172,470	94,785
Cash and cash equivalents at 31 December		59,343	99,628	172,470
Non-cash transactions				
Effect of revaluation of property, plant and equipment	13	224,142	768,656	-
Additions of property, plant and equipment under finance leases		3,059	1,495	12,510
Additions of property, plant and equipment financed through direct bank-lender payments to the vendor		-	1,355	26,662
Property, plant and equipment purchased for credit		4,383	(1,589)	-

During the year ended 31 December 2015, other non-cash transactions included acquisitions and disposals of subsidiaries as well as change in non-controlling interest (Note 2).

On behalf of the Board:

Chief Executive Officer Yuriy Kosyuk

Chief Financial Officer Viktoria Kapelyushnaya

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

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

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

The principal business activities of the Group are poultry and related operations, grain growing, as well as other agricultural operations (meat processing, cultivation and selling fruits and producing beef and meat products ready for consumption). The Group's poultry and related operations integrate all functions related to the production of chicken, including hatching, fodder manufacturing, raising chickens to marketable age ("grow-out"), processing and marketing of branded chilled products, and include the production and sale of chicken products, sunflower oil, mixed fodder and convenience food products. Grain growing comprises the production and sale of grains. Other agricultural operations comprise the production and sale of cooked meat, sausages, beef, milk, goose meat, foie gras, fruits and feed grains. During the year ended 31 December 2015 the Group employed about 30,900 people (2014: 30,700 people, 2013: 30,000 people).

During 2015 the Group constructed new production facilities at Peremoga Nova chicken farm. The project aimed to cover the shortage of internal production of hatchery eggs due to the suspension of production at Shahtarska Nova farm (Note 5). As of the reporting date, the reconstruction is being completed, with first hatchery egg produced in June 2015.

The primary subsidiaries, the principal activities of the companies forming the Group and the Parent's effective ownership interest as of 31 December 2015, 2014 and 2013 were as follows:

Name	*Country of registration*	*Year established/ acquired*	*Principal activities*	*2015*	*2014*	*2013*
Raftan Holding Limited	Cyprus	2006	Sub-holding Company	100.0%	100.0%	100.0%
MHP	Ukraine	1998	Management, marketing and sales	99.9%	99.9%	99.9%
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	Ukraine	1998	Fodder and sunflower oil production	88.5%	88.5%	88.5%
Vinnytska Ptahofabryka	Ukraine	2011	Chicken farm	99.9%	99.9%	99.9%
Peremoga Nova	Ukraine	1999	Chicken farm	99.9%	99.9%	99.9%
Druzhba Narodiv Nova	Ukraine	2002	Chicken farm	100.0%	100.0%	100.0%
Oril-Leader	Ukraine	2003	Chicken farm	99.9%	99.9%	99.9%
Tavriysky Kombikormovy Zavod	Ukraine	2004	Fodder production	99.9%	99.9%	99.9%
Myronivska Ptahofabryka	Ukraine	2004	Chicken farm	99.9%	99.9%	99.9%
Starynska Ptahofabryka	Ukraine	2003	Breeder farm	95.0%	94.9%	94.9%
Ptahofabryka Snyatynska Nova	Ukraine	2005	Geese breeder farm	99.9%	99.9%	99.9%
Zernoproduct	Ukraine	2005	Grain cultivation	99.9%	89.9%	89.9%
Katerynopilsky Elevator	Ukraine	2005	Fodder production and grain storage, sunflower oil production	99.9%	99.9%	99.9%
Druzhba Narodiv	Ukraine	2006	Cattle breeding, plant cultivation	99.9%	99.9%	99.9%
NPF Urozhay	Ukraine	2006	Grain cultivation	99.9%	99.9%	99.9%
Agrofort	Ukraine	2006	Grain cultivation	86.1%	86.1%	86.1%
Urozhayna Krayina	Ukraine	2010	Grain cultivation	99.9%	99.9%	99.9%
Ukrainian Bacon	Ukraine	2008	Meat processing	79.9%	79.9%	79.9%
AgroKryazh	Ukraine	2013	Grain cultivation	99.9%	99.9%	99.9%
Baryshevka	Ukraine	2013	Grain cultivation	51.0%	51.0%	51.0%
Voronezh Agro Holding (Note 2)	Russian Federation	2013	Grain cultivation	0.0%	100.0%	100.0%
Scylla Capital Limited	British Virgin Islands	2014	Trading in sunflower oil and poultry meat	100.0%	100.0%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information *(continued)*

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

2. Changes in the group structure

Acquisitions

Agrokultura

In May 2015 the Group signed an asset swap agreement with Agrokultura AB, whereby the equity ownership in Voronezh Agro Holding was swapped with the equity ownership in a group of companies Agrokultura Ukraine. The transaction was completed with effective transfer of control in June 2015.

Voronezh Agro Holding, is a grain growing business, cultivating a land bank of about 40,000 hectares in the Voronezh region of the Russian Federation, with approximately 150,000 tonnes of grain storage capacities.

Group of companies Agrokultura Ukraine is a grain growing business cultivating a land bank of about 60,000 hectares in Lviv, Ternopil and Ivano-Frankivsk regions of Ukraine, with approximately
90,000 tonnes of grain storage capacities.

The following table presents the provisional fair value at the date of acquisition of identifiable assets and liabilities of group of companies Agrokultura Ukraine acquired:

Property, plant and equipment (Note 13)	27,194
Land lease rights (Note 14)	25,663
Other non-current assets less non-current liabilities	(412)
Deferred tax liability	(1,834)
Biological assets (Note 15)	13,977
Current assets less current liabilities	654
Cash and cash equivalents	115
Total consideration received	**65,357**

The following table presents the carrying amount of identifiable assets and liabilities of Voronezh Agro Holding at the date of disposal:

Property, plant and equipment (Note 13)	46,754
Other non-current assets less non-current liabilities	(5)
Biological assets (Note 15)	15,844
Other current assets less current liabilities	2,920
Cash and cash equivalents	2,305
Net assets disposed	**67,818**

The following table presents the net result of the transaction:

Total consideration received	65,357
Net assets disposed	(67,818)
Non-controlling interest disposed	1,003
Cumulative translation reserve in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control in subsidiary	(3,267)
Loss on disposal	**(4,725)**

As acquisition of group of companies Agrokultura Ukraine was conducted through exchange of equity interest, the fair value of the equity interest was determined by the amount of consideration received in group of companies Agrokultura Ukraine.

Cumulative exchange loss in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary relates to the reclassification of translation difference on consolidation of foreign subsidiaries, previously recognised in other comprehensive loss.

As of 31 December 2015, the Group has started legal reorganization of group of companies Agrokultura*.* The Group plans to finalise the reorganization in 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

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

Dnister-Agro

In July 2015 the Group acquired from third parties a 100% interest in a group of companies "Dnister-Agro", a grain growing business, cultivating a land bank of approximately 10,000 hectares in the Vinnytsia region of Ukraine. The transaction was accounted for under the acquisition method.

The following table presents the provisional fair value at the date of acquisition of identifiable assets and liabilities acquired:

	Dnister-Agro
Provisional fair value of identifiable assets and liabilities:	
Property, plant and equipment *(Note* 13*)*	669
Land lease rights *(Note* 14*)*	4,999
Inventories and biological assets	3,779
Trade and other payables	(5,070)
Total identifiable net assets at fair value	**4,377**
Goodwill from acquisition of subsidiaries	**2,066**
Total Cash consideration due and payable	**(6,443)**
Cash paid	(6,490)
Cash acquired	47

The Group made certain other insignificant acquisitions during each of the periods presented. These acquisitions have been accounted for based on the Group's accounting policies. The impact of these acquisitions was not significant to the consolidated financial statements of the Group, either individually or in aggregate.

Since 1 January 2015 and up to the date of disposal, the disposed group of companies ("Voronezh Agroholding") contributed USD 18,790 thousand of Revenue and USD 5,046 thousand of profit to the consolidated results of the Group.

From the date of acquisition, the acquired group of companies contributed USD 16,036 thousand of Revenue and USD 1,291 thousand of loss to the Consolidated results of the Group. Had the transactions related to acquisitions as discussed above, occurred on 1 January 2015, "Pro forma" revenue and loss for the year ended 31 December 2015 would have been USD 21,469 thousand and USD 4,589 thousand, respectively.

Changes in non-controlling interests in subsidiaries

In December 2015 the Group increased its effective ownership interest in Zernoproduct to 100% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 830,511 treasury shares held by the Group. The difference between fair value of shares transferred and their carrying value in the amount of USD 3,790 thousand was recognized as adjustment to additional paid-in capital (Note 22).

3. Summary of significant accounting policies

Basis of presentation and accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The operating subsidiaries of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS").

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

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

Basis of preparation

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

Adoption of new and revised International Financial Reporting Standards

The following standards were adopted by the Group on 1 January 2015:

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions
- Amendments to IFRSs - "Annual Improvements to IFRSs 2010–2012 Cycle"
- Amendments to IFRSs - "Annual Improvements to IFRSs 2011–2013 Cycle"

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

Standards and Interpretations in issue but not effective

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

Standards and Interpretations	*Effective for annual period beginning on or after*
IFRS 9 "Financial Instruments"	Not yet adopted in the EU
IFRS 15 "Revenue from contracts with customers" including amendments to IFRS 15: Effective date of IFRS 15	Not yet adopted in the EU
IFRS 14 "Regulatory Deferral Accounts"	Not yet adopted in the EU
IFRS 16 "Leases"	Not yet adopted in the EU
Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception	Not yet adopted in the EU
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet adopted in the EU
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	Not yet adopted in the EU
Amendments to IAS 7: Disclosure Initiative	Not yet adopted in the EU
Amendments to IAS 27: Equity Method in Separate Financial Statements	Not yet adopted in the EU
Amendments to IAS 1: Disclosure Initiative	Not yet adopted in the EU
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	Not yet adopted in the EU
Amendments to IFRS 11: Accounting for acquisitions of Interests in Joint	Not yet adopted in the EU

Ventures	
Amendments to IAS 16 and IAS 41: Bearer plants	Not yet adopted in the EU
Amendments to IFRSs - "Annual Improvements to IFRSs 2012–2014 Cycle"	Not yet adopted in the EU

Management is currently evaluating the impact of the adoption of IFRS 9 “Financial Instruments” and IFRS 16 “Leases”. For other Standards and Interpretations management anticipates that their adoption in future periods will not have a material effect on the consolidated financial statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

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

Functional and presentation currency

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

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

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

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

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

The relevant exchange rates were:

Currency	*Closing rate as of 31 December 2015*	*Average for 2015*	*Closing rate as of 31 December 2014*	*Average for 2014*	*Closing rate as of 31 December 2013*	*Average for 2013*
UAH/USD	24.0007	21.8290	15.7686	11.9095	7.9930	7.9930
UAH/EUR	26.2231	24.2054	19.2329	15.7410	11.0415	10.6116
UAH/RUB	0.3293	0.3617	0.3030	0.3112	0.2450	0.2512

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the MHP S.A. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

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

Basis of consolidation *(continued)*

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

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

Accounting for acquisitions

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015
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3. Summary of significant accounting policies *(continued)*

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. 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, fruit, 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.

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.

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.

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

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 recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Property, plant and equipment

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

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

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

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

Depreciation on revalued assets is charged to the statement of comprehensive income. 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.

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

Property, plant and equipment *(continued)*

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

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

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

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 recognised in the statement of comprehensive income.

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

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

Intangible assets

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

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

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

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

The amortization period and the amortization method for intangible assets with finite useful 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 derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

Impairment of goodwill

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is 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 12).

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

Inventories

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

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

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

Biological assets and agricultural produce

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

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

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

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

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

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

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

Biological Assets

(i) 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.

(iii) Cattle and pigs

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

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

Biological assets and agricultural produce *(continued)*

(iv) Orchards

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

(v) Crops in fields

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

(vi) Hatchery eggs

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

Agricultural Produce

(i) Dressed poultry, beef and pork

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

(ii) Grain and fruits

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

The Group’s biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group’s production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include hatchery eggs and live broiler 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, account receivables, borrowings, account payables 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 recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 derecognises 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

Accounts receivable

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

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 recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

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

As of 31 December 2015, 2014 and 2013 there were no material derivative financial instruments that were recognized in these consolidated financial statements.

Trade and other accounts payable

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

Leases

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

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

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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

During the year ended 31 December 2015 the Group voluntary changed its accounting policy regarding the translation of the revaluation reserve in the consolidated statement of financial position.

Revaluation reserve had previously been translated to presentation currency (“USD”) using historical rates (the rate on the dates of respective revaluation). In the current reporting period, the Group decided to change it’s accounting policy and revaluation reserve was translated into presentation currency using the closing rate as of reporting date. The effect of the translation difference on the revaluation reserve is recognised within retained earnings in equity component of the consolidated statement of financial position.

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 the cumulative effect of revaluation on property, plant and equipment relative to the carrying amount of these assets which are also translated into presentation currency using closing rate.

The effect of the retrospective application of this policy on the consolidated statement of financial position was as follows:

	31 December 2015	*31 December 2014*	*31 December 2013*	*1 January 2013*
Revaluation reserve according to the old policy	806,309	684,184	22,869	22,869
Effect of the change in accounting policy	(238,784)	(38,135)	(3,204)	(3,204)
Revaluation reserve according to the new policy	567,525	646,049	19,665	19,665
Retained earnings according to the old policy	406,236	509,859	1,012,826	976,919
Effect of the change in accounting policy	238,784	38,135	3,204	3,204
Retained earnings according to the new policy	645,020	547,994	1,016,030	980,123

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

As the Group moved to revaluation model for major groups of property, plant and equipment during the year ended 31 December 2014, the amount of the adjustment relating to periods before those presented was insignificant.

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4. Critical accounting judgments and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

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

Revenue recognition

In the normal course of business, the Group engages in sale and purchase transactions with the purpose of exchanging crops in various locations to fulfil the Group's production requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of similar nature and value. The Group management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying crops are of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying crops indicates that the substance of the transaction is an exchange of similar goods. The amount of exchange transaction involving goods of similar nature amounted to USD 18,566 thousand, USD 28,004 thousand, USD 81,808 thousand for the years ended 31 December 2015, 2014 and 2013, respectively.

Recognition of inventories

During the years ended 31 December 2015, 2014 and 2013, the Group acquired components for mixed fodder production from a local supplier under grain purchase financing arrangements. According to the contractual terms, legal ownership to the goods passed to the Group on physical delivery to the Group's grain storage facilities, which is generally the date when inventories are recognized in the Group's financial statements. However, based on the analysis of the nature of this arrangement, management applied judgment to determine the date on which control over these goods passed to the Group. In making this judgment, management considered the relevant significance of risk and rewards associated with ownership of grain, in particular date of transfer of physical damage risk, as well as commercial risks and benefits associated with ownership. Based on this assessment, management concluded that the Group assumed risk of physical damage and obtained commercial benefits prior to obtaining legal ownership over these inventories and as such, that these inventories and respective liabilities should be recognized in the Group's financial statements from the date when they were acquired by the supplier.

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

Revaluation of property, plant and equipment

As described in Notes 3 and 13, the Group applies a revaluation model to the measurement of grain storage facilities, production machinery, buildings and structures and vehicles and agricultural machinery. At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value.

Buildings and structures: The Group appointed an independent valuer for a revaluation of its buildings and structures during the year ended 31 December 2015 and performed revaluation as of 31 December 2015. Key assumptions used by the independent valuer in assessing the fair value of buildings and structures using the replacement cost method were as follows:

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

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

The Group carries out impairment review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period. Based on the results of this review, the Group concluded that buildings and structures should be revalued during the year ended 31 December 2015.

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

The Group appointed an independent valuer to value production machinery, vehicles and agricultural machinery during the year ended 31 December 2015; the revaluation was performed as of 31 March 2015.

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

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

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

For the market approach the Group carries at each reporting date a review of the carrying amount of these assets to determine whether the carrying amount differs from fair value. The Group considers economic stability and the availability of transactions with similar assets in the market when determining whether to perform fair value assessment in a given period. Based on the results of review the Group concluded that production machinery, vehicles and agricultural machinery should be revalued during the year ended 31 December 2015.

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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, vehicles and agricultural machinery and production machinery:

Description	Fair value as at 31 December 2015	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Buildings and structures	595,322	Depreciated replacement cost method	Index of physical depreciation	6-90%	The higher the index of physical depreciation, the lower the fair value
			Cumulative index of inflation of construction works	1.72-1.85	The higher the index, the higher the fair value
Production	260,269	Market comparable approach/ Depreciated	Index of physical depreciation	0-80%	The higher the index of physical depreciation, the

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machinery		replacement cost method			lower the fair value
Vehicles and agricultural machinery	182,586	Market comparable approach	Index of physical depreciation	13-90%	The higher the index of physical depreciation, the lower the fair value

Key sources of estimation uncertainty

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

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

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

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

During the year ended 31 December 2015 the fair value of biological assets and agricultural produce was estimated using discount factors of 23.05% and 34.59% (31 December 2014: 23.38% and 34.59%) 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 15).

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

Useful lives of property, plant and equipment

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

Deferred tax assets

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

VAT recoverable

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

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

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5. Loss on impairment of assets in Donetsk region

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

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

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

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

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

The Group has commenced reconstruction of Peremoga Nova as a breeding farm in 2014 aimed to cover the shortage of internal production of hatching eggs. As at 31 December 2015 reconstruction was still undergoing, with the first hatchery egg produced in June 2015. The Group plans to complete the reconstruction of Peremoga Nova during 2016 and as a result of additional capacity achieve self-sufficiency in hatching eggs.

6. Segment information

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

Segment information is analysed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are 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 (sales of fruits, milk, feed grains and other)

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

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6. Segment information *(continued)*

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

Year ended 31 December 2015	*Poultry and related operations*	*Grain growing operations*	*Other agricultural operations*	*Eliminations*	*Consolidated*
External sales	950,952	117,240	115,091	-	1,183,283
Sales between business segments	27,562	145,535	1,703	(174,800)	-
Total revenue	978,514	262,775	116,794	(174,800)	1,183,283
Segment results	289,932	70,606	17,344	-	377,882
Unallocated corporate expenses					(13,967)
Other expenses, net [1)]					(530,005)
Loss before tax					(166,090)
Other information:					
Additions to property, plant and equipment [2)]	97,166	54,164	1,330	-	152,660
Depreciation and amortization expense [3)]	64,261	23,753	5,849	-	93,863
Net change in fair value of biological assets and agricultural produce	19,295	(2,582)	5,073	-	21,786

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

[2)] Additions to property, plant and equipment in 2015 (Note 13) do not include unallocated additions in the amount of USD 3,396 thousand.

[3)] Depreciation and amortization for the year ended 31 December 2015 does not include unallocated depreciation and amortization in the amount of USD 802 thousand.

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

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

[2)] Additions to property, plant and equipment in 2014 (Note 13) do not include unallocated additions in the amount of USD 3,849 thousand.

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

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6. Segment information *(continued)*

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

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

[2)] Additions to property, plant and equipment in 2013 (Note 13) do not include unallocated additions in the amount of USD 4,115 thousand.

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

The Group's export sales to external customers by major product types were as follows during the years ended 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Vegetable oil and related products	241,481	258,142	253,194
Chicken meat and related products	189,175	258,877	216,683
Grain	92,094	59,751	100,674
Other agricultural segment products	1,146	2,932	405
	523,896	579,702	570,956

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 Middle East, CIS countries and EU, as well as, to a lesser extent, Northern Africa and Asia.

7. Revenue

Revenue for the years ended 31 December 2015, 2014 and 2013 was as follows:

	2015	*2014*	*2013*
Poultry and related operations segment			
Chicken meat	672,398	873,404	881,249
Vegetable oil and related products	241,794	258,508	258,168
Other poultry related sales	36,760	45,424	61,683
	950,952	1,177,336	1,201,100
Grain growing operations segment			
Grain	117,240	77,491	133,264
	117,240	77,491	133,264
Other agricultural operations segment			
Other meat	62,600	79,450	101,070
Other agricultural sales	52,491	44,771	60,645
	115,091	124,221	161,715
	1,183,283	1,379,048	1,496,079

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8. Cost of sales

Cost of sales for the years ended 31 December 2015, 2014 and 2013 was as follows:

	2015	*2014*	*2013*
Poultry and related operations	641,788	759,387	877,540
Grain growing operations	97,840	62,873	155,976
Other agricultural operations	99,051	108,794	152,471
	838,679	931,054	1,185,987

For the years ended 31 December 2015, 2014 and 2013 cost of sales comprised the following:

	2015	*2014*	*2013*
Costs of raw materials and other inventory used	573,207	607,928	797,239
Payroll and related expenses	103,283	157,515	187,493
Depreciation and amortization expense	85,828	82,779	104,619
Other costs	76,361	82,832	96,636
	838,679	931,054	1,185,987

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

9. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2015, 2014 and 2013 were as follows:

	2015	*2014*	*2013*
Payroll and related expenses	26,313	41,808	52,137
Services	18,081	24,338	25,561
Depreciation expense	8,837	11,884	14,395
Fuel and other materials used	8,657	14,133	14,991
Representative costs and business trips	7,441	6,388	4,096
Advertising expense	5,167	9,804	12,276
Insurance expense	649	900	1,937
Bank services and conversion fees	350	282	480
Other	3,542	1,280	4,742
	79,037	110,817	130,615

Remuneration to the auditors, included in Services above, approximate to USD 702 thousand, USD 604 thousand and USD 1,025 thousand for the years ended 31 December 2015, 2014 and 2013, respectively. Such remuneration includes both audit and non-audit services, with the audit fees component approximating USD 430 thousand for the years ended 31 December 2015 and USD 550 thousand for each of the years ended 31 December 2014 and 2013.

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10. 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 2015, 2014 and 2013 were as follows:

	2015	*2014*	*2013*
VAT refunds	75,410	88,186	99,220
Other government grants	25	1,710	1,665
	75,435	89,896	100,885

VAT refunds 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 will be 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 shall retain VAT in a portion of 15%, 80% and 50%, respectively.

Included in VAT refunds for the years ended 31 December 2015, 2014 and 2013 were specific VAT subsidies for the production and sale of milk and live animals for further processing in the amount of USD nil thousand, USD 526 thousand and USD 1,299 thousand, respectively.

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11. Finance costs

Finance costs for the years ended 31 December 2015, 2014 and 2013 were as follows:

	2015	*2014*	*2013*
Interest on corporate bonds	74,321	92,678	88,245
Transaction costs related to corporate bonds	-	-	16,654
Interest on bank borrowings	24,812	8,562	13,911
Interest on obligations under finance leases	2,288	3,432	4,964
Bank commissions and other charges	6,646	6,193	3,172
Interest on financing arrangements for grain purchases	-	1,847	1,847
Government grants as compensation for the finance costs of agricultural producers *(Note 10)*	(1)	(547)	-
Total finance costs	108,066	112,165	128,793
Less:			
Finance costs included in the cost of qualifying assets	(2,495)	(3,641)	(19,018)
	105,571	108,524	109,775

For qualifying assets, the weighted average capitalization rate on funds borrowed during the year ended 31 December 2015 was 9.29% (2014: 10.14%, 2013: 10.14%).

Interest on corporate bonds for the years ended 31 December 2015, 2014 and 2013 includes amortization of premium and debt issue costs on bonds issued in the amounts of USD 5,020 thousand, USD 6,746 thousand and USD 9,003 thousand, respectively.

12. 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 2015, 2014 and 2013.

During the year ended 31 December 2015, the Group's companies that have the status of Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax. The Tax Code of Ukraine introduced an 18% income tax rate effective from 1 January 2014 (19% effective 1 January 2013). The deferred income tax assets and liabilities as of 31 December 2015, 2014 and 2013 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 income 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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12. Income tax *(continued)*

The components of income tax (benefit)/expense were as follows for the years ended 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Current income tax (benefit)/expense	(682)	6,393	9,157
Deferred tax benefit	(39,682)	(65,967)	(11,162)
Income tax benefit	(40,364)	(59,574)	(2,005)

The reconciliation between profit before tax multiplied by the statutory tax rate and the tax expense for the years ended 31 December 2015, 2014 and 2013 was as follows:

	2015	*2014*	*2013*
(Loss)/Profit before income tax	(166,090)	(471,912)	160,235
Income tax expense calculated at rates effective during the year ended at respective jurisdictions	(28,101)	(84,944)	30,470
Tax effect of:			
Income generated by FAT payers (exempt from income tax)	(41,413)	(22,268)	(44,068)
Changes in tax rate and law	-	347	3
Loss on impairment of assets in Donetsk region	-	5,322	-
Non-deductible expenses (by law)	14,890	17,413	7,263
Expenses not deducted for tax purposes (policy choice)	11,136	8,302	4,327
Translation loss	3,124	16,254	-
Income tax benefit	(40,364)	(59,574)	(2,005)

During the years ended 31 December 2015, 2014 and 2013 the Group did not recognize deferred tax assets arising from temporary differences of USD 61,867 thousand, USD 46,122 thousand and USD 22,724 thousand, respectively, as the Group did not intend to deduct the relevant expenses for tax purposes in subsequent periods.

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

As of 31 December 2015, 2014 and 2013 deferred tax assets and liabilities comprised the following:

	2015	*2014*	*2013*
Deferred tax assets arising from:			
Property, plant and equipment	170	157	3,325
Other current liabilities	926	1,249	1,780
Inventories	1,066	580	2,490
Advances received and other payables	-	106	371
Expenses deferred in tax books	79,758	65,219	13,871
Total deferred tax assets	81,920	67,311	21,837
Deferred tax liabilities arising from:			
Property, plant and equipment	(89,396)	(87,663)	(7,792)
Inventories	(4)	(72)	(943)
Prepayments to suppliers	(7)	-	(123)
Total deferred tax liabilities	(89,407)	(87,735)	(8,858)
Net deferred tax (liabilities)/assets	(7,487)	(20,424)	12,979

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12. 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 2015, 2014 and 2013:

	2015	*2014*	*2013*
Deferred tax assets	5,740	247	20,022
Deferred tax liabilities	(13,227)	(20,671)	(7,043)
	(7,487)	(20,424)	12,979

The movements in net deferred tax assets for the years ended 31 December 2015, 2014 and 2013 were as follows:

	2015	*2014*	*2013*
Net deferred tax assets as of beginning of the year	(20,424)	12,979	4,886
Deferred tax benefit	39,682	65,967	11,162
Deferred tax liabilities arising on acquisition of subsidiaries	42	-	(3,069)
Deferred tax on revaluation of property, plant and equipment	(30,842)		
charged directly to other comprehensive income		(92,506)	-
Translation difference	4,055	(6,864)	-
Net deferred tax (liabilities)/assets as of end of the year	(7,487)	(20,424)	12,979

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13. Property, plant and equipment

The following table represents movements in property, plant and equipment for the year ended 31 December 2015:

	Land	*Buildings and structures*	*Grain storage facilities*	*Production machinery*	*Auxillary and other machinery*	*Utilities and infrastructure*	*Vehicles and agricultural machinery*	*Office furniture and equipment*	*Construction in progress*	*Total*
Cost or fair value:										
At 1 January 2015	14,099	723,297	99,774	300,537	54,903	80,638	208,456	10,139	40,661	1,532,504
Additions	405	18,157	2,426	28,059	1,087	3,624	37,131	1,236	63,931	156,056
Disposals	-	(294)	(108)	(567)	(305)	(224)	(2,075)	(163)	-	(3,736)
Transfers	23	3,553	-	1,460	936	882	110	(36)	(6,928)	-
Disposals of Voronezh Agroholding *(Note 2)*	(12,470)	(7,732)	(9,172)	-	(2,620)	(193)	(17,095)	(4)	(164)	(49,450)
Acquisitions of subsidiaries (Note 2)	-	4,427	4,574	-	1,300	636	16,603	139	184	27,863
Revaluations	-	101,054	-	54,787	-	-	39,228	-	-	195,069
Translation difference	(1,282)	(247,140)	(32,313)	(103,783)	(18,354)	(27,788)	(67,967)	(3,541)	(17,881)	(520,049)
At 31 December 2015	775	595,322	65,181	280,493	36,947	57,575	214,391	7,770	79,803	1,338,257
Accumulated depreciation and impairment:										
At 1 January 2015	-	-	3,584	-	15,671	17,970	-	8,598	-	45,823
Depreciation charge for the year	-	20,301	3,440	27,693	1,632	3,239	44,040	511	-	100,856
Elimination upon disposal	-	(290)	(108)	(485)	(302)	(223)	(923)	(158)	-	(2,489)
Eliminated on revaluation	-	(17,675)	-	(4,921)	-	-	(6,477)	-	-	(29,073)
Disposals of Voronezh Agroholding *(Note 2)*	-	(166)	(398)	-	(644)	(23)	(1,465)	-	-	(2,696)
Translation difference	-	(2,170)	(1,435)	(2,063)	(5,358)	(6,460)	(3,370)	(2,980)	-	(23,836)
At 31 December 2015	-	-	5,083	20,224	10,999	14,503	31,805	5,971	-	88,585
Net book value										
At 1 January 2015	14,099	723,297	96,190	300,537	39,232	62,668	208,456	1,541	40,661	1,486,681
At 31 December 2015	775	595,322	60,098	260,269	25,948	43,072	182,586	1,799	79,803	1,249,672

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

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

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

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

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

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

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

As of 31 December 2015, included within construction in progress were prepayments for property, plant and equipment in the amount of USD 20,501 thousand (2014: USD 10,353 thousand, 2013: USD 9,407 thousand).

As of 31 December 2015, included within property, plant and equipment were fully depreciated assets with the original cost of USD 9,431 thousand (2014: USD 8,424 thousand, 2013: USD 56,817 thousand).

As of 31 December 2015, 2014 and 2013 the net carrying amount of property, plant and equipment, represented by vehicles and agricultural machinery, held under finance lease agreements was USD 64,018 thousand, USD 73,531 thousand and USD 76,053 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 2015, 2014 and 2013.

Revaluation of vehicles and agricultural machinery

During the year ended 31 December 2015 and 2014, the Group engaged independent appraisers to revalue its vehicles and agricultural machinery. The effective dates of revaluation were 31 March 2015, 31 December 2014 and 1 May 2014 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 2015 and 2014, the Group engaged independent appraisers to revalue its production machinery. The effective date of revaluation was 31 March 2015 and 31 December 2014. The valuation, which conformed to the International Valuation Standards, was determined using market comparable approach adjusted based on age and condition of the machinery or for items of specialized nature replacement cost method.

Revaluation of buildings and structures

During the year ended 31 December 2015 and 31 December 2014, the Group engaged independent appraisers to revalue its buildings and structures. The effective date of revaluation was 31 December 2015 and 31 December 2014, respectively. The valuation, which conformed to the International Valuation Standards, was determined using replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the buildings and structures.

Grain storage facilities

During the year ended 31 December 2014, the Group engaged independent appraisers to revalue its grain storage facilities as of 1 May 2014. The valuation, which conformed to the International Valuation Standards, was determined using replacement cost method by reference to observable prices in an active market adjusted based on age and condition of the facilities. During the year ended 31 December 2015, the Group assessed the fair value of grain storage not to be materially different from the reported book values.

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		
		2015	*2014*	*2013*	*2015*	*2014*	*2013*
Buildings and structures	Level 3	595,322	723,297	n/a	188,420	277,231	517,520
Grain storage facilities	Level 3	60,098	96,190	133,735	44,319	73,233	123,358
Production machinery	Level 2	260,269	300,537	n/a	111,018	163,546	323,017
Vehicles and agricultural machinery	Level 2	182,586	208,456	n/a	51,695	73,477	158,533

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14. 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 2015, 2014 and 2013:

	2015	*2014*	*2013*
Cost:			
As of 1 January	34,301	57,498	31,634
Additions	6,644	6,219	3,607
Disposal of subsidiaries (Note 2)	(2,212)	-	-
Acquired through business combinations (Note 2)	30,662	-	22,257
Translation difference	(15,527)	(29,416)	-
As of 31 December	53,868	34,301	57,498
Accumulated amortization:			
As of 1 January	7,065	8,661	4,940
Amortization charge for the year	3,519	3,519	3,721
Disposal of subsidiaries (Note 2)	(424)	-	-
Translation difference	(2,544)	(5,115)	-
As of 31 December	7,616	7,065	8,661
Net book value:			
As of 1 January	27,236	48,837	26,694
As of 31 December	46,252	27,236	48,837

15. Biological assets

The balances of non-current biological assets were as follows as of 31 December 2015, 2014 and 2013:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*	*Thousand units*	*Carrying amount*
	2015		*2014*		*2013*	
Orchards, hectare	1.31	8,578	1.64	13,178	1.64	38,893
Milk cows, units	18.4	11,343	18.8	13,167	18.0	24,684
Boars and sows, units	4.2	2,494	4.2	1,966	4.3	1,958

Other non-current bearer biological assets		50		795		1,230
Total bearer non-current biological assets		22,465		29,106		66,765
Non-current cattle and pigs, units	3.6	1,317	3.2	1,207	5.3	3,677
Total consumable non-current biological assets		1,317		1,207		3,677
Total non-current biological assets		23,782		30,313		70,442

The balances of current biological assets were as follows as of 31 December 2015, 2014 and 2013:

	Thousand units	*Carrying amount*	*Thousand units*	*Carrying amount*	*Thousand units*	*Carrying amount*
	2015		*2014*		*2013*	
Breeders held for hatchery eggs production, units	3,381	52,523	2,325	38,701	3,121	65,907
Total bearer current biological assets		52,523		38,701		65,907
Broiler chickens, units	42,426	49,234	40,182	54,720	34,438	73,267
Hatchery eggs, units	31,102	8,157	26,955	7,530	26,570	8,841
Crops in fields, hectare	109	27,224	90	28,570	76	45,745
Cattle and pigs, units	40	2,412	42	3,569	49	5,637
Other current consumable biological assets		250		164		283
Total consumable current biological assets		87,277		94,553		133,773
Total current biological assets		139,800		133,254		199,680

Other current consumable biological assets include geese and other livestock.

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15. Biological assets *(continued)*

The following table represents movements in major biological assets for the years ended 31 December 2015, 2014 and 2013:

	Orchards	*Milk cows, boars, sows*	*Breeders held for hatchery eggs production*	*Broiler chickens*	*Crops in fields*
As of 1 January 2013	30,018	18,547	54,273	51,051	39,590
Costs incurred	23,945	18,218	95,123	602,985	304,553
Acquired through business combination	-	-	-	-	9,187
Gains arising from change in fair value of biological assets less costs to sell	11,815	3,505	46,988	219,076	11,625
Transfer to consumable biological assets	-	(48)	(110,442)	110,442	-
Transfer to bearing non-current biological assets	-	19,019	-	-	-
Decrease due to sale	-	(1,900)	-	-	-
Decrease due to harvest	(26,885)	(30,699)	(20,035)	(910,287)	(319,437)
Translation difference	-	-	-	-	227
As of 31 December 2013	38,893	26,642	65,907	73,267	45,745
Costs incurred	16,265	10,679	68,013	482,020	247,360
Gains/(losses) arising from change in fair value of biological assets less costs to sell	(15,000)	3,810	97,410	316,598	65,025
Transfer to consumable biological assets	-	(20)	(125,757)	125,757	-
Transfer to bearing non-current biological assets	-	7,760	-	-	-
Decrease due to sale	-	(753)	-	-	-
Decrease due to harvest	(9,920)	(19,319)	(23,842)	(901,097)	(305,602)
Loss on impairment of assets in Donetsk region	-	-	(8,667)	-	-
Translation difference	(17,060)	(13,666)	(34,363)	(41,825)	(23,958)
As of 31 December 2014	13,178	15,133	38,701	54,720	28,570
Costs incurred	14,225	4,906	87,002	387,420	180,460
Changes on business combination (Note 2)	-	-	-	-	213
Gains arising from change in fair value of biological assets less costs to sell	2,243	10,304	52,604	217,095	57,053
Transfer to consumable biological assets	-	-	(104,134)	104,134	-
Transfer to bearing non-current biological assets	-	5,192	-	-	-
Decrease due to sale	-	(319)	-	-	-
Decrease due to harvest	(16,555)	(15,800)	(5,681)	(694,045)	(228,744)
Translation difference	(4,513)	(5,579)	(15,969)	(20,090)	(10,328)
As of 31 December 2015	8,578	13,837	52,523	49,234	27,224

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

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15. Biological assets *(continued)*

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy, except for cattle and pigs that can be measured based on market prices of livestock of a similar age, breed and genetic merit, which is measured at fair value within Level 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 2015	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in fields	27,224	Discounted cash flows	Crops yield - tonnes per hectare	3.1 – 6.2 (5.3)	The higher the crops yield, the higher the fair value
			Crops price – per tonne	USD 129 - 362 (195)	The higher the market price, the higher the fair value
			Discount rate	27.3%	The higher the discount rate, the lower the fair value
Orchards	8,578	Discounted cash flows	Fruit yield - tonnes per hectare	5.72 – 34.8 (30.6)	The higher the fruit yield, the higher the fair value
			Fruit price – per tonne	USD 394 – 1,820 (465)	The higher the market price, the higher the fair value
			Discount rate	12.7%	The higher the discount rate, the lower the fair value
Breeders held for hatchery eggs production	52,523	Discounted cash flows	Number of hatchery eggs produced by one breeder	167 – 170	The higher the number, the higher the fair value
			Hatchery egg price – per egg	USD 0.25	The higher the market price, the higher the fair value
			Discount rate	15.7%	The higher the discount rate, the lower the fair value
Broiler chickens	49,234	Cash flows	Average weight of one broiler - kg	2.32	The higher the weight, the higher the fair value
			Poultry meat price – per kg	UAH 4.6 – 30.4 (22.21)	The higher the market price, the higher the fair value
Milk cows	11,343	Discounted	Daily milk yield - litre	11.92 - 21.17	The higher the milk yield,

	cash flows	per cow	(15.71)	the higher the fair value
		Weight of the cow - kg per cow	504 - 538 (516)	The higher the weight, the higher the fair value
		Milk price – per litre	UAH 4.48 – 5.23 (5.03)	The higher the market price, the higher the fair value
		Meat price – per kg	UAH 19.87 - 23.92 (22.28)	The higher the market price, the higher the fair value
		Discount rate	15.7%	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 57,333 thousand and USD 49,921 thousand, respectively.

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16. Inventories

The balances of inventories were as follows as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Components for mixed fodder production	185,455	112,951	121,291
Work in progress	31,343	29,856	54,365
Other raw materials	24,373	27,157	32,078
Spare parts	10,395	11,281	16,593
Sunflower oil	16,186	12,515	10,785
Packaging materials	4,705	3,797	4,189
Mixed fodder	4,756	4,063	3,726
Other inventories	1,815	1,628	2,834
	279,028	203,248	245,861

As of 31 December 2015, 2014 and 2013 work in progress in the amount of USD 31,343 thousand, USD 29,856 thousand and USD 54,365 thousand comprised expenses incurred in cultivating fields to be planted in the years 2015, 2014 and 2013, respectively.

As of 31 December 2015, components for mixed fodder production with carrying amount of USD 112,500 thousand (2014: USD 12,500 thousand, 2013: USD nil) were pledged as collateral to secure bank borrowings (Note 23).

17. Agricultural produce

The balances of agricultural produce were as follows as of 31 December 2015, 2014 and 2013:

	Thousand tonnes	*Carrying amount*	*Thousand tonnes*	*Carrying amount*	*Thousand tonnes*	*Carrying amount*
	2015		*2014*		*2013*	
Chicken meat	24.7	26,806	19.6	28,686	20.4	40,035
Other meat	*N/A*[1)]	2,139	*N/A*[1)]	4,035	*N/A*[1)]	3,724
Grain	757	79,997	1,098	116,543	776	110,233
Fruits, vegetables and other crops	*N/A*[1)]	11,632	*N/A*[1)]	10,391	*N/A*[1)]	18,729
		120,574		159,655		172,721

[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.

18. Taxes recoverable and prepaid, net

Taxes recoverable and prepaid were as follows as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
VAT recoverable	67,538	42,559	223,037
Miscellaneous taxes prepaid	4,493	3,882	6,096
Less: allowance for irrecoverable VAT	-	-	(19,984)
	72,031	46,441	209,149

19. Trade accounts receivable, net

The balances of trade accounts receivable were as follows as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Agricultural operations	36,620	55,836	69,207
Due from related parties *(Note 28)*	173	213	1,018
Sunflower oil sales	2,892	4,862	2,061
Less: allowance for irrecoverable amounts	(885)	(1,292)	(1,374)
	38,800	59,619	70,912

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19. 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 2015 the Group determined that trade accounts receivable on sales of poultry meat of USD 5 thousand (2014: USD 37 thousand, 2013: USD 445 thousand) were overdue but do not require allowance for irrecoverable amounts.

For the years ended 31 December 2015, 2014 and 2013 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 2015, 2014 and 2013 was as follows:

	Trade accounts receivable			*Allowance for irrecoverable amounts*		
	2015	*2014*	*2013*	*2015*	*2014*	*2013*
Trade accounts receivable on sales of poultry meat:						
Over 30 but less than 270 days	7	-	-	(2)	-	-
Over 270 days	558	1,058	647	(558)	(1,058)	(647)
	565	1,058	647	(560)	(1,058)	(647)
Trade accounts receivable on other sales:						
Over 60 but less than 360 days	183	16	308	(46)	(4)	(78)
Over 360 days	279	230	649	(279)	(230)	(649)
	462	246	957	(325)	(234)	(727)
	1,027	1,304	1,604	(885)	(1,292)	(1,374)

20. Cash and cash equivalents

The balances of cash and cash equivalents were as follows as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Cash on hand and with banks	57,633	86,554	98,880
USD short-term deposits with banks	-	13,074	60,170
EUR short-term deposits with banks	43	-	-
UAH short-term deposits with banks	1,667	-	11,885
RUB short-term deposits with banks	-	-	1,535
	59,343	99,628	172,470

During the year ended 31 December 2015, UAH, RUB and USD denominated short-term deposits earned an effective interest rate of 12.5, nil and nil %, respectively (2014: nil, nil and 6.42%; 2013: 13.32%, 5.73% and 5.10%). All cash and cash equivalents are held within reputable foreign and Ukrainian banks.

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21. Shareholders' equity

Share capital

As of 31 December 2015, 2014 and 2013 the authorized, issued and fully paid share capital of MHP S.A. comprised the following number of shares:

	2015	*2014*	*2013*
Number of shares authorized for issue	159,250,000	159,250,000	159,250,000
Number of shares issued and fully paid	110,770,000	110,770,000	110,770,000
Number of shares outstanding	106,250,399	105,419,888	105,666,888

The authorized share capital as of 31 December 2015, 2014 and 2013 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**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Zernoproduct (Note 2)	-	10.1%	2,898	3,990	-	16,952
Starynska Ptahofabryka	5.0%	5.1%	3,449	3,474	16,500	19,558
Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv	11.5%	11.5%	(1,615)	1,104	3,977	4,843
Individually immaterial subsidiaries with non-controlling interests	n/a	n/a	2,941	(921)	7,650	21,752
	n/a	n/a	7,673	7,647	28,127	63,105

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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.

	Starynska Ptahofabryka		Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv		Zernoproduct (Note 2)
	2015	2014	2015	2014	2014
Current assets	335,617	369,427	368,048	226,614	130,473
Non-current assets	30,503	39,160	113,468	151,639	65,605
Current liabilities	30,850	16,485	361,248	254,159	78,452
Non-current liabilities	-	-	85,488	80,127	-
Equity attributable to owners of the Group	318,770	372,544	30,803	39,124	100,674
Revenue	97,474	98,004	428,458	488,304	127,140
Expenses	(28,495)	(29,886)	(442,501)	(478,705)	(87,635)
Profit/(loss) for the year	68,979	68,118	(14,043)	9,599	39,505
Profit/(loss) attributable to owners of the Group	65,530	64,644	(12,428)	8,495	35,515
Profit/(loss) attributable to the non-controlling interests	3,449	3,474	(1,615)	1,104	3,990
Profit/(loss) for the year	68,979	68,118	(14,043)	9,599	39,505
Other comprehensive income/(loss) attributable to owners of the Company	(123,638)	(289,388)	5,765	56,650	(32,182)
Other comprehensive income/(loss) attributable to the non-controlling interests	(6,507)	(15,552)	749	7,361	(3,616)
Other comprehensive income/(loss) for the year	(130,145)	(304,940)	6,514	64,011	(35,798)
Total comprehensive income/(loss) attributable to owners of the Company	(58,108)	(224,744)	(6,663)	65,145	3,333
Total comprehensive income/(loss) attributable to the non-controlling interests	(3,058)	(12,078)	(866)	8,465	374
Total comprehensive income/(loss) for the year	(61,166)	(236,822)	(7,529)	73,610	3,707
Net cash inflow/(outflow) from operating activities	1,209	441	863	(23,901)	13,716
Net cash inflow/(outflow) from investing activities	(1,025)	(524)	(1,095)	(1,514)	(11,801)

	Starynska Ptahofabryka		Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv		Zernoproduct (Note 2)
	2015	2014	2015	2014	2014
Net cash inflow/(outflow) from financing activities	-	-	(11,337)	(774)	-

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23. Bank borrowings

The following table summarizes bank borrowings and credit lines outstanding as of 31 December 2015, 2014 and 2013:

		2015		*2014*		*2013*	
Bank	*Currency*	*WAIR [1)]*	*USD' 000*	*WAIR [1)]*	*USD' 000*	*WAIR [1)]*	*USD' 000*
Non-current							
Foreign banks	USD	7.87%	234,463	5.83%	71,535	6.05%	65,729
Foreign banks	EUR	1.49%	43,668	1.72%	80,767	1.81%	126,568
			278,131		152,302		192,297
Current							
Ukrainian banks	UAH	-	-	14.25%	6,976		-
Ukrainian banks	USD	7.03%	50,985		-	4.80%	38,000
Foreign banks	USD	6.43%	90,000	5.98%	10,000		-
Current portion of long-term bank borrowings	USD,EUR		108,072		64,354		60,367
			249,057		81,330		98,367
Total bank borrowings			527,188		233,632		290,664

[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 2015, 2014 and 2013:

	2015	*2014*	*2013*
Credit lines	140,985	16,976	38,000
Term loans	386,203	216,656	252,664
	527,188	233,632	290,664

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As of 31 December 2015, 2014 and 2013 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 2015, 2014 and 2013 were repayable as follows:

	2015	*2014*	*2013*
Within one year	249,057	81,330	98,367
In the second year	97,952	64,243	58,479
In the third to fifth year inclusive	164,979	84,598	125,390
After five years	15,200	3,461	8,428
	527,188	233,632	290,664

As of 31 December 2015, the Group had available undrawn facilities of USD 84,774 thousand (2014: USD 421,892 thousand, 2013: USD 287,844 thousand). These undrawn facilities expire during the period from January 2015 until June 2020.

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

23. Bank borrowings *(continued)*

During the years ended 31 December 2015, 2014 and 2013 the Group has complied with all covenants imposed by banks providing the loans.

As of 31 December 2015, the Group had borrowings of USD 90,000 thousand (2014: USD 10,000 thousand, 2013: USD nil) that were secured. These borrowings were secured by inventories with a carrying amount of USD 112,500 thousand (2014: USD 12,500 thousand, 2013: USD nil) (Note 16).

As of 31 December 2015, 2014 and 2013 accrued interest on bank borrowings was USD 8,203 thousand, USD 2,918 thousand and USD 1,668 thousand, respectively.

24. Bonds issued

Bonds issued and outstanding as of 31 December 2015, 2014 and 2013 were as follows:

	2015	*2014*	*2013*
8.25% Senior Notes due in 2020	750,000	750,000	750,000
10.25% Senior Notes due in 2015	-	219,567	234,767
Unamortized premium on bonds issued	-	760	1,426
Unamortized debt issuance cost	(21,470)	(27,250)	(34,465)
	728,530	943,077	951,728
Less:			
Current portion of bonds issued	-	(218,555)	-
Total long-term portion of bonds issued	728,530	724,522	951,728

As of 31 December 2015, 2014 and 2013 accrued interest on bonds issued was USD 15,125 thousand, USD 18,820 thousand and USD 19,103 thousand, respectively.

8.25% Senior Notes

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

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

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

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

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24. Bonds issued *(continued)*

10.25% Senior Notes

In November 2006, MHP SA issued USD 250,000 thousand of 10.25% Senior Notes, due in November 2011, at par.

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

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

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

Interest on the Senior Notes was payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to EBITDA ratio as defined by indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.

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

During the years ended 31 December 2015, 2014 and 2013 the Group has complied with all covenants defined by indebtedness agreement.

The weighted average effective interest rate on the Senior Notes was 9.29% per annum for the year ended 31 December 2015, 9.90% per annum for the year ended 31 December 2014 and 9.90% per annum for the years ended 31 December 2013. The Notes are listed on London Stock Exchange.

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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 2015, the weighted average interest rates on finance lease obligations were 6.46% and 8.04% for finance lease obligations denominated in EUR and USD, respectively (2014: 6.75% and 7.97%, 2013: 6.85% and 7.90%).

The following are the minimum lease payments and present value of minimum lease payments under the finance lease agreements as of 31 December 2015, 2014 and 2013:

	Minimum lease payments			*Present value of minimum lease payments*		
	2015	*2014*	*2013*	*2015*	*2014*	*2013*
Payable within one year	15,207	18,604	23,748	14,027	16,393	20,484
Payable in the second year	7,507	13,800	19,323	7,277	12,576	17,202
Payable in the third to fifth year inclusive	2,341	10,083	23,440	2,318	9,630	22,168
	25,055	42,487	66,511	23,622	38,599	59,854
Less:						
Future finance charges	(1,433)	(3,888)	(6,657)	-	-	-
Present value of finance lease obligations	23,622	38,599	59,854	23,622	38,599	59,854
Less:						
Current portion				(14,027)	(16,393)	(20,484)
Finance lease obligations, long-term portion				9,595	22,206	39,370

26. Trade accounts payable

Trade accounts payable were as follows as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Trade accounts payable to third parties	47,659	42,816	101,979
Payables due to related parties *(Note 28)*	10	5	11
	47,669	42,821	101,990

As of 31 December 2015 trade accounts payable included liabilities that bear a floating rate of interest under grain purchase financing arrangements in the amount of USD nil and accrued interest of USD nil (2014: USD nil and accrued interest of USD nil, 2013: USD 60,486 thousand and accrued interest of USD 593 thousand).

27. Other current liabilities

Other current liabilities were as follows as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Accrued payroll and related taxes	22,163	34,403	36,097

Advances from and other payables due to related parties *(Note 28)*	-	-	20,974
Advances from and other payables due to third parties	3,852	5,656	9,685
Amounts payable for property, plant and equipment	7,605	2,358	7,112
Other payables	5,700	5,011	12,955
	39,320	47,428	86,823

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28. 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 2015, 2014 and 2013 were as follows:

	2015	*2014*	*2013*
Sales of goods to related parties	290	220	8,103
Sales of services to related parties	2	15	67
Purchases from related parties	115	23	228

The balances owed to and due from related parties were as follows as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Trade accounts receivable *(Note 19)*	173	213	1,018
Payables due to related parties *(Note 26)*	10	5	11
Payables for dividends declared, included in *Other current liabilities (Note 27)*	-	-	20,974
Advances and finance aid receivable	1,228	1,761	115

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 7,778 thousand, USD 8,895 thousand and USD 12,969 thousand for the years ended 31 December 2015, 2014 and 2013, respectively. Compensation of key management personnel consists of contractual salary and performance bonuses.

Total compensation of the Group's independent non-executive directors, which consists of contractual salary, amounted to USD 496 thousand, USD 591 thousand and USD 550 thousand in 2015, 2014 and 2013, respectively.

Key management personnel totalled 40, 40 and 42 individuals as of 31 December 2015, 2014 and 2013, respectively, including 4 independent non-executive directors as of 31 December 2015, 2014 and 2013.

Other transactions with related parties

In December 2015 the Group increased its effective ownership interest in Zernoproduct to 100% through the acquisition of a non-controlling interest previously held by one of its key management personnel in exchange for 830,511 treasury shares held by the Group. The transaction was recognised within equity (Note 2).

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29. Contingencies and contractual commitments

Operating Environment

In 2015, the Ukrainian economy was going through a recession, a gross domestic product is estimated to contract by 11.0% (2014: 7.0%, 2013: growth 3.0%), and an annual inflation rate reached 43.0% (2014: 25.0%, 2013: 1.0%). Unfavourable conditions on markets where Ukraine's primary commodities where traded had negative impact on devaluation of the Ukrainian Hryvnia against major foreign currencies.

During 2015, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions.

The National Bank of Ukraine (the "NBU") extended its range of measures that were introduced in 2014 and aimed at limiting the outflow of foreign currency from the country, inter alia, a mandatory sale of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on usage of foreign currencies for settlement purposes, limitations on remittances abroad.

In early 2015, the Government of Ukraine agreed with the IMF a four-year program for USD 17,500 million loan aimed at supporting the economic stabilization of Ukraine. The program defines economic reforms that must be undertaken by the Government of Ukraine to reinstate a sustainable economic growth in the mid-term perspective.

In 2015, political and economic relationships between Ukraine and the Russian Federation remained strained that led to a significant reduction in trade and economic cooperation. On 1 January 2016, a free-trade element of Ukraine's association agreement with the European Union is coming into force. In late 2015, the Russian Federation denounced the free trade zone agreement with Ukraine and further trade restrictions were announced by both countries.

Stabilization of the economic and political situation depends, to a large extent, upon the ability of the Ukrainian Government to continue reforms and the efforts of the NBU to further stabilize the banking sector, as well as upon the ability of the Ukrainian economy in general to respond adequately to changing markets. Nevertheless, further economic and political developments, as well as the impact of the above factors on the Group, its customers, and contractors are currently difficult to predict.

As of the date of this report, the Group's facilities throughout all regions of Ukraine (except for Shahtarska Nova breeding farm) continued to operate normally until the date of authorization of the report for issue.

Taxation

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

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.

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29. Contingencies and contractual commitments *(continued)*

Taxation *(continued)*

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.

Starting from 1 September 2013 the Tax Code of Ukraine introduced new, based on the OECD transfer pricing guidelines, rules for determining and applying fair market prices, which significantly changed transfer pricing ("TP") regulations in Ukraine.

The Group exports Vegetable oil, Chicken meat and related products, performs intercompany transactions, which may potentially be in the scope of the new Ukrainian TP regulations. The Group has submitted the controlled transaction report for the year ended 31 December 2014 within the required deadline, and has prepared all necessary documentation on controlled transactions for the year ended 31 December 2015 as required by legislation and plans to submit report.

Legal issues

In the ordinary course of business, the Group is subject to legal actions and complaints. The Group's management estimated that the maximum cumulative tax exposure amounted to USD 13,479 thousand as of 31 December 2015 (2014: USD 21,969 thousand, 2013: USD 32,182 thousand), including USD 6,272 thousand (2014: USD 20,169 thousand, 2013: USD 32,182 thousand) of litigations with the tax authorities related to disallowance of certain amounts of VAT refunds and deductible expenses claimed by the Group. Out of this amount, USD 5,784 thousand as of 31 December 2015 (2014: USD 17,250 thousand, 2013: USD 31,613 thousand) relates to cases where court hearings have taken place and where the court in either the first or second instance has already ruled in favour of the Group. Based on past history of court resolutions of similar lawsuits the Management believes that possible exposure relating to these court cases amounts to approximately USD 488 thousand as of 31 December 2015 (2014: USD 2,919 thousand, 2013: USD 569 thousand).

Contractual commitments on purchase of property, plant and equipment

During the years ended 31 December 2015, 2014 and 2013, 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 2015, purchase commitments amounted to USD 13,312 thousand (2014: USD 9,844 thousand, 2013: USD 6,993 thousand).

Commitments on land operating leases

The Group has the following contractual obligations in respect of land operating leases as of 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Within one year	15,442	14,424	25,913
In the second to the fifth year inclusive	47,968	44,463	81,871
After fifth year	43,948	41,061	80,787
	107,358	99,948	188,571

Ukrainian legislation provides for a ban on sales of agricultural land plots till 1 January 2017. 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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30. Dividends

On 28 April 2015, the Board of Directors of MHP S.A. approved payment of the interim dividend. On
14 May 2015 MHP S.A. paid dividend to shareholders in amount of USD 0.47429 per share, equivalent to approximately USD 50,000 thousand. The Board of Directors approved that no dividend will be paid on the Company's shares held in treasury.

31. 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 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*		
	2015	*2014*	*2013*	*2015*	*2014*	*2013*
Financial liabilities						
Bank borrowings *(Note 23)*	535,391	236,550	292,332	522,469	233,419	297,276
Senior Notes due in 2015 *(Note 24)*	-	222,250	234,859	-	222,442	242,690
Senior Notes due in 2020 *(Note 24)*	743,655	739,647	735,972	656,250	503,625	669,375
Finance lease obligations *(Note 25)*	23,622	38,599	59,854	23,654	38,399	60,368

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

The fair value of bank borrowings and finance lease obligations as of 31 December 2015 was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings: 8.0% (2014: 6.0%, 2013: 3.3%) and for finance lease obligations of 7.0% (2014: 7.5%, 2013: 7.5%), 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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32. Risk management policies

During the years ended 31 December 2015, 2014 and 2013 there were no material changes to the objectives, policies and process for credit risk, capital risk, liquidity risk, currency risk, interest rate risk, livestock diseases risk and commodity price and procurement risk managing.

Capital risk management

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

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

As of 31 December 2015, 2014 and 2013 the leverage ratio was as follows:

	2015	*2014*	*2013*
Bank borrowings *(Note 23)*	535,391	236,550	292,332
Bonds issued *(Note 24)*	743,655	961,897	970,831
Finance lease obligations *(Note 25)*	23,622	38,599	59,854
Total Debt	1,302,668	1,237,046	1,323,017
Less:			
Cash and cash equivalents and Short-term bank deposits *(Note 20)*	(59,343)	(99,628)	(172,470)
Net debt	1,243,325	1,137,418	1,150,547
Operating profit before loss on impairment of assets in Donetsk region and reversal of impairment of property, plant and equipment	363,915	460,011	271,836
Adjustments for:			
Depreciation and amortization expense *(Notes 8, 9)*	94,665	94,663	119,014
Adjusted operating profit	458,580	554,674	390,850
Net debt to adjusted operating profit	2.71	2.05	2.94

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32. Risk management policies *(continued)*

Capital risk management *(continued)*

Debt is defined as bank borrowings, bonds issued and finance lease obligations. Net debt is defined as debt less cash and cash equivalents and short-term bank deposits. For the purposes of the leverage ratio, debt does not include interest-bearing liabilities, which are included in trade accounts payable (Note 26). 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

	2015	*2014*	*2013*
Financial assets:			
Long-term bank deposits	4,125	4,848	5,802
Loans to employees and related parties	1,086	866	1,645
Other receivables	5,796	1,734	19,789
Trade accounts receivable, net *(Note 19)*	38,800	59,619	70,912
Cash and cash equivalents *(Note 20)*	59,343	99,628	172,470
	109,150	166,695	270,618
Financial liabilities:			
Bank borrowings *(Note 23)*	527,188	233,632	290,664
Bonds issued *(Note 24)*	728,530	943,077	951,728
Finance lease obligations *(Note 25)*	23,622	38,599	59,854
Amounts payable for property, plant and equipment *(Note 27)*	7,605	2,358	7,112
Accrued interest *(Note 23,24)*	23,328	21,738	20,771
Trade accounts payable *(Note 26)*	47,669	42,821	101,990
Accrued payroll and related taxes (Note *27)*	22,163	34,403	36,097
Other current liabilities *(Note 27)*	5,700	5,011	12,955
	1,385,805	1,321,639	1,481,171

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

Credit risk

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

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

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts receivable from the customers for recoverability starting from 30 and 60 days for receivables on sales of poultry meat and receivables on other sales, respectively. No assessment is performed immediately from the date credit period is expired. As of 31 December 2015 about 32% (2014: 28%, 2013: 38%) of trade accounts receivable comprise amounts due from 12 large supermarket chains, which have the longest contractual receivable settlement period among customers.

Liquidity risk

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

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32. 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 2015, 2014 and 2013. 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 2015					
Bank borrowings	535,391	589,901	275,066	297,949	16,886
Bonds issued	743,655	1,028,438	61,875	966,563	-
Finance lease obligations	23,622	25,055	15,207	9,848	-
Total	1,302,668	1,643,394	352,148	1,274,360	16,886
Year ended 31 December 2014					
Bank borrowings	236,550	259,289	89,606	165,964	3,719
Bonds issued	961,897	1,321,132	292,694	247,500	780,938
Finance lease obligations	38,599	42,487	18,604	23,883	-
Total	1,237,046	1,622,908	400,904	437,347	784,657
Year ended 31 December 2013					
Bank borrowings	292,332	318,603	106,083	203,978	8,542
Bonds issued	970,831	1,543,367	85,939	578,520	878,908
Finance lease obligations	59,854	66,511	23,748	42,763	-
Total	1,323,017	1,928,481	215,770	825,261	887,450

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 2015, 2014 and 2013, the current ratio was as follows:

	2015	*2014*	*2013*
Current assets	736,921	731,819	1,109,166
Current liabilities	373,401	428,265	328,435
	1.97	1.71	3.38

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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32. 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:

	2015		*2014*		*2013*	
	USD	*EUR*	*USD*	*EUR*	*USD*	*EUR*
ASSETS						
Long-term bank deposits	-	4,125	-	4,848	-	5,802
Trade accounts receivable	12,823	-	23,487	1	12,429	-
Other current assets, net	1,554	-	59	-	928	39
Cash and cash equivalents	38,834	5,836	87,442	764	118,211	540
	53,211	9,961	110,988	5,613	131,568	6,381
LIABILITIES						
Current liabilities						
Trade accounts payable	4,012	4,999	2,964	4,278	66,088	5,637
Other current liabilities	9	3,341	6	567	21,145	3,373
Accrued interest	23,023	305	21,180	553	19,892	878
Short-term bank borrowings	220,409	28,648	42,107	32,247	59,401	38,966
Short-term finance lease obligations	7,477	5,029	10,793	5,580	14,088	6,312
Current portion of bonds issued	-	-	218,555	-	-	-
	254,930	42,322	295,605	43,225	180,614	55,166
Non-current liabilities						
Long-term bank borrowings	234,463	43,668	71,535	80,767	65,729	126,568
Bonds issued	728,530	-	724,522	-	984,782	-
Long-term finance lease obligations	5,485	4,022	12,532	9,517	23,317	15,705
	968,478	47,690	808,589	90,284	1,073,828	142,273
	1,223,408	90,012	1,104,194	133,509	1,254,442	197,439

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32. Risk management policies *(continued)*

Currency risk *(continued)*

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

	Change in foreign currency exchange rates	*Effect on profit before tax*
2015		
Increase in USD exchange rate	10%	(117,020)
Increase in EUR exchange rate	10%	(8,005)
Decrease in USD exchange rate	5%	58,510
Decrease in EUR exchange rate	5%	4,003
2014		
Increase in USD exchange rate	10%	(99,321)
Increase in EUR exchange rate	10%	(12,790)
Decrease in USD exchange rate	5%	49,660
Decrease in EUR exchange rate	5%	6,395
2013		
Increase in USD exchange rate	10%	(112,287)
Increase in EUR exchange rate	10%	(19,106)
Decrease in USD exchange rate	5%	56,144
Decrease in EUR exchange rate	5%	9,553

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

During the year ended 31 December 2015 the Ukrainian Hryvnia depreciated against the EUR and USD by 26.66% and 34.30% respectively (2014: depreciated against the EUR by 42.59% and 49.31% against the USD, 2013: depreciated against the EUR by 4.57% and was relatively stable against the USD). As a result, during the year ended 31 December 2015 the Group recognized net foreign exchange losses in the amount of USD 418,926 thousand (2014: foreign exchange losses in the amount of USD 777,677 thousand, 2013: foreign exchange losses in the amount of USD 11,052 thousand) in the consolidated statement of comprehensive income.

In September 2014 the National Bank of Ukraine ("NBU") introduced a requirement whereby a company is required to sell 75% of their foreign currency proceeds from any export sales at Ukrainian interbank currency market. During the year ended 31 December 2015 a USD 2,957 thousand (2014: USD 1,227 thousand; 2013: USD 6,841 thousand) net foreign exchange gain resulting from the difference in NBU and Ukrainian interbank currency market exchange rates, was included in Other operating income.

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32. Risk management policies *(continued)*

Currency risk *(continued)*

The currency risk is mitigated by the existence of USD-denominated proceeds from sales of sunflower oil, grain and chicken meat, which are sufficient for servicing the Group's foreign currency denominated liabilities and were as follows during the years, ended 31 December 2015, 2014 and 2013:

	2015	*2014*	*2013*
Vegetable oil and related products	241,481	258,142	253,194
Chicken meat and related products	189,175	258,877	216,683
Grain[1)]	109,444	76,553	114,923
Other agricultural segment products	1,146	2,932	405
	541,246	596,504	585,205

[1)] Grain export sales during the year ended 31 December 2015 includes USD 17,350 thousand (2014: USD 16,802 thousand, 2013: USD 14,249 thousand) of gain received from operations, when goods are exchanged or swapped for goods which are of similar nature.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect 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% (2014: 5%, 2013: 5%). The analysis was applied to interest bearing liabilities (bank borrowings, finance lease obligations and accounts payable under grain purchase financing arrangements) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	Increase/ (decrease) of floating rate	*Effect on profit before tax*
		USD ' 000
2015		
LIBOR	5%	(23,419)
LIBOR	-5%	23,419
EURIBOR	5%	(4,041)
EURIBOR	-5%	4,041
2014		
LIBOR	5%	(7,037)
LIBOR	-5%	7,037
EURIBOR	5%	(6,422)
EURIBOR	-5%	6,422
2013		
LIBOR	5%	(6,381)
LIBOR	-5%	6,381
EURIBOR	5%	(8,320)
EURIBOR	-5%	8,320

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

Livestock diseases risk

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

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32. Risk management policies *(continued)*

Commodity price and procurement risk

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

33. 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 2015 was USD 24,826 thousand and is recorded in the consolidated statement of comprehensive income on an accrual basis (2014: USD 49,049 thousand, 2013: USD 68,297 thousand). In January 2011 in accordance with the Law of Ukraine "On charge and accounting of unified social contribution" certain changes in the administration of social charges were made and social charges are to become payable in the form of Unified Social Contribution, including contributions to the State Pension Fund in range of 36.76%-49.7% of gross salary cost. The Group companies are not liable for any other supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

34. Earnings per share

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

	2015	*2014*	*2013*
(Loss)/profit for the year attributable to equity holders of the Parent	(133,399)	(419,985)	155,907
(Loss)/earnings used in calculation of earnings per share	(133,399)	(419,985)	155,907
Weighted average number of shares outstanding	105,629,222	105,619,340	105,666,888
Basic and diluted (loss)/earnings per share (USD per share)	(1.26)	(3.98)	1.48

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

35. Subsequent events

There are no subsequent events to mention.

36. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors of MHP S.A. on 9 March 2016.