



9M 2018

**CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

Activity in Key Segments

EGG SEGMENT

Production | As at 30 September 2018 the Company's total flock equaled 7.3 million hens (2017: 7.9 million). The laying hens flock totaled to 6.5 million (2017: 6.8 million). During the nine months of 2018 the Company produced 1 202 million eggs (2017: 1 246 million).

Sales | Volume of shell eggs sold during the nine months of 2018 grew by 27% as compared to the nine months of 2017 and reached 1 056 million (2017: 829 million). The volume of shell eggs exported increased by 27% Y-o-Y and reached 443 million (2017: 350 million). The share of export sales in shell eggs segment remained on the level of the previous year, that is 42%.

Average shell eggs selling price grew by 32% Y-o-Y: from 0.050 USD/egg as at 30 September 2017 up to 0.067 USD/egg as at 30 September 2018.

The shell eggs segment generated USD 67.7 million revenue (72% out of total revenue) and contributed USD 10 million to profit before tax.

EGG PRODUCTS SEGMENT

Production | Over 9M 2018 the volume of eggs processed increased by 6% Y-o-Y to 401 million (2017: 380 million). The Company produced 2 255 tons of dry and 9 026 tons of liquid egg products (2017: dry products - 2 377 tons; liquid products - 7 919 tons).

Sales | The volume of dry egg products sold increased by 4% to 2 157 tons, while the volume of liquid egg products sold went up by 14% to 8 867 tons. The export of dry egg products grew up by 12% to 1 572 tons (73% share in total sales); the export of liquid egg products increased by 35% to 4 325 tons (49% share in total sales).

The average selling price of dry egg products increased by 19% Y-o-Y to 4.86 USD/kg; the average selling price of liquid egg products increased by 27% Y-o-Y to 39.12 USD/kg.

The egg products segment generated USD 26.9 million of total revenue and contributed USD 3.9 million to profit before tax.

Financial Results Overview

FINANCIAL PERFORMANCE

During the nine months of 2018 the Company's revenue increased by 57% as a result of the growing sales volumes of shell eggs and egg products alongside growing trends of selling prices dynamics.

Revenue | The total revenue in 9M 2018 amounted to USD 94.7 million (up by 57% y-o-y from USD 60.2 million). The company's revenue structure is presented below:

Segments	9M 2018		9M 2017	
	Revenue, '000 USD	% in the Group's Revenue	Revenue, '000 USD	% in the Group's Revenue
Egg segment	67 765	72%	41 161	69%
Egg products segment	26 898	28%	18 239	30%
Oilseed processing segment	-	-	771	1%
Total	94 663	100%	60 171	100%

Gross profit and cost of sales | Over the reporting period the cost of sales increased by 52% along with the growth in volumes of shell eggs and egg products sold. Gross profit amounted to USD 23.7 million, a 55% increase as compared to 9M 2017.

EBITDA | EBITDA amounted to USD 17.3 million, demonstrating a 42% increase year-on-year (2017: USD 12.2 million).

Net profit | Net profit for the nine months of 2018 amounted to USD 13.8 million, by 74% exceeding the result of the previous year (2017: USD 8.0 million). However, Net Profit Margin showed a more moderate growth of 2 p.p. - from 13% in 2017 to 15% in 2018.

CASH FLOWS

During the reporting period operating cash flow amounted to USD 23.4 million. Cash flows used in investing activities equaled USD 17.2 million. Cash flows used in financing activities amounted to USD 2.1 million.

NET DEBT POSITION

Cash and cash equivalents as at 30 September 2018 amounted to USD 19 million which by USD 7.6 million exceeded the amount of total debt (USD -11.4 million).

	30 September 2018	30 September 2017	Y-o-Y
Total debt (thous. USD)	(11 441)	(15 416)	(26%)
Cash and cash equivalents (thous. USD)	19 050	13 337	43%
Net debt (thous. USD)	(7 609)	2 079	(466%)

Consolidated Financial Statements of Ovostar Union N.V.

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Representation

REPRESENTATION

OF THE BOARD OF DIRECTORS OF OVOSTAR UNION N.V.

ON COMPLIANCE OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The Board of Directors of Ovostar Union N.V. hereby represent that to the best of their knowledge the consolidated condensed interim financial statements (unaudited) of Ovostar Union N.V. and subsidiaries for the nine months ended 30 September 2018 and the comparable information are prepared in accordance with the applicable accounting standards and that they give a true, fair and clear view of the assets, financial standing and financial results of Ovostar Union N.V., and that the consolidated condensed interim financial statements for the nine months ended 30 September 2018 give a true view of the developments, achievements and situation of the Company.

Board of Directors of Ovostar Union N.V.

Borys Bielikov [signed]

Vitalii Veresenko [signed]

Marc M.L.J. van Campen [signed]

Sergii Karpenko [signed]

14 November 2018

Kyiv, Ukraine

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 30 September 2018
(in USD thousand, unless otherwise stated)

	Note	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Revenue from contracts with customers	8	94 663	60 171
Changes in fair value of biological assets	14	(2 559)	(53)
Cost of sales		(68 447)	(44 897)
Gross profit		23 657	15 221
Other operating income	9	201	264
Selling and distribution costs		(6 483)	(4 058)
Administrative expenses		(1 496)	(1 057)
Other operating expenses	10	(699)	(292)
Operating profit		15 180	10 078
Finance costs		(1 674)	(2 372)
Finance income		480	305
Profit before tax		13 986	8 011
Income tax expense	13	(141)	(58)
Profit for the period		13 845	7 953
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		(225)	2 564
Other comprehensive income for the period, net of tax		(225)	2 564
Total comprehensive income for the period, net of tax		13 620	10 517
Profit for the period attributable to:			
Equity holders of the parent company		14 046	7 831
Non-controlling interests		(201)	122
Total profit for the period		13 845	7 953
Other comprehensive income attributable to:			
Equity holders of the parent company		(221)	2 515
Non-controlling interests		(3)	50
Total other comprehensive income		(224)	2 565
Total comprehensive income attributable to:			
Equity holders of the parent company		13 825	10 346
Non-controlling interests		(204)	172
Total comprehensive income		13 621	10 518
Earnings per share:			
Weighted average number of shares		6 000 000	6 000 000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (USD per share)		2.34	1.31

[signed]
Borys Bielikov
Chief Executive Officer

[signed]
Vitalii Veresenko
Non-executive director

[signed]
Marc van Campen

[signed]
Sergii Karpenko

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

(in USD thousand, unless otherwise stated)

	Note	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
Assets				
Non-current assets				
Biological assets	14	37 016	33 121	32 381
Property, plant and equipment and intangible assets	15	40 034	33 217	35 215
Deferred tax assets		114	151	9
Other non-current assets		-	934	1 050
Total non-current assets		77 168	67 423	68 655
Current assets				
Inventories	16	13 348	9 723	8 732
Biological assets	14	13 819	13 298	14 479
Trade and other receivables	17	14 935	24 720	14 890
Prepayments to suppliers		1 853	803	753
Prepayments for income tax		21	98	6
Cash and cash equivalents	18	19 050	14 958	13 337
Total current assets		63 026	63 600	52 197
Total assets		140 194	131 023	120 852
Equity and liabilities				
Equity				
Issued capital	19	70	72	71
Share premium		30 933	30 933	30 933
Foreign currency translation reserve		(134 367)	(132 271)	(125 486)
Retained earnings		209 352	182 890	182 890
Result for the period		14 046	22 457	7 831
Equity attributable to equity holders of the parent		120 034	104 081	96 239
Non-controlling interests	7	503	2 835	2 683
Total equity		120 537	106 916	98 922
Non-current liabilities				
Interest-bearing loans and other financial liabilities	20	7 259	9 302	11 158
Deferred tax liability		509	513	802
Total non-current liabilities		7 768	9 815	11 960
Current liabilities				
Trade and other payables	21	6 869	9 342	5 315
Advances received		838	634	397
Interest-bearing loans and other financial liabilities	20	4 182	4 316	4 258
Total current liabilities		11 889	14 292	9 970
Total liabilities		19 657	24 107	21 930
Total equity and liabilities		140 194	131 023	120 852

[signed]

Borys Bielikov
Chief Executive Officer

[signed]

Vitalii Veresenko
Non-executive director

[signed]

Marc van Campen
Non-executive director

[signed]

Sergii Karpenko
Non-executive director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

(in USD thousand, unless otherwise stated)

Attributable to equity holders of the parent company								
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period	Total	Non-controlling interests	Total equity
As at 31 December 2016 (audited)	63	30 933	(127 993)	160 737	22 153	85 893	2 511	88 404
Profit for the period	-	-	-	-	7 831	7 831	122	7 953
Other comprehensive income	-	-	2 515	-	-	2 515	50	2 565
Total comprehensive income	-	-	2 515	-	7 831	10 346	172	10 518
Allocation of prior period result	-	-	-	22 153	(22 153)	-	-	-
Exchange differences	8	-	(8)	-	-	-	-	-
As at 30 September 2017 (unaudited)	71	30 933	(125 486)	182 890	7 831	96 239	2 683	98 922
As at 31 December 2017 (audited)	72	30 933	(132 271)	182 890	22 457	104 081	2 835	106 916
Profit for the period	-	-	-	-	14 046	14 046	(201)	13 845
Other comprehensive income	-	-	(221)	-	-	(221)	(3)	(224)
Total comprehensive income	-	-	(221)	-	14 046	13 825	(204)	13 621
Allocation of prior period result	-	-	-	22 457	(22 457)	-	-	-
Change in the structure of the Group (see note 7)	-	-	(1 877)	4 005	-	2 128	(2 128)	-
Exchange differences	(2)	-	2	-	-	-	-	-
As at 30 September 2018 (unaudited)	70	30 933	(134 367)	209 352	14 046	120 034	503	120 537

[signed]

Borys Bielikov
Chief Executive Officer

[signed]

Vitalii Veresenko
Non-executive director

[signed]

Marc van Campen
Non-executive director

[signed]

Sergii Karpenko
Non-executive director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018

(in USD thousand, unless otherwise stated)

	Note	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Operating activities			
Profit before tax		13 986	8 011
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment and amortisation of intangible assets	11	2 083	2 107
Net change in fair value of biological assets	14	2 559	53
Disposal of property, plant and equipment		(11)	(2)
Disposal of biological assets		1 018	1 061
Finance income		(480)	(305)
Finance costs		1 675	2 370
Recovery of assets previously written-off	9	(54)	(50)
Impairment of doubtful accounts receivable and prepayments to suppliers	10	39	206
Impairment of property, plant and equipment	11	407	-
VAT written off	10	-	1
<i>Working capital adjustments:</i>			
Decrease/(Increase) in trade and other receivables		7 628	(2 093)
(Increase)/Decrease in prepayments to suppliers		(1 151)	16
Decrease/(Increase) in other non-current assets		934	(92)
(Increase)/Decrease in inventories		(3 920)	526
(Increase)/Decrease in trade and other payables and advances received		(1 302)	34
Net cash flows from operating activities		23 411	11 843
Investing activities			
Purchase of property, plant and equipment		(8 532)	(1 159)
Increase in biological assets	14	(8 630)	(7 812)
Net cash flows used in investing activities		(17 162)	(8 971)
Financing activities			
Repayment of borrowings		(2 086)	(2 026)
Interest received		480	305
Interest paid		(500)	(356)
Net cash flows used in financing activities		(2 106)	(2 077)
Net (decrease)/increase in cash and cash equivalents		4 143	795
Effect from translation into presentation currency		(51)	364
Cash and cash equivalents at 01 January 2018		14 958	12 178
Cash and cash equivalents at 30 September 2018		19 050	13 337

For translating results and financial position into a presentation currency, the Group applies IAS 21 "The Effects of Changes in Foreign Exchange Rates". Procedures and rules applied by the Group are specified in Note 2.3.

[signed]
Borys Bielikov
Chief Executive Officer

[signed]
Vitalii Veresenko
Non-executive director

[signed]
Marc van Campen
Non-executive director

[signed]
Sergii Karpenko
Non-executive director

1. Corporate information

Ovostar Union N.V. (referred to herein as the “Company”), a limited liability company registered under the laws of the Netherlands, was incorporated on 22 March 2011 in Amsterdam. Ovostar Union N.V. was formed to serve as the ultimate holding company of LLC “Ovostar Union” and its subsidiaries. Hereinafter, LLC “Ovostar Union” and its subsidiaries are referred to as the “Ovostar Union Group” or the “Group”. The registered office and principal place of business of the Company is Jan van Goyenkade 8, 1075 HP Amsterdam.

Principal activities of the Group include egg production, distribution, egg products manufacturing and production of sunflower oil, rapeseed oil and related products. The largest shareholder is Prime One Capital Ltd., Cyprus. Its principal activity is the holding of ownership interests in its subsidiary and strategic management.

The Group operates through a number of subsidiaries in Ukraine, Latvia, British Virgin Islands and United Arab Emirates (the list of the subsidiaries is disclosed in Note 7) and has a concentration of its business in Ukraine, where its production facilities are located. Subsidiary companies are registered under the laws of Ukraine, British Virgin Islands, Latvia and United Arab Emirates. The registered office and principal place of business of the subsidiary companies in Ukraine is 34 Petropavlivska Street, Kyiv, Ukraine.

Information on other related party relationships of the Group is provided in Note 22.

The company is listed on Warsaw Stock Exchange.

The Group is controlled by the Beneficial Owners – Mr. Borys Bielikov and Mr. Vitalii Veresenko (hereinafter, the “Beneficial Owners”)

The consolidated condensed interim financial statements for the nine months ended 30 September 2018 were authorized by the Board of Directors on 14 November 2018.

2. Basis of preparation

2.1. Statement of compliance and basis of measurement

The consolidated condensed interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS EU” hereinafter).

The companies of the Group maintain their accounting records under Ukrainian Accounting Standards (“UAS” hereinafter). UAS principles and procedures may differ from those generally accepted under IFRS EU. Accordingly, the consolidated condensed interim 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 EU.

The consolidated condensed interim financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

<u>Items</u>	<u>Measurement bases</u>
<i>Biological assets</i>	<i>Fair value less costs to sell</i>

Details of the Group accounting policies are included in Note 5.

2.2. Going concern basis

The financial statements are prepared on a going concern basis, under which assets are sold and liabilities are repaid in the ordinary course of business. The accompanying consolidated condensed interim financial statements do not include adjustments that would need to be made in case if the Group was unable to continue as a going concern.

2.3. Functional and presentation currency

The functional currency of the Company is U.S. dollar (USD). The consolidated condensed interim financial statements are presented in the company’s functional currency, that is, U.S. dollar (USD). The operating subsidiary have Ukrainian hryvnia (UAH) as their functional currency. All values are rounded to the nearest thousands, except when otherwise is indicated.

The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in agricultural sector; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated condensed interim financial statements.

The Group translates its results and financial position into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

- income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognized in other comprehensive income.

During the nine months ended 30 September 2018 and 2017, the exchange rate had significant fluctuations. Consistent with IAS 21, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. Considering significant depreciation of Ukrainian currency against major foreign currencies and seasonality of sales, Management of the Group decided to translate income and expense items at average quarterly rates. On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average quarterly rates, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in "Other comprehensive income" and accumulated in the "Foreign currency translation reserve".

Relevant exchange rates are presented as follows:

	Closing rate as at 30 September 2018 (unaudited)	Closing rate as at 31 December 2017 (audited)	Closing rate as at 30 September 2017 (unaudited)
USD/UAH	28.2983	28.0672	26.5211
EUR/UAH	33.1288	33.4954	31.2365
USD/PLN	3.6993	3.4889	3.6656
USD/EUR	0.8619	0.8348	0.8465
	Average rate for the 1-st quarter 2018 (unaudited)	Average rate for the 2-st quarter 2018 (unaudited)	Average rate for the 3-st quarter 2018 (unaudited)
USD/UAH	27.3490	26.1788	27.3203
EUR/UAH	31.8131	31.2706	33.5633
USD/PLN	3.7056	3.5771	3.4039
USD/EUR	0.8603	0.8391	0.8104
	Average rate for the 1-st quarter 2017 (audited)	Average rate for the 2-st quarter 2017 (audited)	Average rate for the 3-st quarter 2017 (audited)
USD/UAH	25.9022	26.4627	27.0598
EUR/UAH	30.3777	29.0640	28.8073
USD/PLN	3.6259	3.8395	4.0607
USD/EUR	0.8513	0.9098	0.9387

3. Basis of consolidation

The consolidated condensed interim financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed for the period are included in the consolidated condensed interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

4. Use of estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, due to uncertainty about these estimates, actual results recorded in future periods may differ from such estimates.

These consolidated condensed interim financial statements include management's estimates regarding the value of assets, liabilities, revenues, expenses, and recognized contractual obligations. These estimates mainly include:

4.1. Impairment of property, plant and equipment

In accordance with IAS 36 "Impairment of Assets" the Group reviews the carrying amount of non-current tangible assets (mainly property, plant and equipment) to identify signs of impairment of these assets.

If there is an indication that an asset may be impaired, the Group uses a model of strategic planning in order to calculate the discounted cash flows (using the "value in use" method, as defined in IAS 36) and, thus, assess the recoverability of the carrying amount of property, plant and equipment. The model was based on budgets and forecasts approved by the management for the next 5 years.

Expected future cash flows reflect long-term production plans formed on the basis of past experience and market expectations. The plans take into account all relevant characteristics of poultry farming, including egg production, volume of egg processing, prices for main components of mixed fodder. Thus, the production capacity is the basis for forecasting the future production volume for each subsequent year and related production costs.

Levels of costs included in projected cash flows are based on current long-term production plans. When conducting impairment testing, recent levels of costs are taken into account, as well as the expected cost changes based on the current condition of operating activities and in accordance with the requirements of IAS 36. IAS 36 provides a number of restrictions on future cash flows, which may be recognized in respect of future restructuring and capital modernization expenses.

Below are the key assumptions that formed the basis for forecasting future cash flows in the models:

- prices for main components of mixed fodder are based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume, production of egg products) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs, egg products and poultry meat are based on forecasts of the Group's management and market expectations.

Management believes that calculations of the recoverable amount are most sensitive to changes in such assumptions as the price of poultry meat, price of eggs and eggs product, price of poultry fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Group is based will not cause the excess of carrying amount of the Group over its recoverable amount.

Application of IAS 36 requires extensive judgments by the management regarding estimates and assumptions related to future cash flows and discount rate. Given the nature of the current global economic environment, such assumptions and estimates have a high degree of uncertainty. Therefore, other similar assumptions may lead to significantly different results.

4.2. Fair value of biological assets

Estimation of fair value of biological assets is based on the discounted cash flow model. The fair value of biological assets might be affected by the fact that the actual future cash flows will differ from the current forecast, which typically occurs as a result of significant changes in any factors or assumptions used in the calculations.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

Among such factors are:

- differences between actual prices and price assumptions used in estimating net realizable value of eggs;
- changes in productivity of laying hens;
- unforeseen operational problems inherent in the branch specificity;
- age of hens at the end of the reporting period;
- changes in production costs, costs of processing and products sales, discount and inflation rates and exchange rates that could adversely affect the fair value of biological assets.

The key assumptions concerning biological assets based on discounted cash flow approach are presented as follows:

- cost planning at each stage of poultry farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- egg sale price in future periods;
- long-term inflation rate of Ukrainian UAH in future periods;
- discount rate for determining the present value of future cash flows expected from the biological assets (Note 14).

Management determined that calculations of the fair value of biological assets are the most sensitive to changes in such assumptions as the volume of egg production, cost planning and prices of eggs, eggs product and poultry meat. Management believes that any reasonably possible change in key assumptions will not cause any significant change in the fair value of biological assets.

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.

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.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in Notes 14.

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

4.3. Allowances for doubtful debts

The Group forms allowances for doubtful debts to cover any potential losses arising in case of buyer's insolvency. In assessing the adequacy of the allowance for doubtful debts the management takes into account overall current economy conditions, terms of balances for outstanding receivables, the Group's experience to write-off liabilities, customers' solvency and changes in the conditions of payment. Changes in the economy, industry or financial position of individual buyers may cause adjustment to the amount of allowance for doubtful debts reflected in the consolidated condensed interim financial statements.

4.4. Useful lives of property, plant and equipment

The Group estimates useful lives of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, changes are recorded as changes in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates can have a significant impact on the carrying amount of property, plant and equipment and depreciation expenses during the period.

4.5. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that the inflow of taxable profit is possible, at the expense of which these losses may be implemented. Significant judgments are required from the management in determining the amount of deferred tax assets that can be recognized on the basis of the possible terms of receipt and the level of future taxable profit together with the future tax planning strategy.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
(in USD thousand, unless otherwise stated)

5. Summary of significant accounting policies

5.1 Recognition and measurement of financial instruments

Financial assets and financial liabilities are recorded in the Group's consolidated condensed interim statement of financial position when the Group becomes a contractual party regarding the corresponding financial instrument. The Group records the acquisition and sale of financial assets and financial liabilities at the settlement date.

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

Fair value of investments that are actively traded in organized financial markets is calculated on the basis of current market value at the close of trading on the reporting date. Regarding investments in securities for which there is no active market, fair value is calculated using other methods of valuation of financial instruments. Such valuation methods include the use of information on recent market transactions between well informed, willing to commit such transaction, independent parties, or data about the current market value of another similar instrument, discounted cash flow analysis or other pricing models.

Accounting policy for subsequent revaluation of these items is disclosed below in the appropriate sections of accounting policy.

5.2 Financial assets

Initial recognition and measurement

Financial assets are recognized initially at transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset

5.3 Effective interest rate method

The effective interest rate method is used to calculate the amortized cost of a financial asset and distribute interest income during the relevant period. The effective interest rate is the rate that enables discounting of estimated future cash receipts through the expected life of a financial asset or a shorter period, if applicable.

Revenues relating to debt instruments are recorded using the effective interest rate method, except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss - a financial asset is classified as at fair value through profit or loss if it is held for trading or designated at fair value through profit or loss.

A financial asset is classified as held-for-trading if it is:

- purchased originally for the purpose of sale / repayment within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes.

A financial asset that is not a financial asset held-for-trading may be classified as a financial asset at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial asset is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists in the framework of the contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the consolidated condensed interim statement of comprehensive income. Net gains or losses recognized in the income statement include dividends and interest received on the relevant financial asset.

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Held-to-maturity investments - investments held to maturity are measured at amortized cost using the effective interest rate method, less impairment, and income is recognized using the effective yield method. During the reporting periods presented in these financial statements, the Group had no investments of this category.

Loans and receivables - accounts receivable regarding principal activities, loans, borrowings and other receivables with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest rate method less impairment and uncollectible debts. Interest income is recognized by applying the effective interest rate, except for short-term receivables for which the amount of such interest income is insignificant.

Unquoted investments available for sale are accounted for at cost if their fair value cannot be reliably measured.

5.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank accounts and deposits with an original maturity date of three months or less and are stated at fair value.

5.5 Cash deposits

Cash deposits in the statement of financial position are held for the investment activities. For the purpose of the consolidated condensed interim financial statement of cash flows, short-term deposits are included in the investing activities.

5.6 Impairment of financial assets

Financial assets, except for financial assets at fair value through profit or loss, at each reporting date are assessed for signs indicating impairment. Impairment loss is recognized when there is objective evidence of reduction of the estimated future cash flows on this asset as a result of one or more events that occurred after the financial asset was recorded in the accounting. For financial assets at amortized cost, the amount of impairment is calculated as the difference between the asset's carrying amount and present value of the expected future cash flows discounted using the effective interest rate.

Impairment loss directly reduces the carrying amount of all financial assets, except for accounts receivable on principal activities, carrying amount of which is reduced due to the allowance formed. If the accounts receivable on principal activities are uncollectible, they are written-off against the related allowance. Subsequently received reimbursements of amounts previously written-off are recorded in credit of the allowance account. Changes in the carrying amount of the allowance account are recorded in the profit and loss.

Except for equity instruments available for sale, if in a subsequent period the amount of impairment loss decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss previously recognized is recovered by adjusting the items in the income statement. In this case, the carrying amount of financial investments at the date of recovery of impairment cannot exceed its amortized cost, which would be reflected in the case, if impairment was not recognized.

In respect of equity securities available for sale, any increase in fair value after recognition of impairment loss relates directly to equity.

5.7 Writing-off of financial assets

The Group writes-off a financial asset only if rights for cash flows under the corresponding contract terminated the treaty or if a financial asset and corresponding risks and rewards are transferred to other organization. If the Group does not transfer or retain all the principal risks and rewards of ownership of the asset and continues to control the transferred asset, it shall record its share in the asset and related liability in the amount of possible payment of corresponding amounts. If the Group retains all the principal risks and rewards of ownership of the transferred financial asset, it shall continue to account for the financial asset, and reflect a secured loan on income earned.

5.8 Financial liabilities and equity instruments issued by the Group

5.8.1 Accounting as liabilities or equity

Debt and equity financial instruments are classified as liabilities or equity based on the substance of the corresponding contractual obligations.

5.8.2 Equity instruments

Equity instrument is any contract confirming the right for a share in the company's assets remaining after deduction of all its liabilities. Equity instruments issued by the Group are recorded in the amount of generated income net of direct expenses for their issue.

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5.8.3 Liabilities under financial guarantee contracts

Liabilities under financial guarantee contracts are initially measured at fair value and subsequently recorded at the higher of:

- cost of contractual obligations determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, and
- cost, less, where applicable, accumulated depreciation reflected in accordance with the principles of revenue recognition set forth below.

5.8.4 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans and borrowings, payables.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

A financial liability is classified as held for trading if it is:

- assumed mainly to be repurchased within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes.

A financial liability that is not a financial liability held-for-trading may be classified as a financial liability at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial liability is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists within the framework of the contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the financial results. Net gains or losses recognized in the income statement include interest paid on a financial liability.

Other financial liabilities - other financial liabilities, including borrowings, are accounted for at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with the recognition of interest expenses using the effective (actual) yield.

5.8.5 Trade and other accounts payable

Trade payables are recognized when the counterparty fulfills its contractual obligations and measured at amortized cost using the effective interest rate.

5.8.6 Loans and borrowings

Loans and borrowings are initially recognized at fair value less costs incurred in the transaction. Subsequently, loans and borrowings are stated at amortized cost; any difference between proceeds (net of transaction costs) and the amount of repayment is reflected in the income statement over the period for which loans and borrowings are issued using the effective interest rate method. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the obligation to at least one year after the date of balance sheet preparation.

5.8.7 Writing-off of financial liabilities

The Group writes-off financial liabilities only when they are repaid, cancelled or expire.

5.9 Foreign currency transactions

Transactions in currencies other than the functional currency are initially recorded at exchange rates set on the dates of these transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates applicable at the reporting date. All realized and unrealized gains and losses resulting from exchange rate differences are included in profit or loss for the period.

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5.10 Biological assets

Biological assets represented by the commercial herd and herd replacements are recorded at fair value less estimated selling and distribution expenses. Estimate of fair value of biological assets of the Group is based on discounted cash flow models, according to which the fair value of biological assets is calculated using present value of the expected net cash flows from biological assets discounted at the appropriate rate.

The Group recognizes a biological asset only where it controls an asset as a result of past events; it is probable that the economic benefits from the asset will flow to the Group; fair value or cost of an asset can be estimated with reasonable certainty.

Profit or loss arising on initial recognition of biological assets at fair value less estimated selling and distribution expenses is included in the consolidated condensed interim income statement as incurred.

Agricultural products collected from a biological asset are measured at fair value less estimated selling and distribution expenses. Profit or loss arising on initial recognition of agricultural products at fair value, less estimated selling and distribution expenses, is recognized in the consolidated condensed interim statement of comprehensive income.

5.11 Inventories

Inventories consist mainly of raw materials, package and packing materials, agricultural produce and finished goods. Inventories are valued at the lower of cost and net realizable value.

Cost of goods includes the cost of acquisition and, where appropriate, costs incurred in bringing inventories to their present condition and location. Cost is calculated using the weighted average method. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in OCI, in respect to the purchases of raw materials.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

5.12 Property, plant and equipment

Property, plant and equipment are recorded at historical cost or deemed cost, equal to fair value at the date of transition to IFRS, less accumulated depreciation and accumulated impairment losses. Historical cost of an asset of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and taxes net of trade and other discounts; (b) any costs directly related to bringing an asset to the location and condition, which allow its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal in the asset of property, plant and equipment and restoring the occupied territory; this obligation is assumed by the Company either upon the acquisition of an asset, or as a result of its operation for a certain period of time for the purposes not related to the production of inventories during this period. Cost of assets created in-house includes cost of materials, direct labor costs and an appropriate proportion of production overheads.

Construction in progress includes costs directly related to the construction of property, plant and equipment, including distribution of variable overheads associated with the construction and prepayments for the property, plant and equipment. Construction in progress is not depreciated. These assets are depreciated from the moment when they are used in economic activity, on the same basis as depreciation on other assets.

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 condensed interim financial statement of comprehensive income as incurred.

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, less its residual value. The residual value of an asset is the estimated amount that the company would receive to date from the sale of an item of property, plant and equipment, less estimated costs of disposal if the asset reached the age and condition, in which, presumably, it will be at the end of its useful life. Assets under finance lease are depreciated over the shorter of estimated useful life on the same basis as own assets or over the period of the relevant lease.

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

Buildings	10 - 40 years
Plant and equipment	5 - 25 years
Vehicles	3 - 10 years
Furniture and fittings	3 - 5 years
Construction in progress and uninstalled equipment	No depreciation

The residual value, useful life and depreciation method are reviewed at the end of each financial year. Impact of any changes arising from estimates made in prior periods is recorded as a change in an accounting estimate.

Gains or losses arising from disposal or liquidation of an asset of property, plant and equipment, are defined as the difference between sales proceeds and carrying amount of an asset and recognized in profit or loss.

5.13 Impairment of property, plant and equipment

At the end of each reporting period the Group identifies signs of possible impairment of assets. If any such indication exists, the Group reviews the carrying amount of its items of property, plant and equipment to determine whether any signs of impairment exist due to depreciation. If any such indication exists, the expected recoverable amount of an asset is estimated to determine the amount of impairment losses, if any.

In order to determine the impairment losses, assets are grouped at the lowest levels for which it is possible to identify separately the cash flows (cash generating unit).

The recoverable amount is the higher of fair value less selling and distribution expenses and value of an asset in use. In assessing the value of an asset in use, the estimated future cash flows associated with the asset, are discounted to their present value using pre-tax discount rate that reflects current market estimates of time value of money and the risks inherent in the asset.

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than its carrying amount, the carrying amount of an asset (cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case the impairment loss is considered as a revaluation decrease.

In cases where impairment losses are subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recovery amount, however, in such a way that the increased carrying amount does not exceed the carrying amount that would be determined, if an impairment loss was not recognized in respect of an asset (cash generating unit) in previous years. Reversal of impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case, the reversal of an impairment loss is considered as a revaluation increase.

5.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Amortization is calculated on a straight line basis over the useful life of an asset, which is 10 years.

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5.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.16 Leases

Leases are classified as finance leases when according to the terms of lease the lessee assumes all principal risks and rewards incident to ownership of the leased property. Other leases are classified as operating leases. Income and expenses associated with operating leases are accrued on a straight-line basis and recorded in the income statement over the lease term.

5.17 Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of comprehensive income. Operating lease payments are recognized as an expense in the income statement evenly over the lease term.

5.18 Group as a lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same base as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

5.19 Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. Such liabilities are disclosed in the notes to the financial statements, except where the probability of outflow of resources embodying economic benefits is insignificant.

Contingent assets are not recognized in the financial statements, but disclosed in the notes to the extent that it is probable that the economic benefits will flow to the Group.

5.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

The amount recognized as a provision is the best estimate of compensation necessary to repay a current liability on the reporting date, which takes into account all the risks and uncertainties inherent in this liability. In cases where the amount of provision is estimated using cash flows that can be required to repay current liabilities, its carrying amount represents the present value of these cash flows.

Where there is a possibility that one or all of the economic benefits necessary to recover the amount of provision will be reimbursed by a third party, the receivables are recognized as an asset if there is actual assurance that such reimbursement will be received and the amount of receivables can be measured reliably.

5.21 Revenue recognition

The Group's contracts with customers for the sale of goods include one performance obligation. The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment (Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition).

The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled.

Revenues from rendering of services are recognized in the reporting period in which the services were provided, based on the level of completion of the specific transaction and only when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with this transaction will flow to the Group.

Income and expenses relating to the same transaction or event are recognized simultaneously. Interest income is recognized using the effective interest rate method.

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5.22 Income tax

Income tax is calculated in accordance with the requirements of the applicable legislation of Ukraine. Income tax is calculated on the basis of financial results for the year adjusted to items that are not included in taxable income or that cannot be attributed to gross expenses. It is calculated using tax rates effective at 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 financial statements and the corresponding tax base used to calculate taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recorded taking into account the degree of certainty in sufficient taxable income, which enables to realize temporary differences related to gross expenses.

Deferred tax is calculated at tax rates, which presumably will be applied during the sale of related assets or repayment of related liabilities.

Assets and liabilities on deferred income tax are offset when: a) the Group has a legally enforceable right to offset the recognized current income tax assets and liabilities; b) the Group intends either to perform settlement by offsetting counterclaims, or simultaneously sell the asset and settle the liability; c) deferred tax assets and liabilities relate to income taxes levied by the same taxation authority in each future period in which it is intended to repay or reimburse a significant amount of deferred tax liabilities and assets.

Deferred income tax is recognized in the income statement, except when it relates to items recognized directly in equity. In this case the deferred tax is also recognized in equity.

In 30 September 2018, Ukrainian corporate income tax was levied at a rate of 18% (2017: 18%)

Fixed agricultural tax: 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 13).

5.23 Value Added Tax

For the nine months ended 30 September 2018 and 2017, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to the customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. According to Ukrainian legislation, rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

5.24 Government grants

Government grants are stated at fair value when there is reasonable assurance that the grant will be received.

Ukrainian legislation provides a variety of tax benefits and subsidies for agricultural companies. Such benefits and subsidies are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance, local authorities. Under the applicable legislation, agricultural producers are entitled to use VAT benefit regarding agricultural transactions.

Government grants related to VAT

Upon introduction of a new agricultural support system in early 2017, Ukraine canceled specific VAT subsidies.

Early in 2016, under this program, the Group's companies are subject to special tax treatment for VAT. The Group's enterprises, 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.

In 2017, the State Budget for agricultural support envisages that support automatically distributed among agricultural producers proportionally based on sales of agricultural products by those producers on a monthly basis. The budget subsidy for a sector is calculated on a monthly basis and is proportional to overall VAT paid. According to the Law of Ukraine On Agricultural Support, all agricultural producers that apply for the subsidy must be included in the State Registry of Budget Subsidy Recipients. An agricultural producer is defined as a farm or a company that derived 75% of its sales over the last 12 reporting periods (months) from sales of agricultural products. From 2017 onwards, budget subsidies will be provided until 1 January 2022. The agricultural producers will be engaged in the production of farm animals, as well as fruit and vegetable farmers. For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and will be distributed on a monthly basis.

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

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

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

5.25 Partial compensation of interest rates on loans raised by the agricultural companies from financial institutions

The Group companies are entitled to compensation from the government of a share of interest expenses incurred on loans which were received for agricultural purposes. The amount of interest compensation depends on the term and purpose of the loan. Due to the fact that the payment of interest compensations depends on the capabilities of the country's budget, they are recognized on a cash basis as other operating income in the period of receipt.

5.26 Related party transactions

For the purposes of these consolidated condensed interim financial statements, the parties are considered to be related if one of the parties has a possibility to control or considerably influence the operational and financial decisions of the other company. While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the transaction not only their legal form.

5.27 Reclassification

Certain comparative information presented in the consolidated condensed interim financial statements for the nine month ended 30 September 2017 has been revised in order to achieve comparability with the presentation used in the consolidated condensed interim financial statements for the nine month ended 30 September 2018. Such reclassifications and revisions were not significant to the Group financial statements.

6. New and amended standards

(a) New and amended standards and interpretations adopted

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to existing standards	Key issues
▪ IAS 7 Disclosure Initiative – Amendments to IAS 7	<i>Requires companies to disclose information about changes in their liabilities arising from financing activities.</i>
▪ IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12	<i>Clarifies how to account for deferred tax assets related to debt instruments measured at fair value.</i>
▪ Annual Improvements to IFRS Standards 2014-2016 Cycle	<i>Minor amendments to IFRS 12.</i>

Except for the changes described below, the Group has consistently applied the accounting policies in these interim consolidated financial statements as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (Note 8) and IFRS 9 Financial Instruments from 1 January 2018. The adoption of IFRS 9 have not material effect on the classification and measurement of the Group's financial assets and liabilities. The adoption of IFRS 15 have not significant effect on Group's revenues measurement and recognition.

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(b) Standards issued but not yet 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:

	<i>Effective for annual period beginning</i>
International Financial Reporting Standards ("IFRS")	
• IFRS 16 Leases	1 January 2019
• IFRS 17 Insurance Contracts	1 January 2021
• Amendments to existing standards and interpretations	
• Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
• Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	1 January 2019
• Amendments to IFRS 9 – Prepayment Features with Negative Compensation	1 January 2019
• IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment	1 January 2019
• Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019

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7. Subsidiaries and Non-controlling interests

As at 30 September 2018, 2017 and 31 December 2017 the Group included the following subsidiaries:

Name of the company	Business activities	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
Limited Liability Company "Ovostar Union"	Strategic management of subsidiary companies in Ukraine	100.0%	100.0%	100.0%
Limited Liability Company "Ovostar"	Egg-products production and distribution (Ukraine)	100.0%	100.0%	100.0%
Limited Liability Company "Yasensvit" (a)	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, poultry feed production (Ukraine)	100.0%	98.0%	98.0%
Public Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding (Ukraine)	92.0%	92.0%	92.0%
Public Joint Stock Company "Malynove"	Production of shell eggs, assets holding (Ukraine)	94.0%	94.0%	94.0%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Non-operational activity (Ukraine)	76.0%	76.0%	76.0%
Limited Liability Company "Skybynsky Fodder Plant"	Non-operational activity (Ukraine)	98.6%	98.6%	98.6%
"SIA" Ovostar Europe" (b)	Trade company (Latvia)	89.0%	-	-
SIA "Gallusman" (b)	Non-operational activity (Latvia)	89.0%	-	-
SIA "EPEX" (b)	Non-operational activity (Latvia)	89.0%	-	-
International Food Trade Limited	Trade company (British Virgin Islands)	100.0%	100.0%	100.0%
OAE Food Trade FZE (c)	Trade company (United Arab Emirates)	100.0%	-	-
Limited Liability Company "BVV EQUIPMENT" (d)	Non-operational activity (Ukraine)	100.0%	-	-
Limited Liability Company "BV TRADING" (d)	Non-operational activity (Ukraine)	100.0%	-	-

A) Limited Liability Company "Yasensvit"

In May 2018, the Group increased the percentage of its ownership in Limited Liability Company "Yasensvit" from 98% to 100% by contributing USD 312 thousands in cash to the capital of the company.

B) New companies in Latvia

On 6 March 2018, the Group acquired 89% interest of the voting shares of "SIA" Ovostar Europe" (up to July 2018 – SIA "OE Product") and SIA "Gallusman", an unlisted company based in Latvia, located at: Tinuzu road 17, Ikskile. Ikskile area and Tinuzu road 17, Ikskile, LV-5052, Latvia.

Cash consideration of USD 61 888 (EUR 50 000) in case of "SIA" Ovostar Europe" and of USD 3 457 (EUR 3 000) for SIA "Gallusman" was paid to the non-controlling shareholders. The Group acquired the above mentioned companies because it significantly enlarges the range of products in eggs segment that can be offered to its clients.

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The Group has elected to measure the non-controlling interests at the moment of acquisition at fair value.

After obtaining the permission to export table eggs to the EU, the Group has significantly increased its export sales to the EU countries by the end of 2017. Having estimated potential and prospects of the further expansion to the European market, in 2018 the Group made the decision to establish a company in Latvia. In April 2018, Group together with Arnis Veinbergs successfully registered the company in Latvia, SIA "EPEX". Share capital was USD 4 thousands (EUR 3 thousands). The Group owns 89% shares in SIA "EPEX".

	Note	SIA "Gallusman" (unaudited)	"SIA" Ovostar Europe" (unaudited)
Assets			
Property, plant and equipment	15	-	11
Inventories	16	6	656
Prepayments		2	-
Trade receivables	17	10	5 449
Cash and cash equivalents	18	2	5 773
Total assets		20	11 889
Liabilities			
Loans		(18)	-
Trade and other payables	21	-	(11 876)
Total liabilities		(18)	(11 876)
Total identifiable net assets at fair value		2	13
Non-controlling interest measured at fair value		-	(1)
Goodwill arising on acquisition		1	50
Purchase consideration transferred		3	62
Consideration paid		(3)	(62)
Cash acquired		2	5 773
Purchase consideration transferred		(1)	5 711

C) New companies in UAE

The group exports a large number of eggs and egg products to the United Arab Emirates. Having estimated potential and prospects of further expansion to the UAE market, in 2018 the Group decided to open a company in Dubai – OAE Food Trade FZE. Share capital of the company is USD 28 thousands. The Group owns 100% shares in OAE Food Trade FZE.

D) The acquisition of a group of assets

On July 04, 2018 the Group bought assets of LLC "BVV EQUIPMENT" and LLC "BV TRADING" (Ukraine) that do not represent operating business. The purchases price amounted to USD 2 124 thousand (EUR 1 822 thousand) and 1 257 thousand (EUR 1 078 thousand).

The fair values of the identifiable assets and liabilities of SIA "Ovostar Europe" (previously – SIA "OE Product") and SIA "Gallusman" as at the date of acquisition were as follows:

As a result of business combination goodwill was recognized in the amount of USD 51 thousand. Loss on impairment of goodwill amounting to USD 51 thousand was recognized in the income statement as at the date of acquisition.

The fair value of the trade receivables amounts to USD 5 413 thousand. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of USD 51 thousand is allocated entirely to the egg segment. Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under IAS 38. None of the goodwill recognized is expected to be deductible for income tax purposes.

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The fair value of the non-controlling interest in SIA "Ovostar Europe", an unlisted company, has been estimated by applying proportion to the interest in net assets.

From the date of acquisition, SIA "Ovostar Europe" contributed USD 1 286 thousands of revenues. SIA "Gallusman" did not receive any revenue. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been USD 5 341 thousands.

Upon acquisition of SIA "Gallusman", the Group received long-term loan liabilities amounting to USD 18 thousands.

The following tables summarize the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group elimination:

30 September 2018 (unaudited)	PJSC "Poultry Farm Ukraine"	PJSC "Malynove"	PJSC "Krushynskyy Poultry Complex"	"SIA" Ovostar Europe"	SIA "Gallusman"	SIA "EPEX"	Intra-group eliminations	Total
NCI percentage	8.0%	6.0%	24.0%	11.0%	11.0%	11.0%		
Non-current assets	873	7 011	(243)	9	-	-		
Current assets	4 673	1 376	542	5 674	19	4		
Non-current liabilities	-	(40)	(3)	-	-	-		
Current liabilities	(330)	(6 107)	3	(6 779)	(17)	(1)		
Net assets	5 216	2 240	300	(1 096)	2	4		
Carrying amount of NCI	418	134	72	(121)	-	-	-	503
Revenue	3 253	299	-	11 150	-	-		
Profit (loss)	(862)	(49)	(3)	(1 162)	-	-		
OCI	(54)	(15)	11	8	-	-		
Total comprehensive income	(916)	(64)	8	(1 154)	-	-		
Profit allocated to NCI	(69)	(3)	(1)	(128)	-	-		(201)
OCI allocated to NCI	(5)	(1)	2	1	-	-		(3)
Cash flows from operating activities	26	(837)	-	2 490	(16)	-		
Cash flows from investment activities	(25)	(65)	-	-	-	-		
Effect from translation into presentation currency	-	24	-	(228)	-	-		
Net (decrease)/ increase in cash and cash equivalents	1	(878)	-	2 262	2	-		

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Information relating to each of the Group's subsidiaries that has material NCI, before any intra-group elimination (continued):

30 September 2017 (unaudited)	LLC "Yasensvit"	PJSC "Poultry Farm Ukraine"	PJSC "Malynove"	PJSC "Krushynskyy Poultry Complex"	"SIA" OE Product"	Intra-group eliminations	Total
NCI percentage	2.0%	8.0%	6.0%	24.0%	11.0%		
Non-current assets	37 631	3 733	7 234	-	-		
Current assets	66 028	2 928	1 110	580	-		
Non-current liabilities	-	-	(208)	(3)	-		
Current liabilities	(5 325)	(1 135)	(5 924)	6	-		
Net assets	98 334	5 526	2 212	583	-		
Carrying amount of NCI	1 967	443	133	140	-	-	2 683
Revenue	52 852	3 170	1 006	-	-		
Profit (loss)	7 002	(56)	(213)	(4)	-		
OCI	2 499	(146)	69	33	-		
Total comprehensive income	9 501	(202)	(144)	29	-		
Profit allocated to NCI	140	(4)	(13)	(1)	-		122
OCI allocated to NCI	50	(12)	4	8	-		50
Cash flows from operating activities	1 593	35	769	-	-		
Cash flows from investment activities	(8 208)	(5)	(401)	-	-		
Cash flows from financing activities (dividend to NCI: nil)	-	(39)	-	-	-		
Net (decrease)/ increase in cash and cash equivalents	(6 396)	(8)	380	-	-		

8. Segment information

All of the Group's operations are located within Ukraine.

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

Egg operations segment	<ul style="list-style-type: none"> sales of egg sales of chicken meat
Egg products operations segment	<ul style="list-style-type: none"> sales of egg processing products
Oilseed operations segment	<ul style="list-style-type: none"> sales of sunflower oil, rapeseed oil and related products

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Sales between segments are mainly carried out at market prices. Operating profit before tax represents segment result. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments.
- All liabilities are allocated to reportable segments.

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The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the nine months ended 30 September 2018 and 2017:

9 months ended 30 September 2018 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue from contracts with customers	112 042	36 246	840	149 128
Inter-segment revenue	(44 277)	(9 348)	(840)	(54 465)
Revenue from external buyers	67 765	26 898	-	94 663
Profit before tax	10 048	3 938	-	13 986

9 months ended 30 September 2017 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue from contracts with customers	77 863	19 503	2 222	99 688
Inter-segment revenue	(36 702)	(1 264)	(1 451)	(39 417)
Revenue from external buyers	41 161	18 239	771	60 271
Profit before tax	5 253	2 758	-	8 011

For the nine months ended 30 September 2018, 2017 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 30 September 2018, 2017 and 31 December 2017 were presented as follows:

30 September 2018 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Total segment assets	119 802	20 188	204	140 194
Total segment liabilities	19 061	571	25	19 657
Addition to property, plant and equipment and intangible assets	6 535	1 997	-	8 532
Net change in fair value of biological assets and agricultural produce	(1 715)	(844)	-	(2 559)
Depreciation and amortization	(1 866)	(210)	(6)	(2 082)
Interest income	452	28	-	480
Interest on debts and borrowings	(500)	-	-	(500)
Income tax expense	(30)	(111)	-	(141)

31 December 2017 (audited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Total segment assets	106 918	23 692	413	131 023
Total segment liabilities	22 803	1 283	21	24 107

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Segment assets, liabilities and other information regarding segments (continued):

30 September 2017 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Total segment assets	106 134	14 313	405	120 852
Total segment liabilities	21 316	571	44	21 931
Addition to property, plant and equipment and intangible assets	850	309	-	1 159
Net change in fair value of biological assets and agricultural produce	(40)	(13)	-	(53)
Depreciation and amortization	(1 946)	(155)	(6)	(2 107)
Interest income	306	-	-	306
Interest on debts and borrowings	(591)	-	-	(591)
Income tax expense	(43)	(15)	-	(58)

The Group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region of goods and services. Entities will need to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful to their business.

The Group presented a reconciliation of the disaggregated revenue with the revenue information disclosed for each reportable segment.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

9 months ended 30 September 2018 (unaudited)	Operations segment			Total
	Egg	Egg products	Oilseed	
Type of goods or service				
Goods	67 730	26 669	-	94 399
Services	35	229	-	264
Total revenue from contracts with customers	67 765	26 898	-	94 663
Geographical markets				
Ukraine	40 731	11 340	-	52 070
Export markets	27 034	15 558	-	42 593
Total revenue from contracts with customers	67 765	26 898	-	94 663

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Disaggregation of the Group's revenue from contracts with customers (continued):

9 months ended 30 September 2017 (unaudited)	Operations segment			Total
	Egg	Egg products	Oilseed	
Type of goods or service				
Goods	41 160	18 239	771	60 270
Services	1	-	-	1
Total revenue from contracts with customers	41 261	18 239	771	60 271
Geographical markets				
Ukraine	22 463	9 374	771	32 608
Export markets	18 698	8 865	-	27 563
Total revenue from contracts with customers	41 161	18 239	771	60 171

9. Other operating income

	Note	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Income from refund under the special legislation:			
Income from special VAT treatment	a)	-	10
Total income from refund under the special legislation		-	10
Gain on recovery of assets previously written off		54	50
Gain on disposal of property plant and equipment		17	2
Other income		130	202
Total		201	264

a) Income from special VAT treatment

According to the Tax Code of Ukraine, 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 products, net of VAT paid on purchases, for use in agricultural production. Producers of eggs, poultry and other agriculture producers shall retain VAT in a portion of 50%. In accordance with the changes in the tax legislation of Ukraine, from 1 January 2017, special VAT treatment is canceled.

10. Other operating expenses

	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Impairment of property, plant and equipment	(407)	-
Impairment of goodwill	(51)	-
Impairment of doubtful accounts receivable and prepayments to suppliers	(39)	(206)
Write-off of Accounts Receivable	(15)	(1)
Fines and penalties	(47)	(3)
Other expenses	(140)	(82)
Total	(699)	(292)

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11. Amortization and depreciation expenses

	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Depreciation and amortization:		
Cost of sales	(1 991)	(2 006)
Selling and distribution costs	(13)	(8)
Administrative expenses	(78)	(93)
Total	(2 082)	(2 107)

12. Employee benefits expense

	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Wages, salaries and social security:		
Costs of production personnel	(4 400)	(2 977)
Costs of distribution personnel	(456)	(319)
Costs of administrative personnel	(586)	(343)
Total	(5 442)	(3 639)

13. Income tax

Companies of the Group that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the applicable laws. The FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents.

The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in administrative expenses.

During the nine months ended 30 September 2018, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 18% rate (30 September 2017: at a 18% rate). The deferred income tax assets and liabilities as of 30 September 2018 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for the nine months ended 30 September 2018 and 2017 were:

	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
Current income tax	(104)	(20)
Deferred tax	(38)	(38)
Income tax (expense)/benefit reported in the income statement	(142)	(58)

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14. Biological assets

As at 30 September 2018, 2017 and 31 December 2017 commercial and replacement poultry were presented as follows:

	30 September 2018 (unaudited)		31 December 2017 (audited)		30 September 2017 (unaudited)	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Non-current biological assets						
<u>Replacement poultry</u>						
Hy-line	3 450	37 016	3 632	33 121	3 758	32 381
Total non-current biological assets	3 450	37 016	3 632	33 121	3 758	32 381
Current biological assets						
<u>Commercial poultry</u>						
Hy-line	3 858	13 819	4 058	13 298	3 994	14 479
Total current biological assets	3 858	13 819	4 058	13 298	3 994	14 479
Total biological assets	7 308	50 835	7 690	46 419	7 752	46 860

Classification of biological assets into non-current and current component is based on the life cycle of a biological asset. Biological assets that will generate cash flow more than one year are classified as non-current biological assets, biological assets that will generate cash flow less than one year are classified as current biological assets.

Reconciliation of commercial and replacement poultry carrying values for the nine months ended 30 September 2018 and 2017 was presented as follows:

	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
As at 01 January 2018	46 419	39 179
Increase in value as a result of assets acquisition	326	327
Increase in value as a result of capitalization of cost	8 304	7 485
Income/(Losses) from presentation of biological assets at fair value	(2 559)	(53)
Decrease in value as a result of assets disposal	(1 018)	(1 061)
Exchange differences	(637)	983
As at 30 September 2018	50 835	46 860

For the nine months ended 30 September 2018 the Group produced shell eggs in the quantity of 1 202 178 thousand items (30 September 2017: 1 245 626 thousand).

Fair value of biological assets was estimated by the Group's specialists which have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced, using corresponding discount rate which is equal to 21.79% (30 September 2017: 29.87%). Management supposes that sale price and production and distribution costs fluctuations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and it reflected Management's assessment of the future agricultural prospect.

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy.

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Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations of biological assets:

	Assumption as at 30 September 2018 (unaudited)	Assumption as at 30 September 2017 (unaudited)
Eggs sale price, USD per item (UAH per item)	0.065(1.696)	0.049 (1.311)
Discount rate, %	22.02%	28.88%
Long-term inflation rate of Ukrainian hryvnya, %	100.72%	101.13%

Based on the current situation in Ukraine that provides a high degree of uncertainty in relation to many of the assumptions in the biological assets revaluation model, and guided by the prudence concept, the Group used conservative approach for calculation of fair value of biological assets as at 30 September 2018.

Changes in key assumptions that were used in fair value estimation of biological assets had the following influence on the value of biological assets:

	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
1% decrease in egg sale price	(737)	(794)
1% increase in discount rate	(565)	(582)
1% increase in long-term inflation rate of Ukrainian hryvnya	235	710

15. Property, plant and equipment and intangible assets

During the nine months ended 30 September 2018, the Group's additions to property, plant and equipment amounted to USD 7 594 thousand (2017: USD 1 159 thousand). In particular the Group acquired equipment for poultry houses in the amount equal to USD 1 758 thousand (2017: USD 370 thousand) and capital expenditures in amount of USD 599 thousand (2017: 482 thousand) were incurred in connection with the reconstruction and improvement of the existing facilities and reconstruction of poultry buildings.

For the nine months ended 30 September 2018 and 2017 respectively the Group has put into operation fixed assets of book value equaling to USD 1 093 thousand and USD 1 551thousand respectively.

As at 30 September 2018 net book value of property plant and equipment which was used as collateral for bank loans is nil and property, plant and equipment via finance lease amounted is nil (2017: USD 117 thousand).

As at 30 September 2018 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 1 843 thousand (2017: USD 88 thousand).

As at 30 September 2018, included within property, plant and equipment were fully depreciated assets with the original cost of USD 2 492 thousand (2017: USD 2 579 thousand).

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 30 September 2018, 2017 and 31 December 2017.

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16. Inventories

	30 September 2018	31 December 2017	30 September 2017
	(unaudited)	(audited)	(unaudited)
Raw materials	4 237	4 378	3 554
Agricultural produce and finished goods	6 242	3 338	3 374
Package and packing materials	1 234	1 072	878
Work in progress	240	182	240
Other inventories	1 499	858	692
(Less: impairment of agricultural produce and finished goods)	(104)	(105)	(6)
Total	13 348	9 723	8 732

17. Trade and other receivables

	30 September 2018	31 December 2017	30 September 2017
	(unaudited)	(audited)	(unaudited)
Trade receivables	11 782	22 076	13 370
VAT for reimbursement	2 502	2 820	1 849
Other accounts receivable	864	24	15
Provision for doubtful accounts receivable	(213)	(200)	(344)
Total	14 935	24 720	14 890

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18. Cash and cash equivalents

	Note	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
Cash in banks	a)	13 656	14 828	13 325
Cash in deposit	a)	5 384	119	-
Cash on hand		10	11	12
Total		19 050	14 958	13 337

a) Cash in banks by country of bank location denominated in the following currencies:

	Currency	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
Ukraine	UAH	333	4 097	1 470
Ukraine	USD	277	3 170	3 192
Ukraine	EUR	1 098	2 129	512
Ukraine	PLN	-	-	-
Total in Ukraine		1 708	9 396	5 174
Latvia	USD	2 066	-	-
Latvia	EUR	200	-	-
Total in		2 266	-	-
United Kingdom	USD	14 938	5 518	7 869
United Kingdom	EUR	111	9	235
United Kingdom	PLN	1	-	-
Total in United Kingdom		15 050	5 527	8 104
Denmark	USD	3	3	23
Denmark	EUR	-	-	-
Total in Denmark		3	3	23
Poland	USD	-	-	-
Poland	EUR	-	-	-
Total in Poland		-	-	-
Netherlands	USD	13	22	24
Total in Netherlands		13	22	24
Total cash in banks		19 040	14 948	13 325

19. Equity

Issued capital and capital distribution

For the nine months ended 30 September 2018 there were no changes in issued capital.

As referred to in Note 1, the Company was incorporated on 22 March 2011.

The Company's authorized share capital amounts to EUR 225 000 and consists of 22 500 000 ordinary shares with a nominal value off EUR 0.01 each. As at 31 December 2011, 6 000 000 ordinary shares were issued and fully paid. In June 2011 the shares of the Company were listed on the Warsaw Stock Exchange.

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As at 30 September 2018, 2017 and 31 December 2017 the shareholder interest above 5% in the Share capital of Company was as follows:

	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
Prime One Capital Ltd.	67.93%	67.93%	67.93%
Generali Otwarty Fundusz Emerytalny	9.94%	9.94%	9.94%
FAIRFAX FINANCIAL Holdings Limited	5.35%	5.35%	5.35%
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	5.02%	5.02%	5.02%

Foreign currency translation reserve

According to section 373, Book 2 of the Dutch Civil Code, the Company's share capital has been converted at the exchange rate prevailing at the reporting date. The EUR 60 000 (equivalent to 6 000 000 shares) has been converted into USD 69 632 (30 September 2017: USD 70 987). The result arising from exchange rate differences has been recorded in the "Foreign currency translation reserve".

The foreign currency translation reserve is used also to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share premium

As has been mentioned previously, in June 2011 the Group's shares have been placed on WSE. As a result of the transaction, USD 33 048 thousand was raised while the IPO costs amounted to USD 2 115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 31 December 2011. For the nine months ended 30 September 2018 and 2017, there were no movements in share premium.

Dividends payable of the Company

During the nine months ended 30 September 2018, 2017 and 31 December 2017, no dividends have been declared and paid.

20. Interest-bearing loans and other financial liabilities

		Effective interest rate, %	Maturity	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
Currency						
Current interest-bearing loans and other financial liabilities						
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH	EUR	2.25%+ EURIBOR (6m)	30.12.2021	2 485	2 565	2 530
Landesbank Berlin AG	EUR	1.65%+ EURIBOR (6m)	30.12.2020	1 673	1 727	1 703
Other current loans	UAH	-	-	24	24	25
Total current interest-bearing loans and other financial liabilities				4 182	4 316	4 258
Non-current interest-bearing loans and other financial liabilities						
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH	EUR	2.25%+ EURIBOR (6m)	30.12.2021	5 687	6 905	7 980
Landesbank Berlin AG	EUR	1.65%+ EURIBOR (6m)	30.12.2020	1 572	2 397	3 178
Total non-current interest-bearing loans and other financial liabilities				7 259	9 302	11 158
Total interest-bearing loans and other financial liabilities				11 441	13 618	15 416

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The Interest-bearing loans from Landesbank Berlin AG and AKA Ausfuhrkredit-Gesellschaft mbH has been covered of Euler Hermes AG.

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

As at 30 September 2018 and 2017 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

As at 30 September 2018 net book value of property plant and equipment which was used as collateral for bank loans is nil and property, plant and equipment via finance lease amounted nil (2017: USD 133 thousand).

Reconciliation of liabilities arising from financing activities. The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	31 December 2017 (audited)	Financing cash flow	Increase (as a result of accruals and other)	Other changes	Exchange differences	30 September 2018 (unaudited)
Interest-bearing loans	14 577	(2 086)	-	-	(445)	12 046
Interest expenses	(983)	-	335	-	19	(629)
Other borrowings	24	-	-	-	-	24
Total	13 618	(2 086)	335	-	(426)	11 441

	31 December 2016 (audited)	Financing cash flow	Increase (as a result of accruals and other)	Other changes	Exchange differences	30 September 2017 (unaudited)
Interest-bearing loans	16 577	(2 026)	-	-	1 921	16 472
Interest expenses	(1 338)	-	404	-	(147)	(1 081)
Other borrowings	60	(24)	-	-	(11)	25
Total	15 299	(2 050)	404	-	1 763	15 416

21. Trade and other payables

	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2017 (unaudited)
Trade payables	5 624	7 801	4 567
Employee benefit liability	434	275	286
Liability for unused vacation	291	118	217
Taxes payable	212	293	123
VAT liabilities	184	811	33
Income tax payables	21	21	23
Other payables	103	23	66
Total	6 869	9 342	5 315

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22. Related party disclosures

For the purposes of these consolidated condensed interim financial statements, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other party in making financial and operating decisions. Considering the transactions with each possible related party, particular attention is paid to the essence of relationships, not merely their legal form.

Related parties may enter into transactions, which may not always be available to unrelated parties, and they may be subject to such conditions and such amounts that are impossible in transactions with unrelated parties.

According to the criteria mentioned above, related parties of the Group are divided into the following categories:

- (A). Key management personnel;
- (B). Companies which activities are significantly influenced by the Beneficial Owners;
- (C). Other related parties.

The following companies and individuals are considered to be the Group's related parties as at 30 September 2018, 2017:

(A). Key management personnel:

	Position:
Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Marc van Campen	Non-executive director
Sergii Karpenko	Non-executive director
Vladimir Polishchuk	Chief Financial Officer
Arnis Veinbergs	Deputy CEO in charge of Production activity
Vitalii Voron	Production director
Oleksandr Butenko	Commercial Director, segment Shell Eggs
Sergiy Didenko	Commercial Director, segment Egg Products
Liliia Chernyak	HR director

(B). Companies which activities are significantly influenced by the Key management personnel:

Agrofirma Boryspilsky Hutir LLC
Aleksa LTD LLC

As at 30 September 2018, 2017 and 31 December 2017 trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	31 September 2018 (unaudited)	31 December 2017 (audited)	31 September 2017 (unaudited)
Prepayments to related parties			
(B). Companies which activities are significantly influenced by the Beneficial Owners:			
Aleksa LTD LLC	50	50	52
Total	50	50	52

(C). Other related parties:

For the nine months ended 30 September 2018, 2017 the Group has no other related parties.

23. Commitments and contingencies

Contingent liabilities

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

In 2017, annual inflation rate amounted to 13.7% (2016: 12%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 2.1% (2016: 1.4%) and stabilization of national currency. From trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and

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Comprehensive Free Trade Area (“DCFTA”). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

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

In March 2015, Ukraine signed four-year Extended Fund Facility (“EFF”) with the International Monetary Fund (“IMF”) that will last until March 2019. The total program amounted to USD 17.5 billion, while Ukraine has so far received only USD 8.7 billion from the entire amount. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance the bonds due in 2019. The NBU expects that Ukraine will receive another USD 3.5 billion from the IMF in 2018. To receive next tranches, the government of Ukraine has to implement certain key reforms, including in such areas as pension system, anti-corruption regulations, and privatization. Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government’s efforts, yet further economic and political developments are currently difficult to predict.

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

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

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

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

Legal issues. As at 30 September 2018 and 2017 the Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results

24. Subsequent events

There were no significant events after the balance sheet date.