KPMG

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated interim financial statements (Unaudited)
For the 6 months ended 30 June 2015

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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AVANGARDCO INVESTMENTS PUBLIC LIMITED

Board of Directors and other officers

BOARD OF DIRECTORS:

Nataliya Vasylyuk (Chairwoman of the Board)
Oleg Bakhmatyuk (Member of the Board)
Oleg Michael Pohotsky (Non Executive Director)
Iryna Marchenko (Chief Executive Officer)

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

LEGAL ADVISORS:

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

Avellum Partners LLC
Leonardo Business Center
19-21 Bohdana Khmelnytskoho Str.
11th floor
01030 Kyiv,Ukraine

INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Str.
1087 Nicosia, Cyprus

BANKERS:

UBS AG
Postfach, CH-8098 Zurich

Deutsche Bank AG
De Entree 99-197
1101 HE Amsterdam
Postbus 12797
1100 AT Amsterdam

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of the Company

We, the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of AvangardCo Investments Public Limited (the "Company") for the 6 months ended 30 June 2015, based on our opinion, we confirm that, to the best of our knowledge the condensed consolidated interim financial statements that are presented on pages 5 to 41:

i) were prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting", and

ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of AvangardCo Investments Public Limited and the businesses that are included in the consolidated accounts as a total.

Members of the Board of Directors:

Nataliya Vasylyuk	
Oleg Bakhmatyuk	
Oleg Michael Pohotsky	
Iryna Marchenko	

Person responsible for the preparation of the condensed consolidated interim financial statements for the 6 months ended 30 June 2015:

Iryna Melnyk	

25 August 2015

KPMG Limited
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

TO THE MEMBERS OF

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AvangardCo Investments Public Limited (the "Company") and its subsidiary companies (together referred to as "the Group") as at 30 June 2015, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter

We draw attention to notes 2.4, 4.2 and 29 to the condensed consolidated interim financial statements, which describe the political and social unrest and regional tensions in Ukraine. The impact of the events referred to in notes 2.4, 4.2 and 29 about the continuing economic and political crisis in Ukraine and their final resolution cannot be determined and may adversely affect the Ukrainian economy and the operations of the Group.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

25 August 2015

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of financial position
AS AT 30 JUNE 2015
(in USD thousand, unless otherwise stated)

	Note	30 June 2015	31 December 2014
ASSETS			
Property, plant and equipment	5	440 065	579 922
Non-current biological assets	6	10 782	21 637
Deferred tax assets		4 440	2 489
Held to maturity investments	7	12 048	17 959
Other non-current assets		21	28
Total non-current assets		**467 356**	**622 035**
Inventories	8	64 030	115 896
Current biological assets	6	22 590	28 228
Trade accounts receivable, net	9	55 172	79 221
Prepaid income tax		64	48
Prepayments and other current assets, net	10	9 133	29 094
Taxes recoverable and prepaid		17 974	45 949
Cash and cash equivalents	11	52 175	117 856
Total current assets		**221 138**	**416 292**
TOTAL ASSETS		**688 494**	**1 038 327**
EQUITY			
Share capital	12	836	836
Share premium	12	201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		929 103	1 077 158
Effect of translation into presentation currency		(958 151)	(776 404)
Equity attributable to owners of the Company		**288 810**	**618 612**
Non-controlling interests		12 010	27 276
Total equity		**300 820**	**645 888**
LIABILITIES			
Long-term loans	13	72 759	79 844
Deferred tax liabilities		14	26
Deferred income		1 635	2 245
Long-term finance lease		46	63
Total non-current liabilities		**74 454**	**82 178**
Short-term bond liabilities	14	199 443	198 635
Current portion of non-current liabilities		18 115	15 368
Short-term loans	15	50 000	50 000
Trade payables		4 599	6 907
Other accounts payable	16	41 063	39 351
Total current liabilities		**313 220**	**310 261**
TOTAL LIABILITIES		**387 674**	**392 439**
TOTAL EQUITY AND LIABILITIES		**688 494**	**1 038 327**

On 25 August 2015 the Board of Directors of AvangardCo Investments Public Limited authorised these condensed consolidated interim financial statements for issue.

Nataliya Vasylyuk
Chairwoman

Iryna Marchenko
Director, CEO

The notes on pages 10 to 41 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of profit and loss and other comprehensive income

FOR THE 6 MONTHS ENDED 30 JUNE 2015

(in USD thousand, unless otherwise stated)

		6 months ended	
	Note	**30 June 2015**	**30 June 2014**
Revenue	17	121 397	262 680
Profit from revaluation of biological assets at fair value	6	2 068	9 049
Cost of sales	18	(115 953)	(190 932)
GROSS PROFIT		**7 512**	**80 797**
General administrative expenses		(3 188)	(6 907)
Distribution expenses		(7 187)	(10 798)
Income from government grants and incentives		48	118
Income from special VAT treatment	23	4 575	33 341
Other operating (expenses)/income	22	(112 206)	425
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		**(110 446)**	**96 976**
Finance income	21	2 121	83
Finance costs	20	(14 908)	(16 651)
Losses on exchange		(31 717)	(29 027)
(LOSS)/PROFIT BEFORE TAX		**(154 950)**	**51 381**
Income tax credit		2 518	610
(LOSS)/PROFIT FOR THE PERIOD		**(152 432)**	**51 991**
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss			
Effect from translation into presentation currency		(192 636)	(499 497)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(345 068)**	**(447 506)**
(LOSS)/PROFIT ATTRIBUTABLE TO			
Owners of the Company		(148 055)	51 602
Non-controlling interests		(4 377)	389
		(152 432)	**51 991**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the Company		(329 802)	(410 355)
Non-controlling interests		(15 266)	(37 151)
		(345 058)	**(447 506)**
(Loss)/earnings per share, USD (basic and diluted)	26	**(23)**	**8**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of changes in equity

FOR THE 6 MONTHS ENDED 30 JUNE 2015

(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	**836**	**115 858**	**201 164**	**1 132 803**	**(68 194)**	**1 382 467**	**64 631**	**1 447 098**
Comprehensive income								
Profit for the period	-	-	-	51 602	-	51 602	389	**51 991**
Effect from translation into presentation currency	-	-	-	-	(461 957)	(461 957)	(37 540)	**(499 497)**
Total comprehensive income	**-**	**-**	**-**	**51 602**	**(461 957)**	**(410 355)**	**(37 151)**	**(447 506)**
Transactions with owners								
Effect from changes in ownership	-			16		16	(16)	**-**
Total transactions with owners	-	-	-	16	-	16	(16)	-
Balance at 30 June 2014	**836**	**115 858**	**201 164**	**1 184 421**	**(530 151)**	**972 128**	**27 464**	**999 592**
Balance at 1 January 2015	**836**	**115 858**	**201 164**	**1 077 158**	**(776 404)**	**618 612**	**27 276**	**645 888**
Comprehensive income								
Loss for the period	-	-	-	(148 055)	-	(148 055)	(4 377)	**(152 432)**
Effect from translation into presentation currency	-	-	-	-	(181 747)	(181 747)	(10 889)	**(192 636)**
Total comprehensive income	**-**	**-**	**-**	**(148 055)**	**(181 747)**	**(329 802)**	**(15 266)**	**(345 068)**
Balance at 30 June 2015	**836**	**115 858**	**201 164**	**929 103**	**(958 151)**	**288 810**	**12 010**	**300 820**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2015	6 months ended 30 June 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax		(154 950)	51 381
Adjustments for:			
Depreciation of property, plant and equipment	5	12 255	11 002
Change in allowance for irrecoverable amounts		46 108	115
Other provisions		-	(489)
Loss/(profit) on disposal of current assets		4	(9)
Loss on disposal of property, plant and equipment		6	2 346
Impairment of current assets		37 503	845
Effect of fair value adjustments on biological assets	6	(2 068)	(9 049)
Gains realised from accounts payable written-off		(90)	(3 071)
Amortization of deferred income on government grants		(48)	(118)
Discount bonds amortization		808	728
Impairement of funds	22	28 863	-
Discount on VAT government bonds amortization		(1 034)	-
Interest income		(1 087)	(83)
Interest payable on loans		14 081	14 702
Losses on exchange		36 685	34 192
Operating profit before working capital changes		**17 036**	**102 492**
Increase in trade receivables		(24 452)	(4 877)
Increase in prepayments and other current assets		2 206	10 887
Decrease/(increase) in taxes recoverable and prepaid		18 672	(19 074)
(Increase)/decrease in inventories		(14 892)	9 368
Decrease in deferred income		-	(126)
Decrease in other non-current assets		-	120
(Decrease)/increase in trade payables		(484)	3 539
Decrease in biological assets		5 986	13 559
Decrease in finance leases		(1)	(886)
Increase/(decrease) in other accounts payable		1 207	(3 749)
Cash generated from operations		**5 278**	**111 253**
Interest paid		(1 884)	(5 005)
Income tax paid		(45)	(41)
Net cash generated from operating activities		**3 349**	**106 207**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(16 092)	(33 686)
Interest received		1 187	83
Net cash used in investing activities		**(14 905)**	**(33 603)**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows (cont.)
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2015	6 months ended 30 June 2014
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans received		9 419	78 726
Repayment of loans		(5 647)	(56 595)
Interest paid for bonds issued		(10 000)	(10 000)
Net cash (used in)/generated from financing activities		**(6 228)**	**12 131**
Net (decrease)/increase in cash		**(17 784)**	**84 735**
Cash and cash equivalents at 1 January		**117 856**	**156 804**
Impairement of funds		(29 344)	-
Effect from translation into presentation currency		(18 553)	(5 459)
Cash and cash equivalents at 30 June	11	**52 175**	**236 080**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

1. General information

AvangardCo Investments Public Limited (the "Company") was incorporated as a limited liability company on 23 October 2007 in accordance with the provisions of the Cyprus Companies Law, Cap. 113, under the name of Ultrainvest Limited. On 8 July 2009, the Registrar of Companies in Cyprus issued a certificate to the effect that the Company was re-registered as a public limited company and changed its name to AvangardCo Investments Public Limited. The Company was listed at London Stock Exchange Main Market on 6 May 2010.

The Company's registered office is at 3 Anexartisias & Kyriakou Matsi, 3040 Limassol, Cyprus.

The condensed consolidated interim financial statements of the Company as at and for the 6 months ended 30 June 2015 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

In 2009 the principal owner of AvangardCo Investments Public Limited reorganised the Group, as a result of which AvangardCo Investments Public Limited became the holding company of an agricultural group of agricultural enterprises, which in the past were under the common ownership and control of this owner. The restructuring was carried out by the transfer of direct interest in the Group's companies. The restructuring was undertaken to achieve legal consolidation of control over agricultural companies of the Group. The reorganisation did not affect the principal activities of the Group.

The history of "Avangard" began with the acquisition by the principal owner of the first poultry farm "Avangard" located in the Ivano-Frankivsk region of Ukraine. Subsequently, to supply the poultry farm with growing birds, the subsidiary "Avangard-Agro" was established. In 2004 a concept of development of this business line was designed, as a result of which in 2005-2009 other major enterprises of agrarian industry in Ukraine joined the Group.

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 June 2015 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 56% of its own fodder. The Group's activities cover almost all the territory of Ukraine. Due to the operating environment in Ukraine, the companies of the Group which have been affected and are not operational are described in note 29.

In order to build a vertically-integrated group, reduce business risk and gain additional profit due to synergies, the Group acquired a hen breeding concern. This ensures breeding of the required number of high quality daily chickens and their timely delivery to factories.

The construction of new full cycle egg production facilities, fully automated, in compliance with European standards of quality is an integral part of the Group's growth strategy.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

1. General information (cont.)

The Group's subsidiaries all of which are incorporated in Ukraine, their principal activities and the effective ownership interests are as follows:

Company name	Principal Activity	Country of registration	Ownership interest (%) 30 June 2015	Ownership interest (%) 31 December 2014
PJSC Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	99,00%	99,00%
PJSC Chornobaivske		Ukraine	97,00%	97,00%
PJSC Agrofirma Avis		Ukraine	100,00%	100,00%
PJSC Kirovskiy		Ukraine	100,00%	100,00%
PJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98,00%	98,00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
LLC Makarivska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC PF Volnovaska		Ukraine	100,00%	100,00%
PJSC Cross-PF Zorya		Ukraine	89,00%	89,00%
PJSC Ptakhofabryka Pershe Travnya		Ukraine	93,00%	93,00%
PJSC Chernivetska Ptakhofabryka		Ukraine	98,00%	98,00%
ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Areal-Snigurivka		Ukraine	100,00%	100,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100,00%	100,00%
PPB LLC Ptytsecompleks		Ukraine	100,00%	100,00%
PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Avangard-Agro of PJSC Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry	Ukraine	99,00%	99,00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard		Ukraine	99,00%	99,00%
SC Rogatynska Ptakhofabryka of PJSC Avangard		Ukraine	99,00%	99,00%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Slovyany		Ukraine	90,00%	90,00%
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
SC Zorya of PJSC Cross-PF Zoraya		Ukraine	89,00%	89,00%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor		Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100,00%	100,00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	97,00%	97,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99,00%	99,00%
PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	100,00%	100,00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	99,00%	99,00%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	100,00%	100,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93,00%	93,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	96,00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Imperovo LTD	Rental services	Ukraine	96,00%	96,00%

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 June 2015 with nominal value of € 0,10 per share.

The shares were distributed as follows:

	30 June 2015		31 December 2014	
Owner	**Number of shares**	**Ownership interest (%)**	**Number of shares**	**Ownership interest (%)**
Omtron Limited	1 848 575	28,9%	1 848 575	28,9%
Tanchem Limited	926 280	14,5%	926 280	14,5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22,5%	1 437 500	22,5%
UkrLandFarming Plc	2 174 825	34,1%	2 174 825	34,1%
Other	4	-	4	-
	6 387 185	100,0%	6 387 185	100,0%

As at 30 June 2015 and 31 December 2014 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	Ownership interest (%) as at 30 June 2015	Ownership interest (%) as at 31 December 2014
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 30 June 2015 and 31 December 2014 the direct interests in Quickcom Limited, Mobco Limited, UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest (%) as at 30 June 2015	Ownership interest (%) as at 31 December 2014
Quickcom Limited	-	100%
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	95%

2. Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements for the the 6 months ended 30 June 2015 have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” and were not audited by the external independent auditors’ of the Group. These condensed consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

2. Basis of preparation (cont.)

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except in the case of biological assets which are measured at fair value and bonds, loans and investments held to maturity which are measured at amortised cost.

2.3 Functional and presentation currency

The functional currency of all companies of the Group is the Ukrainian Hryvnia ("UAH") except in the case of the Cyprus parent company, AvangardCo Investments Public Limited, whose functional currency changed from UAH to Euro ("EUR") as from 1 January 2014. Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar ("USD") as the presentation currency for financial and management reporting purposes. Exchange differences arising are classified as equity and transferred to the translation reserve.

2.4 Going concern basis

These condensed consolidated interim financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management are closely monitoring the events in the current operating environment of the Group described in note 29 and concider that the Group is able to continue its operations as a going concern.

3. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2014.

3.1 Foreign currency translation

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities are translated into the functional currency of each company included into the Group, at the rates ruling at the reporting period. Foreign exchange gains and losses, arising from transactions in foreign currency, and also from translation of monetary assets and liabilities into the functional currency of each company included into the Group at the rate ruling at the end of the year, are recognised to profit or loss.

The exchange rates used for the preparation of these condensed consolidated interim financial statements, are presented as follows:

Currency	30 June 2015	Weighted average for the 6 months ended 30 June 2015	31 December 2014	Weighted average for the 6 months ended 30 June 2014	30 June 2014
US dollar to Ukrainian Hryvnia	21,0154	21, 3649	15,7686	10, 2873	11,8233
Euro	0,8927	0,8965	0,8199	0,7293	0,7350

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.1 Foreign currency translation (cont.)

The empowerment of the USD against UAH has resulted in the reduction of various values disclosed in the statements of profit or loss and of financial position. This reduction is applicable only in case of translation into presentation currency.

The foreign currencies may be freely convertible to the territory of Ukraine at the exchange rate which is close to the exchange rate established by the National Bank of Ukraine. At the moment, the Ukrainian Hryvnia is not a freely convertible currency outside of Ukraine.

(b) Presentation currency

The financial results and position of each subsidiary are translated into the presentation currency as follows:

(1) At each reporting period of financial statements all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine at that reporting period;

(2) Income and expenses are translated at the average exchange rates (except for the cases where such average exchange rate is not a reasonably approximate value reflecting cumulative influence of all exchange rates prevailing at the date of transaction, in which case income and expenses are translated at the exchange rates at the date of transaction);

(3) All exchange differences are recognised in other comprehensive income.

4. Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses, assets and liabilities. Actual results may differ from these estimates.

The significant judgments made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statments as at and for the year ended 31 December 2014.

4.1 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of Directors.

4. Use of judgements and estimates (cont.)

4.1 Measurement of fair values (cont.)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

• *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
• *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the fair values is included in note 28.

4.2 Ukrainian business environment

Ukraine in 2014 has entered in a state of political crisis. The following reasons formed a background for this: authorities stopping Euro integration process, President usurping power, growing corruption of officials, simulated maintenance of economic and social stability based not on the economic growth, but at the expense of gold and foreign exchange reserves; and led to the political crisis in the country. As a result of unthoughtful ruling Ukrainian gold and foreign exchange reserves have significantly diminished.

A subsequent stage of the crisis came with Crimea annexation and armed clashes in the Eastern regions of Ukraine. This resulted in significantly lower budget income and increase in budget deficit. In order to fulfill its obligations and avoid default Ukraine had to refer to the IMF for finance aid. The agreement provides for Ukraine’s adherence to certain requirements. One of them was the shift to floating exchange rate for Ukrainian Hryvnia by Central Bank (NBU), which led to significant loss in its value (up to 50%) comparing to primary foreign currencies. This increased burden on loan portfolio of Ukrainian companies that had borrowings in foreign currency.

Although, in May 2014 Ukraine elected President, who has declared European integration strategy, which slightly stabilized situation in country, military conflict on the East of Ukraine and conflict related to Crimea annexation are still main destabilizing factors. It is extremely hard to forecast the crisis outcome for Ukraine.

The uncertain economic conditions in Ukraine have affected the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non-financial assets. The Group's management has assessed whether any impairment provisions are deemed necessary for the Group's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period.

Whilst, Group’s management considers that all necessary actions are being performed to maintain financial stability of the Group in current circumstances. Continuation of the current unstable business environment may adversely affect results and financial position of the Group, in a manner not currently determinable. These condensed consolidated interim financial statements reflect current management estimation of Ukrainian business environment influence on the financial position of the Group. Situation development may differ from Management expectations. These financial statements were not adjusted to reflect events after the reporting period.

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5. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
Balance at 1 January 2015	**1 756**	**360 710**	**85 479**	**84 338**	**3 114**	**1 730**	**98 854**	**635 981**
Acquisitions	-	329	929	-	3	23	14 703	**15 987**
Disposals	-	(10)	(15)	-	(17)	(19)	(15)	**(76)**
Internal transfers	-	(53)	62	-	-	50	(59)	**-**
Foreign currency translation	(439)	(90 040)	(21 309)	(21 068)	(777)	(432)	(23 634)	**(157 699)**
Reclassification	-	791	102	(672)	-	-	(221)	**-**
Balance at 30 June 2015	**1 317**	**271 727**	**65 248**	**62 598**	**2 323**	**1 352**	**89 628**	**494 193**
Accumulated depreciation								
Balance at 1 January 2015	**-**	**24 327**	**9 124**	**19 571**	**1 897**	**1 140**	**-**	**56 059**
Depreciation charge	-	4 892	5 376	1 751	144	92	-	**12 255**
Depreciation eliminated on disposal	-	(1)	(15)	-	(16)	(14)	-	**(46)**
Foreign currency translation	-	(6 124)	(2 207)	(5 030)	(494)	(285)	-	**(14 140)**
Reclassification	-	34	10	(44)	-	-	-	**-**
Balance at 30 June 2015	**-**	**23 128**	**12 288**	**16 248**	**1 531**	**933**	**-**	**54 128**
Net book value								
Balance at 30 June 2015	**1 317**	**248 599**	**52 960**	**46 350**	**792**	**419**	**89 628**	**440 065**

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5. Property, plant and equipment (cont.)

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
Balance at 1 January 2014	**3 463**	**362 997**	**49 091**	**106 411**	**6 652**	**3 227**	**663 077**	**1 194 918**
Acquisitions	-	41	205	10	116	22	30 627	**31 021**
Disposals	-	(1 513)	(2)	(1 023)	-	(12)	(1)	**(2 551)**
Foreign currency translation	(1 122)	(117 413)	(15 929)	(34 342)	(2 170)	(1 047)	(218 783)	**(390 806)**
Internal transfers	-	45	(8)	-	-	6	(43)	**-**
Reclassification	-	-	-	-	-	-	-	**-**
Balance at 30 June 2014	**2 341**	**244 157**	**33 357**	**71 056**	**4 598**	**2 196**	**474 877**	**832 582**
Accumulated depreciation								
Balance at 1 January 2014	**-**	**35 314**	**10 690**	**39 810**	**3 611**	**1 863**	**-**	**91 288**
Depreciation charge	-	5 965	1 698	2 842	284	213	-	**11 002**
Depreciation eliminated on disposal	-	(76)	(1)	(119)	-	(10)	-	**(206)**
Foreign currency translation	-	(12 206)	(3 682)	(13 251)	(1 207)	(625)	-	**(30 971)**
Reclassification	-	-	4	-	-	(4)	-	**0**
Balance 30 June 2014	**-**	**28 997**	**8 709**	**29 282**	**2 688**	**1 437**	**-**	**71 113**
Net book value								
Balance at 30 June 2014	**2 341**	**215 160**	**24 648**	**41 774**	**1 910**	**759**	**474 877**	**761 469**

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5. Property, plant and equipment (cont.)

As at 30 June 2015 and 31 December 2014 the property, plant and equipment with carrying amount USD 46 604 thousand and USD 64 200 thousand were pledged as a security for Group's loans.

As at 30 June 2015 and 31 December 2014 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 39 thousand and USD 66 thousand respectively.

As at 31 December 2014 the property, plant and equipment were impaired by USD 23 589 thousand in connection with the military conflict on the East of Ukraine and the Crimea annexation (note 29).

6. Biological assets

	Note	30 June 2015	31 December 2014
Non-current biological assets			
Replacement poultry	a), b)	10 782	21 637
		10 782	**21 637**
Current biological assets			
Commercial poultry	a), b)	22 590	28 228
		22 590	**28 228**
Total		**33 372**	**49 865**

a) Commercial poultry and replacement poultry were as follows:

	30 June 2015		31 December 2014	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	10 141	24 289	6 880	17 492
Hy-Line	5 583	8 669	15 665	30 762
Hisex	-	-	68	87
NOVOgen	68	79	280	604
Brown Nick	63	92	326	548
Decalb	131	243	123	372
	15 986	**33 372**	**23 342**	**49 865**

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6. Biological assets (cont.)

b) Reconciliation of commercial and replacement poultry fair value was as follows:

Balance at 1 January 2014	**137 324**
Acquisitions	55 201
Increase in value as a result of increase in weight/number	64 368
Net change in fair value	9 049
Decrease in value resulting from assets disposal	(70 845)
Effect from translation into presentation currency	(43 874)
Decrease in value resulting from hens slaughtering	(62 373)
Other changes	(126)
Balance at 30 June 2014	**88 724**
Balance at 1 January 2015	**49 865**
Acquisitions	14 666
Increase in value as a result of increase in weight/number	25 694
Net change in fair value	2 068
Decrease in value resulting from assets disposal	(20 964)
Effect from translation into presentation currency	(12 516)
Decrease in value resulting from hens slaughtering	(25 390)
Other changes	(51)
Balance at 30 June 2015	**33 372**

Due to the absence of an active market for laying hen in Ukraine to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 35.53% prevailing as at 30 June 2015 was applied (for the year ended 31 December 2014: 27.97% and for the 6 months ended 30 June 2014: 25.0%).

The line item “Other changes” includes hen mortality, discarding and utilisation of poultry.

Regulatory and environmental risk

The Group is subject to laws and regulations in Ukraine. The Group has established environmental policies and procedures aimed at compliance with local environment and other laws.

7. Held to maturity investments

Held to maturity investments as at 30 June 2015 and 31 December 2014 were as follows:

	30 June 2015	31 December 2014
VAT government bonds	17 354	26 433
Discount VAT government bonds	(5 306)	(8 474)
	12 048	**17 959**

	30 June 2015	31 December 2014
Coupon receivable	781	1 177

During the year 2014 the Group’s management decided to voluntarily obtain VAT government bonds as a settlement of VAT refundable. These bonds bear a semi-annual interest of 9,5% and mature in 2019.

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8. Inventories

Inventories as at 30 June 2015 and 31 December 2014 were as follows:

	30 June 2015	31 December 2014
Raw and basic materials	46 426	87 116
Work-in-progress	503	276
Agricultural produce	2 857	1 382
Finished goods	5 001	16 771
Package and packing materials	7 493	8 313
Goods for resale	471	290
Other inventories	1 279	1 748
	64 030	**115 896**

Raw and basic materials mainly consist of grains and mixed fodder inventories.

The Group produced shell eggs in the quantity of 1 891 829 002 (6 months ended 30 June 2014: 3 680 324 741 items) which have fair value amounted to USD 94 747 thousand (6 months ended 30 June 2014: USD 246 850 thousand).

The amout of inventories written-off for the 6 months ended 30 June 2015 was USD 37 444 thousand (6 months ended 30 June 2014: USD 722 thousand) (note 22).

9. Trade accounts receivable, net

As at 30 June 2015 an amount of USD 13 474 thousand or 24.4% of the total carrying value of trade accounts receivable is due from the single most significant client (USD 11 968 thousand or 15.0% as at 31 December 2014).

The provision for doubtful debts and write-offs for trade accounts receivable for the 6 monthes ended 30 June 2015 amounted to USD 35 940 thousand (6 months ended 30 June 2014: USD 309 thousand) (note 22).

10. Prepayments and other current assets, net

Decrease in prepayments and other current assets is associated with the change of the Group's policy for procurement of grain due to the unstable situation in Ukraine.

The provision for doubtful debts and write-offs for prepayments and other current assets amounted to USD 10 168 thousand (6 months ended 30 June 2014: release USD 194 thousand) (note 22).

11. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2015 and 31 December 2014 were as follows:

	30 June 2015	31 December 2014
Cash in banks	52 027	117 812
Cash in hand	148	44
Other bank accounts in foreign currency	-	-
Cash and cash equivalents represented in condensed consolidated statement of cash flows	**52 175**	**117 856**

An amount of USD 28 863 thousand was impaired as a result of Finansova Iniciatyva Bank being placed under liquidation (note 22).

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12. Share capital

	30 June 2015		31 December 2014	
	Number of shares	**Share capital, USD ths**	**Number of shares**	**Share capital, USD ths**
Authorised				
Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
Issued and fully paid				
Balance at 30 June	**6 387 185**	**836**	**6 387 185**	**836**

On 22 April 2010 the Company increased its authorized share capital by 1 500 000 ordinary shares of EUR 0,10 per share.

In May and June 2010 the Company issued 1 387 185 ordinary shares with nominal value EUR 0,10 per share.

In respect of this share issue, the Company generated net share premium amounting to USD 201 164 thousand (net of share issue costs of USD 6 914 thousand) (10 GDR are equal to 1 ordinary share) as a result of initial placement of 14 375 000 GDR on the main market of London Stock Exchange, out of which the 13 871 859 GDR were issued.

13. Long-term loans

Long-term loans as at 30 June 2015 and 31 December 2014 were as follows:

	30 June 2015	31 December 2014
Long-term bank loans in national currency	1 042	1 389
Long-term bank loans in foreign currency	89 277	93 084
Total loans	**90 319**	**94 473**
Commodity credit	422	561
	90 741	**95 034**
Current portion of non-current liabilities for bank loans in national currency	(434)	(231)
Current portion of non-current liabilities for bank loans in foreign currency	(17 548)	(14 959)
	72 759	**79 844**

a) As at 30 June 2015 and 31 December 2014 the long-term bank loans by maturities were as follows:

	30 June 2015	31 December 2014
Less than one year	17 982	15 190
From 1 to 2 years	18 659	18 680
From 2 to 3 years	13 710	16 255
From 3 to 4 years	11 791	12 473
From 4 to 5 years	9 644	9 747
Over 5 years	18 533	22 128
	90 319	**94 473**

b) As at 30 June 2015 and 31 December 2014 the long-term bank loans by currencies were as follows:

	30 June 2015	31 December 2014
Long-term bank loans in UAH	1 042	1 389
Long-term bank loans in EUR	89 277	93 084
	90 319	**94 473**

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13. Long-term loans (cont.)

c) As at 30 June 2015 and 31 December 2014 the interest rates for long-term bank loans were as follows:

	30 June 2015	31 December 2014
Long-term bank loans denominated in UAH	18%	18%
Long-term bank loans in EUR	1.5%+EURIBOR-2.7%+EURIBOR	1.5%+EURIBOR-2.7%+EURIBOR

d) Commodity credit in the amount of USD 422 thousand (31 December 2014: USD 561 thousand) is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboprodiktiv" and OJSC "Ptakhohospodarstvo Chervonyi Prapor" for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. In case of default the Group's companies are subject to fine and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine, applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments. The commodity credit does not have a maturity date.

14. Bond liabilities

Bond liabilities as at 30 June 2015 and 31 December 2014 were as follows:

	30 June 2015	31 December 2014
Par value	200 000	200 000
Discount on issued bonds	(557)	(1 365)
	199 443	**198 635**

	30 June 2015	31 December 2014
Coupon payable	3 462	3 462

On 29 October 2010, the Company issued 2 000 five year non-convertible bonds with par value equal to USD 100 000 each. The Notes have been admitted to the official list of the UK listing Authority and to trading on London Stock Exchange plc's regulated market with effect from 1 November 2010. The USD 200 000 000 10% Notes, bear interest from 29 October 2010 at a rate of 10% per annum payable semi annually in arrears on 29 April and 29 October in each year, commencing on 29 April 2011. The maturity date is 29 October 2015 and the placement price was 98,093% of the principal amount of the Notes. Currently, the Company is exploring different options for the upcoming maturity of the bonds.

Surety providers of the bonds were as follows: (1) LLC Areal Snigurivka, (2) CJSC Agrofirma Avis, (3) LLC Torgivelniy Budynok Bohodukhivska Ptahofabryka, (4) CJSC Chernivetska Ptakhofabryka, (5) PJSC Ptakhohospodarstvo Chervonyi Prapor, (6) APP CJSC Chornobaivske, (7) CJSC Avangard, (8) ALLC Donetska Ptakhofabryka, (9) SC Gorodenkivska Ptakhofabryka, (10) LLC Imperovo Foods, (11) PSPC Interbusiness, (12) SC Rohatynska Ptahofabryka, (13) SC Ptakhofabryka Lozuvatska, (14) LLC PF Volnovaska, (15) PJSC Cross P/F Zorya.

(in USD thousand, unless otherwise stated)

15. Short-term loans

Short-term loans as at 30 June 2015 and 31 December 2014 were as follows:

	Note	30 June 2015	31 December 2014
Short-term bank loans in foreign currency	a), b), c)	50 000	50 000
		50 000	**50 000**

a) As at 30 June 2015 and 31 December 2014 the short-term bank loans by maturity were as follows:

	30 June 2015	31 December 2014
From 6 to 12 months	50 000	50 000
	50 000	**50 000**

b) As at 30 June 2015 and 31 December 2014 the short-term bank loans by currencies were as follows:

	30 June 2015	31 December 2014
Short-term bank loans in USD	50 000	50 000
	50 000	**50 000**

c) Short-term bank loans interest rate by currency as at 30 June 2015 and 31 December 2014 was as follows:

	30 June 2015	31 December 2014
Short-term bank loans denominated in USD	11.5%	11.5%

16. Other accounts payable

Other accounts payable as at 30 June 2015 and 31 December 2014 were as follows:

	Note	30 June 2015	31 December 2014
Accrued expenses for future employee benefits		371	515
Other accrued expenses		132	211
Wages and salaries and related taxes liabilities		1 021	1 415
Other taxes and compulsory payments liabilities	a)	1 422	1 133
Accounts payable for property, plant and equipment		588	709
Advances received from customers	b)	128	394
Interest payable on loans		2 237	5
Accrued coupon on bonds		3 462	3 462
Dividends payable		29 542	29 542
Other payables	c)	2 160	1 965
		41 063	**39 351**

a) Other taxes and compulsory payments liabilities mainly comprises of liabilities for VAT and community charges.
b) Advances received from customers consist of prepayments for the sale of agriculture products and finished goods from buyers.
c) Other payables consist of payables for electricity, gas, water, security services, lease and other.

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17. Revenue

Sales revenue for the 6 months ended 30 June 2015 and 30 June 2014 was as follows:

	6 months ended	
	30 June 2015	**30 June 2014**
Revenue from finished goods	121 273	261 626
Revenue from goods sold and services rendered	124	1 054
	121 397	**262 680**

For the 6 months ended 30 June 2015 USD 18 955 thousand (6 months ended 30 June 2014: USD 22 601 thousand) or 15.6% (6 months ended 30 June 2014: 8.6%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

18. Cost of sales

Cost of sales for the 6 months ended 30 June 2015 and 30 June 2014 was as follows:

		6 months ended	
	Note	**30 June 2015**	**30 June 2014**
Cost of finished goods sold	19	(115 683)	(190 010)
Cost of goods sold and services rendered		(270)	(922)
		(115 953)	**(190 932)**

19. Cost of sales by elements

The cost of finished goods sold (Note 18) for the 6 months ended 30 June 2015 and 30 June 2014 was as follows:

		6 months ended	
	Note	**30 June 2015**	**30 June 2014**
Raw materials		(83 436)	(157 364)
Payroll of production personnel and related taxes		(2 817)	(8 908)
Depreciation		(12 086)	(10 664)
Services provided by third parties		(17 292)	(12 994)
Other expenses		(52)	(80)
	18	**(115 683)**	**(190 010)**

Services provided by third parties consists of expenses for electricity, storage services, gas, water, current repairs of production premises, sanitary cleaning services, veterinary services and other.

20. Finance costs

Finance costs for the 6 months ended 30 June 2015 and 30 June 2014 was as follows:

	6 months ended	
	30 June 2015	**30 June 2014**
Interest payable on loans	(4 081)	(3 975)
Total finance expenses on loans	**(4 081)**	**(3 975)**
Finance expenses on finance lease	(10)	(73)
Finance expenses on bonds	(10 000)	(10 727)
Other finance expenses	(817)	(1 876)
	(14 908)	**(16 651)**

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21. Finance income

Finance income for the 6 months ended 30 June 2015 includes the interest income from VAT government bonds of USD 2 121 thousand (6 months ended 30 June 2014: USD 83 thousand).

22. Other operating (expenses)/income

Other operating (expenses)/income for the 6 months ended 30 June 2015 and 30 June 2014 was as follows:

		6 months ended	
	Note	**30 June 2015**	**30 June 2014**
Loss on disposal of current assets		(4)	9
Loss on disposal of non current assets		(6)	(2 346)
Impairment of current assets		(37 503)	(944)
Impairement of funds	a)	(28 863)	-
Gain realised from writing-off of accounts payable		90	3 071
Foreign currency sale income		72	563
Provision for doubtful debts and amounts written off		(46 108)	(115)
Fines, penalties recognized		(462)	(345)
Other income		578	532
		(112 206)	**425**

a) The above amount was a result of the categorisation of Finansova Iniciatyva Bank by the National Bank of Ukraine as insolvent (note 11).

23. Income from special VAT treatment

According to the Tax Code of Ukraine agricultural enterprises (those with a relative value of agricultural products in total sales not less than 75% for the previous 12 months) have a tax benefit for VAT on agriculture transactions. Positive VAT balance (positive difference between tax liability and tax credit) from agricultural transactions shall be recognized as government grants on special VAT treatment and transferred to special current account in a financial institution and negative balance (negative difference between tax liability and tax credit) is not subject to budgetary refund and credited to the tax credit for the next reporting (tax) period.

All members of the Group met the criteria for the use of these VAT benefits except from LLC Rohatyn-Korm, LLC Kamyanets-Podilsky Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, OJSC Volnovaskyi Kombinat Khliboprodiktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited.

24. Related party balances and transactions

The Company is controlled by Oleg Bakhmatyuk, who directly or indirectly owns 77.5% of the Company’s share capital. The remaining 22.5% of the shares are widely owned.

For the purposes of these condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise 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.
According to these criteria the related parties of the Group are divided into the following categories:

A. Key management personnel;
B. Companies having the same top management;
C. Companies in which the Group's owners have an equity interest;
D. Companies in which activities are significantly influenced by the Group's owners.

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24. Related party balances and transactions (cont.)

Salary costs of key management personnel for the 6 months ended 30 June 2015 and 30 June 2014 were as follows:

	30 June 2015	30 June 2014
Salary	425	1 069
Contributions to state funds	99	243
	524	**1 312**

Outstanding amounts of the Group for transactions with related parties as at 30 June 2015 and 31 December 2014 were as follows:

	Outstanding balances with related parties as at	
	30 June 2015	**31 December 2014**
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	1	2
D. Companies in which activities are significantly influenced by the Group's owners	3 382	5 516
	3 383	**5 518**
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	-	4
D. Companies in which activities are significantly influenced by the Group's owners	4	156
	4	**160**
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	3 003	14 550
	3 003	**14 550**
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	46	53
	46	**53**
Current portion of non-current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	17	23
	17	**23**
Trade accounts payable		
D. Companies in which activities are significantly influenced by the Group's owners	1	33
	1	**33**
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	-	8 719
D. Companies in which activities are significantly influenced by the Group's owners	19	14 424
	19	**23 143**

On 2nd July 2013 UkrLandFarming Plc acquired a direct shareholding percentage of 7.11% in the share capital of LLC Imperovo Limited partially through contribution of technological equipment for elevators.

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24. Related party balances and transactions (cont.)

From 2nd July 2013 therefafter the share capital of LLC Imperovo Limited was increased through contributions from other Group companies, therefore the direct shareholding percentage of UkrLandFarming Plc was decreased to 3.17% at 31 December 2014 (same for 30 June 2015).

As at 30 June 2015 Prepayments and other current assets, net include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 3 323 thousand (31 December 2014: USD 4 451 thousand).

The Group's transactions with related parties for the 6 months ended 30 June 2015 and 30 June 2014 were as follows:

	Transactions with related parties for the 6 months ended	
	30 June 2015	**30 June 2014**
Sales revenue		
D. Companies in which activities are significantly influenced by the Group's owners	265	1 153
	265	**1 153**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(39)	(45)
	(39)	**(45)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(3 227)	(1 053)
	(3 227)	**(1 053)**
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	(28 740)	142
	(28 740)	**142**
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	29	33
	29	**33**
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	(10)	(29)
	(10)	**(29)**

For the 6 months ended 30 June 2015 and 30 June 2014 transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 2 542 thousand and USD 1 204 thousand respectively. All those services were provided on market terms.

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25. Operating segments

A reportable segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generate revenues other than risks and income of those components that are peculiar to other reportable segments.

For the purpose of management the Group is divided into the following reportable segments on the basis of produced goods and rendered services, and consists of the following 5 reportable segments:
- shell eggs - breeding of industrial laying hens, production and sale of shell eggs;
- poultry - incubation (production and sale of baby chicks), breeding of young birds for sale, as well as sale of birds for slaughter;
- animal feed - production and sale of feeds;
- egg products - processing and sale of egg products;
- other activities - including sale of goods and services, sale of poultry meat and by-products, sale of plant production, sale of poultry manure etc.

Management monitors the operating results of each of the units separately for the purposes of making decisions about resources allocation and evaluation of operating results. The results of segments' activities are measured on the basis of operating profit or loss, its measurement is carried out accordingly to measurement of operating profit or loss in the condensed consolidated interim financial statements.

Reportable segment information for the 6 months ended 30 June 2015 was as follows:

	Shell eggs	**Poultry**	**Animal feed**	**Egg products**	**Other activities**	**Adjustments and elimination**	**Total**
Sales revenue	143 640	19 356	83 408	30 726	439	-	277 569
Intra-group elimination	(57 965)	(14 521)	(83 393)	-	(293)	-	(156 172)
Revenue from external buyers	**85 675**	**4 835**	**15**	**30 726**	**146**	**-**	**121 397**
Income from revaluation of biological assets at fair value	(119)	2 188	-	-	-	-	2 068
Other operating expenses	(33 344)	(836)	(40 263)	(37 093)	(670)	-	(112 206)
Income from government grants and incentives	47	1	-	-	-	-	48
OPERATING LOSS	**(34 515)**	**(1 270)**	**(41 278)**	**(30 997)**	**(2 386)**	**-**	**(110 446)**
Finance income	195	6	1	1 919	-	-	2 121
Finance costs, *including:*	(102)	-	-	(3 016)	(11 790)	-	(14 908)
Interest payable on loans	(92)	-	-	(3 015)	(974)	-	(4 081)
Income tax (expense)/credit	-	-	(210)	2 720	8	-	2 518
NET LOSS FOR THE PERIOD	**(34 422)**	**(1 405)**	**(41 486)**	**(34 459)**	**(40 660)**	**-**	**(152 432)**
TOTAL ASSETS	**1 228 675**	**68 405**	**259 698**	**343 451**	**(313 606)**	**(898 129)**	**688 494**
Depreciation	8 729	1 033	749	312	1 432	-	**12 255**
TOTAL LIABILITIES	**517 123**	**6 822**	**282 297**	**119 505**	**337 857**	**(875 930)**	**387 674**

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25. Operating segments (cont.)

Reportable segment information for the year ended 30 June 2014 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	295 154	75 115	114 088	82 797	7 522	-	574 676
Intra-group elimination	(137 096)	(54 385)	(114 096)	-	(6 419)	-	(311 996)
Revenue from external buyers	**158 058**	**20 730**	**(8)**	**82 797**	**1 103**	**-**	**262 680**
Income from revaluation of biological assets at fair value	(2 037)	11 086	-	-	-	-	9 049
Other operating income/(expenses)	(589)	(274)	432	(1 238)	(26 933)	-	(28 602)
Income from government grants and incentives	116	2	-	-	-	-	118
OPERATING PROFIT/(LOSS)	**69 860**	**1 514**	**(2 564)**	**29 555**	**(30 416)**	**-**	**67 949**
Finance income	43	4	12	22	2	-	83
Finance costs,	(735)	-	-	(2 727)	(13 189)	-	(16 651)
including:							-
Interest payable on loans	(191)	-	-	(2 727)	(1 057)	-	(3 975)
Income tax (expense)/credit	-	-	(122)	723	9	-	610
NET PROFIT/(LOSS) FOR THE PERIOD	**69 168**	**1 518**	**(2 674)**	**27 573**	**(43 594)**	**-**	**51 991**
TOTAL ASSETS	**2 167 423**	**73 185**	**331 286**	**436 607**	**537 489**	**(2 171 700)**	**1 374 290**
Depreciation	4 893	425	159	5 221	304	-	11 002
TOTAL LIABILITIES	**684 193**	**14 653**	**281 486**	**247 365**	**331 031**	**(1 184 030)**	**374 698**

The Group's revenue from external customers and information about its non-current assets by geographical location are presented as follows:

	Revenue from external customers		**Non-current assets**	
	For the 6 months ended		**As at**	
	30 June 2015	**30 June 2014**	**30 June 2015**	**31 December 2014**
Ukraine	77 165	160 792	467 356	622 035
Middle East and North Africa	25 481	62 392	-	-
Far East	12 135	17 208	-	-
Central and West Africa	-	22 201	-	-
Rest of the World	6 616	87	-	-
Total	**121 397**	**262 680**	**467 356**	**622 035**

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26. (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the 6 months ended 30 June 2015 and 30 June 2014 was based on (loss)/profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	6 months ended	
	30 June 2015	**30 June 2014**
(Loss)/profit attributable to the owners of the Company:		
(in USD thousands)		
(Loss)/profit attributable to the owners of the Company	(148 055)	51 602
Weighted average number of shares:		
Weighted average number of ordinary shares at 31 December	6 387 185	6 387 185
(Loss)/earnings per share (USD)	(23)	8

(Loss)/earnings per share is the (loss)/profit for the year after taxation divided by the weighted average number of shares in issue for each year.

There are no options or instruments convertible into new shares and so basic and diluted earnings per share are the same.

27. Financial risk management

The Group has exposure to the following risks arising from use of financial instruments: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk of fair value) and livestock disease risk. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2014.

a) Credit risk

Credit risk is the risk of financial loss to the Group in case of non-fulfillment of financial obligations by a client or counterparty under the respective agreement. In the reporting period the Group's financial assets which are exposed to credit risk are represented as follows: cash and balances on bank accounts, trade and other accounts receivable (except for receivables that are not represented by financial assets), VAT government bonds, bank deposits.

Exposure to credit risk

The carrying value of financial assets represents the maximum exposure to credit risk. Maximum level of credit risk as at 30 June 2015 and 31 December 2014 was presented as follows:

Financial assets	**30 June 2015**	**31 December 2014**
Cash and cash equivalents	52 027	117 812
Held to maturity investments	12 048	17 959
Trade accounts receivable	55 172	79 221
Total	**119 247**	**214 992**

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27. Financial risk management (cont.)

a) Credit risk (cont.)

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients. The Management is examining each individual customer to provide extended credit terms in the light of the economic environment in Ukraine. The Management believes that unimpaired amounts are still collectible in full. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the 6 months ended 30 June 2015 USD 18 955 thousand or 15.6% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 30 June 2015 an amount of USD 13 474 thousand or 24.4% of the total carrying value of trade accounts receivable is due from the single most significant client.

For the 6 months ended 30 June 2014 USD 22 601 thousand or 8.6% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 30 June 2014 an amount of USD 7 146 thousand or 11.1% of the total carrying value of trade accounts receivable is due from the single most significant client.

As at 31 December 2014 an amount of USD 11 968 thousand or 15.0% of the total carrying value of trade accounts receivable is due from the single most significant client.

Trade receivables as at 30 June 2015 and 31 December 2014 by dates of origin were presented as follows:

30 June 2015	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	17 569	11 774	15 080	10 750	0	0	0	**55 172**

31 December 2014	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	30 100	22 352	11 972	6 270	6 794	1 722	11	**79 221**

The amounts in column 0-30 days represent the amounts not past due nor impaired.

The amounts due from related parties are not generally provided where there is no reason to doubt the solvency of the debtor.

Related parties tend to be given longer credit terms and the older amounts generally relate to these related parties.

<u>Movement in provision for doubtful debts</u>

	6 months ended	
	30 June 2015	**30 June 2014**
As at 1 January	(9 996)	(1 281)
Change in provisions	(46 108)	(115)
Write-offs	-	78
Effect of translation into presentation currency	2 270	515
As at 30 June	**(53 834)**	**(803)**

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27. Financial risk management (cont.)

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity of the Group to fulfill its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage to the reputation of the Group.

The aim of the Group is the maintenance of balance between continuous financing and flexibility in usage of bank loans and settlements with suppliers.

In accordance with plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cash flows from operating activities are insufficient for liabilities to be settled. The table below represents the expected maturity of components of working capital:

<u>Exposure to liquidity risk</u>

30 June 2015

Non-derivative financial liabilities	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(160 683)	-	(76 387)	(64 910)	(19 386)
Finance lease (including VAT)	(63)	-	(17)	(46)	-
Short-term bond liabilities	(210 000)	-	(210 000)	-	-
Trade payables	(4 599)	(4 599)	-	-	-
Dividends payable	(29 542)	-	(29 542)	-	-
	(404 887)	**(4 599)**	**(315 946)**	**(64 956)**	**(19 386)**

31 December 2014

Non-derivative financial liabilities	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(172 802)	-	(73 624)	(75 758)	(23 420)
Finance lease (including VAT)	(87)	-	(24)	(63)	-
Long-term bond liabilities	(220 000)	-	(220 000)	-	-
Trade payables	(6 907)	(6 907)	-	-	-
Dividends payable	(29 542)	-	(29 542)	-	-
	(429 338)	**(6 907)**	**(323 190)**	**(75 821)**	**(23 420)**

c) Market risk

Market risk is the risk of negative influence of changes in market prices, such as foreign exchange rates and interest rates, on revenue position of the Group or on the value of the Group's available financial instruments.

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits. Description of the Group's exposure to such market components as currency risk and interest rate risk, is given below.

i) Foreign currency risk

Foreign currency risk which represents a part of market risk is the risk of change in the value of financial instruments due to changes in foreign exchange rates.

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27. Financial risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

Management does not use derivative financial instruments to hedge foreign currency risks and does not follow the official policy for distribution of risks between liabilities in one or another currency. However, in the period of receiving new borrowings and loans, management uses its own estimates to take the decision as for which currency of denomination will be more favourable for the Group during the expected period until maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in functional currency (UAH) as at 30 June 2015 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	50 000	-	**50 000**
Trade payables	269	656	**925**
Cash and cash equivalents	-	(2)	**(2)**
Trade accounts receivable	(18 739)	(14)	**(18 753)**
Net exposure to foreign currency risk	**31 530**	**640**	**32 170**

The Company's exposure to foreign currency risk and the functional currency (EUR) as at 30 June 2015 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Short-term bond liabilities	199 443
Accounts payable for property, plant and equipment	7
Other accounts payable	29 542
Cash and cash equivalents	(48 193)
Accrued coupon on bonds	3 462
Net exposure to foreign currency risk	**184 261**

The Group's exposure to foreign currency risk and the amount in functional currency (UAH) as at 31 December 2014 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	50 000	-	**50 000**
Trade payables	263	788	**1 051**
Accounts payable for property, plant and equipment	6	72	**78**
Cash and cash equivalents	(10 001)	(216)	**(10 217)**
Trade accounts receivable	(28 878)	-	**(28 878)**
Net exposure to foreign currency risk	**11 390**	**644**	**12 034**

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27. Financial risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

Exposure to foreign currency risk (cont.)

The Company's exposure to foreign currency risk and the functional currency (EUR) as at 31 December 2014 based on carrying amounts was as follows:

(in conversion to USD thousand)	**USD**
Short-term bond liabilities	198 635
Accounts payable for property, plant and equipment	7
Other accounts payable	29 546
Cash and cash equivalents	(84 951)
Accrued coupon on bonds	3 462
Net exposure to foreign currency risk	**146 699**

Sensitivity analysis (foreign currency risk)

Below there is a sensitivity analysis of income (or loss) of the Group before tax to the possible changes in foreign currency rates. This analysis is conducted based on the assumption that all other variables and interest rates in particular, remain unchanged.

Effect in USD thousand:	**Increase in currency rate against UAH**	**Effect on profit before tax**	**Effect on equity**
30 June 2015			
USD	20%	(6 306)	(6 306)
EUR	15%	(96)	(96)

Effect in USD thousand:	**Increase in currency rate against EUR**	**Effect on profit before tax**	**Effect on equity**
30 June 2015			
USD	5%	(9 213)	(9 213)

Effect in USD thousand:	**Increase in currency rate against UAH**	**Effect on profit before tax**	**Effect on equity**
31 December 2014			
USD	20%	(2 278)	(2 278)
EUR	15%	(97)	(97)

Effect in USD thousand:	**Increase in currency rate against EUR**	**Effect on profit before tax**	**Effect on equity**
31 December 2014			
USD	5%	(7 335)	(7 335)

27. Financial risk management (cont.)

c) Market risk (cont.)

ii) Interest rate risk

Interest rate risk is connected with a possibility of changes in value of financial instruments resulting from changes in interest rates.

Capital management

The Group's management follows the policy of providing the firm capital base which allows supporting the trust of investors, creditors and market and ensuring future business development.

In relation to capital management the Group's objectives are as follows: maintaining the Group's ability to adhere to the going concern principle in order to provide income for owners and benefits to other interested parties, and also maintaining the optimal capital structure with the purpose of its cost reduction.

To manage capital, the Group's management, above all, uses the calculations of the financial leverage coefficient (ratio of leverage ratio) and the ratio between net debt and EBITDA.

Financial leverage is calculated as a ratio between net debt and total amount of capital. Net debt is calculated as cumulative borrowings net of cash and cash equivalents. Total amount of capital is calculated as own capital reflected in the condensed consolidated statement of financial position plus the amount of net debt.

This ratio measures net debt as a proportion of the capital of the Group, i.e. it correlates the debt with total equity and shows whether the Group is able to pay the amount of outstanding debts. An increase in this coefficient indicates an increase in borrowings relative to the total amount of the Group's capital. Monitoring this indicator is necessary to keep the optimal correlation between own funds and borrowings of the Group in order to avoid problems from over leverage.

Financial leverage ratio calculation

For the ratio of net debt to EBITDA, the calculation of net debt is as above. EBITDA is an indicator of income before taxes, interest depreciation and amortisation. It is useful for the Group's financial analysis, since the Group's activity is connected with long-term investments in property, plant and equipment. EBITDA does not include depreciation, so that in the Group's opinion, it reflects the approximate cash flows deriving from the Group's income in a more reliable way.

The ratio of net debt to EBITDA gives an indication of whether income obtained from operating activities is sufficient to meet the Group's liabilities.

(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

c) Market risk (cont.)

ii) Interest rate risk (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

As at 30 June 2015 and 31 December 2014 the Group's financial leverage coefficient was 48.9% and 25.9% respectively.

	Carrying value	
	30 June 2015	**31 December 2014**
Short-term loans	50 000	50 000
Long-term loans	72 759	79 844
Current portion of long-term loans	17 983	15 190
Long-term finance lease (including VAT)	64	88
Short-term bond liabilities	199 443	198 635
Total borrowings	**340 249**	**343 757**
Cash and cash equivalents	(52 175)	(117 856)
Net debt	**288 074**	**225 901**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	929 103	1 077 158
Foreign currency translation reserve	(958 151)	(776 404)
Non-controlling interests	12 010	27 276
Total equity	**300 820**	**645 888**
Total amount of equity and net debt	**588 894**	**871 789**
Financial leverage coefficient	**48.9%**	**25.9%**

For the 6 months ended 30 June 2015 and 30 June 2014 ratio of net debt to EBITDA amounted to:

	6 months ended	
	30 June 2015	**30 June 2014**
(LOSS)/PROFIT FOR THE PERIOD	(152 432)	51 991
Income tax credit	(2 518)	(610)
Finance income	(2 121)	(83)
Finance expenses	14 908	16 651
Losses on exchange	31 717	29 027
EBIT (earnings before interest and income tax)	**(110 446)**	**96 976**
Depreciation	12 255	11 002
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**(98 191)**	**107 978**
Net debt at the period end	288 074	106 097
Net debt at the period end / EBITDA	**-2.93**	**0.98**

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28. Fair values

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

• *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.

• *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total
30 June 2015				
Biological Assets	-	-	33 372	**33 372**
31 December 2014				
Biological Assets	-	-	49 865	**49 865**

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the 6 months ended 30 June 2015.

The fair value of biological assets is determined as the discounted value of net cash flows expected from assets.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for fair value measurement of biological assets.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. The valuation team assesses and documents the evidence obtained to support the conclusion that the valuation meets the requirements of IFRS, including the level in the fair value hierarchy. Significant valuation issues are reported to the Chief Financial Officer.

The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below:

	As at	
	30 June 2015	**30 June 2014**
Discount rate	35,53%	25,00%
Inflation rate	101,25%	101,00%

The higher the discount rate the lower the fair value of biological assets, and the higher the inflation rate the higher the fair value of biological assets. Any interrelationship between the unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

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28. Fair values (cont.)

Sensitivity analysis of biological assets fair value to the possible changes in discount rate and inflation rate is disclosed in the table below:

Effect in USD thousand:	Increase/decrease of rate	Effect on fair value of biological assets
30 June 2015		
Discount rate	2,50%	(649)
Discount rate	-2,50%	666
Inflation rate	1,75%	4 752
Inflation rate	-1,75%	(4 752)
30 June 2014		
Discount rate	2,50%	(2 097)
Discount rate	-2,50%	2 155
Inflation rate	1,75%	13 293
Inflation rate	-1,75%	(13 292)

There were no transfers to/from Level 3 of the fair value hierarchy during the 6 months ended 30 June 2015.

The reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy is analyzed in note 6 of these condensed consolidated interim financial statements.

Total gain or losses for the period as shown in the reconciliation (note 6) are presented on the face of the condensed consolidated statement of comprehensive income as “Profit from revaluation of biological assets at fair value” (6 months ended 30 June 2015: USD 2 068 thousand).

The following table analyses the fair values of financial instruments not measures at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
30 June 2015					
Financial Assets					
Cash and cash equivalents	-	52 175	-	52 175	52 175
Held to maturity investments	-	12 048	-	12 048	12 048
Trade and other receivables	-	-	55 172	55 172	55 172
Financial Liabilities					
Trade payables	-	-	4 599	4 599	4 599
Bank loans	-	140 742	-	140 742	140 742
Short-term bond liabilities	96 000	-	-	96 000	199 443

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28. Fair values (cont.)

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2014					
Financial Assets					
Cash and cash equivalents	-	117 856	-	117 856	117 856
Held to maturity investments	-	17 959	-	17 959	17 959
Trade and other receivables	-	-	79 221	79 221	79 221
Financial Liabilities					
Trade payables	-	-	6 907	6 907	6 907
Bank loans	-	145 034	-	145 034	145 034
Short-term bond liabilities	125 750	-	-	125 750	198 635

Assumptions in assessing fair value of financial instruments and assessment of their subsequent recognition

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 instruments. 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 holding of a particular instrument.

As at 30 June 2015, the following methods and assumptions, which remained the same as the prior year, were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents - the fair value is estimated to be the same as the carrying value for these short-term financial instruments.

Held to maturity investments - the fair value is estimated using the discounted expected future cashflow on the VAT government bond.

Trade and other accounts receivable, financial assistance issued - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.

Trade and other accounts payable - the fair value is estimated to be the same as the carrying value for trade and other accounts payable.

Application of the effective interest rate method for calculating carrying value of short-term accounts receivable, interest free loans granted and received and accounts payable does not significantly influence the relevant rates in the consolidated financial information of the Group.

Short-term and long-term bank loans, finance lease liabilities, short-term bonds issued - the fair value of short-term and long-term bank loans, finance lease liabilities, short-term bonds issued is estimated to approximate the total carrying value as the nominal interest rate of long-term bank loans is approximately tied to the market rate concerning bank loans with similar credit risk rate and repayment period at the reporting period.

Bonds issued - the fair value of bonds issued is measured using the available quoted market prices from the relevant stock exchange which the bonds are listed.

28. Fair values (cont.)

As at 30 June 2015 the fair value of the above financial instruments approximated to their carrying amount besides short-term bonds whose fair value was USD 96 000 thousand (short-term bonds 31 December 2014: USD 125 750 thousand).

29. Risks related to the Group's operating environment in Ukraine

Events that took place in Ukraine in 2014 do directly or indirectly influence any business activity in the country in 2015.

Ukraine is still in an armed conflict with pro-Russian terrorists and Russian military forces.

Until the conflict is resolved, Ukraine will face the following problems: inability to attract investments, capital outflow, negative trade balance and hryvnia devaluation as a result which inevitably leads to lowering of living standards and decrease in population purchasing power.

Those events have influenced Group's operations in 2014 and are still influencing the Group in the first half of 2015. Three companies of the Group, namely LLC Yuzhnaya – Holding, SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding, PPB LLC Ptytsecompleks, in a Crimea region have been put into conservation; other four companies, namely PJSC Ptakhohospodarstvo Chervonyi Prapor, SC Ptakhofabryka Chervonyi Prapor Poultry of PJSC Ptakhohospodarstvo Chervoniy Prapor, PSPC Interbusiness and PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, are located in the territory currently controlled by the terrorists. The Group has lost an ability to control those companies therefore recognized an impairment loss from the lost assets in the 3rd quarter of 2014. Besides that, a portion of the market has been lost (Crimea accounted for 5% of Ukrainian consumer market and Donetsk and Lugansk regions amounted to 15% of the market).

The Group is facing the following problems:

- Increase in costs due to a significant part of import-containing consumables;
- Decrease in demand as a result of diminishing purchasing power and increased production of eggs by households;
- Significant decrease in marginality as cost level has grown more than sales price due to domestic demand decline.

As a result of above factors and to avoid eggs overproduction in Ukraine, the Group has decrease its headcount and intends to maintain it at a current level until situation in Ukraine is stabilized.

If military conflict continues the Group will aim to preserve its assets and maintain current market position.

Despite a difficult period in history of the Group we are hoping for positive changes in the following years. Ukraine is currently in a process of "painful" but essential reforms which influence all ministries and agencies. One of the most noticeable reforms concerns bank sector. Tax legislation also gradually changes. Really important administrative reform has started (power decentralization and influence levers transfer to local authorities). All reforms are supported by a number of international institutions e.g. IMF, World Bank and countries including Germany, Japan, USA and others. Government's political will to pursue implementation of reforms, and international support inspire confidence that Ukraine will be able to overcome current economic crisis and will be victorious in a military conflict, which undoubtedly will positively influence Group's operations.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2015
(in USD thousand, unless otherwise stated)

30. Events after the reporting period

The Group is currently in process of restructuring through mergers and acquisitions mechanism. 19 poultry farms participate in this process and will merge in two legal entities. Poultry farms will merge into PJSC Ptakhohospodarstvo Chervonyi Prapor and PSPC Interbusiness companies which changed their registration from ATO zone to Kyiv. Other companies of the Group such as fodder plants, egg powder production plant, farming of young poultry, and day old chicks production company will still remain a separate legal entity. Such change in structure is aimed at risks reduction (confiscation, nationalization) for companies located in a conflict area or adjacent to it and is expected to increase business management effectiveness. To date, the Group finalized the first part of the restructuring procedure. The Group expects that the second part of of the restructuring procedure will be finalize by the year end.

There were no further material events after the reporting period except the fact that while Management believes it is taking all necessary measures to maintain the sustainability of the business in the current circumstances. A further deterioration of economic and political conditions in Ukraine could adversely affect the Group's results and financial position and consequently it is impossible currently to make any predictions.

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 25 August 2015.