



# PUBLIC COMPANY LIMITED OVOSTAR UNION

CONSOLIDATED CONDENSED  
INTERIM FINANCIAL STATEMENTS

FOR THE 9 MONTHS  
ENDED 30 SEPTEMBER 2020



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# STATEMENT | OF THE MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors of Ovostar Union Public Company Limited in accordance with the applicable provisions of the Law providing for transparency requirements in relation to information about issuers whose shares are admitted to trading on a regulated market (L.190 (I)/2007—“Transparency Law”) herewith confirms that to the best of their knowledge the present unaudited interim consolidated condensed financial statements for the nine months ended 30 September 2020

- a) have been prepared in accordance with the International Financial Reporting Standard as adopted by the European Union; and
- b) give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, and the undertakings included in the consolidated accounts as a whole.

12 November 2020

Nicosia, Cyprus

[signed]

.....  
**Borys Bielikov**  
Chief Executive Officer,  
Executive Director

[signed]

.....  
**Vitalii Veresenko**  
Chairman of the Board,  
Non-executive Director

[signed]

.....  
**Karen Arshakyan**  
Head of Audit Committee,  
Non-executive Director

[signed]

.....  
**Sergii Karpenko**  
Non-executive Director

[signed]

.....  
**Vitalii Sapozhnik**  
Chief Financial Officer

## EGG SEGMENT

### PRODUCTION

As of 30 September 2020 total flock of the Company was 8.1 mln heads demonstrating 3% increase Y-o-Y (2019: 7.9 mln heads). The laying flock grew by 3% Y-o-Y and reached 6.9 mln heads (2019: 6.7 mln heads).

Over the nine months of 2020 1 236 mln eggs were produced (2019: 1 191 mln eggs).

### SALES

Sales volume of shell eggs totaled to 795 mln (2019: 888 mln eggs). Lower sales volume is accounted for by reduction of trading activities in the reporting period. Export sales equaled 266 mln eggs or 34% of the total sales volume (2019: 440 mln eggs and 50% respectively).

Average selling price of shell eggs fell by 8% Y-o-Y to 0.056 USD/egg (2019: 0.061 USD/egg).

## EGG PRODUCTS SEGMENT

### PRODUCTION

In the reporting period 433 mln eggs were processed (2019: 432 mln eggs). The output of dry and liquid egg products was 2 597 tons (+19% Y-o-Y) and 9 983 tons (-5% Y-o-Y) respectively.

### SALES

Sales volume of dry egg products equaled 2 417 tons (+39% Y-o-Y), out of which 1 705 tons, or 71%, were exported (2019: 1 235 tons and 71% respectively).

Sales volume of liquid egg products equaled 9 692 tons (-7% Y-o-Y), out of which 3 521 tons, or 36%, were exported (2019: 5 069 tons and 48% respectively).

Average selling price of dry egg products decreased by 8% Y-o-Y to 4.05 USD/kg (2019: 4.39 USD/kg); average selling price of liquid egg products fell by 16% Y-o-Y to 1.19 USD/kg (2019: 1.41 USD/kg).

## REVENUE

Total revenue for the nine months ended 30 September 2020 amounted to USD 67.8 mln, which is by 13%, lower as compared to 2019 (9M 2019: USD 77.6 mln). The decrease was caused by a) substantial reduction of trading operations; b) decrease of prices of shell eggs (-8% Y-o-Y) and eggs products (-8% Y-o-Y for dry eggs products, -16% Y-o-Y for liquid egg products).

During the 9 months 2020 shell eggs segment contributed USD 44.6 mln, or 66%, to the total revenue. The contribution of egg products segment made up USD 23.3 mln, or 34%. The share of revenues from export sales in 9M 2020 was 43% (9M 2019: 50%).

## COST OF SALES AND GROSS PROFIT

Cost of sales in the reporting period was USD 57.6 mln vs. USD 67.2 mln in 2019. The effect of the reduced volume of trading is USD 6.7 mln. Gross profit for the 9M 2020 equaled USD 10.4 mln (9M 2019: USD 9.2 mln).

## OPERATING PROFIT AND EBITDA

Operating profit in the 9M 2020 was by 40% higher than in the 9 months of 2019 and totaled to USD 4.5 mln (9M 2019: USD 3.2 mln, including USD 2.9 mln government subsidy which in the present financial statements is reclassified to deferred income and is recognized in profit or loss on a systematic basis over the useful life of the related assets). EBITDA increased by 29% Y-o-Y to USD 7.6 mln (9M 2019: USD 5.9 mln).

## NET PROFIT

Net profit for the reporting period equaled USD 3.8 mln demonstrating 44% increase as compared to the 9M 2020 (USD 2.6 mln).

## MARGINALITY

For the 9M 2020 the margins were as follows:

EBITDA Margin	11%	(2019: 8%);
Gross Profit Margin	15%	(2019: 12%);
Net Profit Margin	6%	(2019: 3%).

## CASH FLOWS

During the reporting period operating cash flow amounted to USD 11.4 mln. Cash flows used in investing activities equaled USD 12.8 mln. Cash flows used in financing activities amounted to USD 1.6 mln.

## NET DEBT POSITION

Cash and cash equivalents as at 30 September 2020 totaled to USD 1.1 mln, while total debt was USD 9.5 mln, resulting in net debt amounting to USD 8.4 mln.

#### DECLARATION OF INCOME FROM NON-RECURRING OR EXTRAORDINARY ACTIVITIES

In July 2020 the Company received insurance recovery in amount of USD 1.8 mln (UAH 49.8 mln) for the loss of fixed assets destroyed in the fire accident in August 2019.

#### INDICATION OF IMPORTANT EVENTS THAT HAVE OCCURRED IN THE REPORTING PERIOD

In September 2020 Ovostar Union Public Company entered into a Joint Venture Agreement with JMMMTJL B.V. a limited liability company incorporated under Dutch law to cooperate for the mutual benefit of both parties in the engagement of the business of manufacturing and further distribution of egg products. Following this, a joint venture entity, REMEDIUM FOODS B.V., has been established and registered under the Dutch law on 30 September 2020 on a 50:50 basis.

#### RELATED PARTIES

During the nine months ended 30 September 2020 and 2019 the Group entered into transactions with related parties in the ordinary course of business. Detailed information on operations with related parties is disclosed in Note 22.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the company on a regular basis take all steps to monitor, identify and mitigate risks that may have adverse effect on the operations. Since the start of the year COVID 19 pandemic and its implications for the business have been in focus.

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The pandemic is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 30 September 2020.

The Management has considered the unique circumstances and the risk exposures of the Group and has concluded that the event is not expected to have an immediate material impact on the business operations. However certain pandemic related risks have been identified as can be seen in the table that follows.

	Note	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
Revenue from contracts with customers	8	67 824	77 632
Changes in fair value of biological assets	14	243	(1 235)
Cost of sales		(57 647)	(67 220)
<b>Gross profit</b>		<b>10 420</b>	<b>9 177</b>
Other operating income	9	2 323	3 594
Selling and distribution costs		(5 316)	(6 691)
Administrative expenses		(2 604)	(2 064)
Other operating expenses	10	(315)	(799)
<b>Operating profit</b>		<b>4 508</b>	<b>3 217</b>
Finance costs		(764)	(627)
Finance income		57	55
<b>Profit before tax</b>		<b>3 801</b>	<b>2 645</b>
Income tax expense	13	(43)	(41)
<b>Profit for the period</b>		<b>3 758</b>	<b>2 604</b>
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		(19 912)	19 317
<b>Other comprehensive income for the period, net of tax</b>		<b>(19 912)</b>	<b>19 317</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(16 154)</b>	<b>21 921</b>
Profit for the period attributable to:			
Equity holders of the parent company		3 889	2 444
Non-controlling interests		(131)	160
<b>Total profit for the period</b>		<b>3 758</b>	<b>2 604</b>
Other comprehensive income attributable to:			
Equity holders of the parent company		(19 586)	19 260
Non-controlling interests		(326)	57
<b>Total other comprehensive income</b>		<b>(19 912)</b>	<b>19 317</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent company		(15 698)	21 704
Non-controlling interests		(457)	217
<b>Total comprehensive income</b>		<b>(16 155)</b>	<b>21 921</b>
<b>Earnings per share:</b>			
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)		0.65	0.41

[signed]

.....  
**Borys Bielikov**  
Chief Executive Officer,  
Executive Director

[signed]

.....  
**Vitalii Veresenko**  
Chairman of the Board,  
Non-executive Director

[signed]

.....  
**Karen Arshakyan**  
Head of Audit Committee,  
Non-executive Director

[signed]

.....  
**Sergii Karpenko**  
Non-executive Director

[signed]

.....  
**Vitalii Sapozhnik**  
Chief Financial Officer

	Note	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Biological assets	14	42 188	35 202	53 958
Property, plant and equipment and intangible assets	15	48 731	58 325	56 822
Deferred tax assets		29	73	132
Other non-current assets		26	96	52
<b>Total non-current assets</b>		<b>90 974</b>	<b>93 696</b>	<b>110 964</b>
<b>Current assets</b>				
Inventories	16	11 085	12 297	12 839
Biological assets	14	8 982	15 557	15 216
Trade and other receivables	17	13 118	17 734	18 437
Prepayments to suppliers		1 155	2 022	2 195
Prepayments for income tax		26	31	30
Cash and cash equivalents	18	1 125	4 478	5 888
<b>Total current assets</b>		<b>35 491</b>	<b>52 119</b>	<b>54 605</b>
<b>Total assets</b>		<b>126 465</b>	<b>145 815</b>	<b>165 569</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued capital	19	70	78	66
Share premium		30 933	30 933	30 933
Foreign currency translation reserve		(130 688)	(111 110)	(112 470)
Retained earnings		199 931	219 945	219 945
Result for the period		3 889	(20 014)	2 444
<b>Equity attributable to equity holders of the parent</b>		<b>104 135</b>	<b>119 832</b>	<b>140 918</b>
Non-controlling interests	7	662	1 119	1 035
<b>Total equity</b>		<b>104 797</b>	<b>120 951</b>	<b>141 953</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and other financial liabilities	20	3 585	4 435	3 251
Deferred tax liability		226	269	609
<b>Total non-current liabilities</b>		<b>3 811</b>	<b>4 704</b>	<b>3 860</b>
<b>Current liabilities</b>				
Trade and other payables	21	9 161	10 694	10 551
Deferred income		2 246	3 042	
Advances received		497	469	431
Interest-bearing loans and other financial liabilities	20	5 953	5 955	8 774
<b>Total current liabilities</b>		<b>17 857</b>	<b>20 160</b>	<b>19 756</b>
<b>Total liabilities</b>		<b>21 668</b>	<b>24 864</b>	<b>23 616</b>
<b>Total equity and liabilities</b>		<b>126 465</b>	<b>145 815</b>	<b>165 569</b>

[signed]

.....  
**Borys Bielikov**  
Chief Executive Officer,  
Executive Director

[signed]

.....  
**Vitalii Veresenko**  
Chairman of the Board,  
Non-executive Director

[signed]

.....  
**Karen Arshakyan**  
Head of Audit Committee,  
Non-executive Director

[signed]

.....  
**Sergii Karpenko**  
Non-executive Director

[signed]

.....  
**Vitalii Sapozhnik**  
Chief Financial Officer

	Attributable to equity holders of the parent company					Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period			
<b>As at 31 December 2018 (audited)</b>	<b>68</b>	<b>30 933</b>	<b>(131 732)</b>	<b>209 284</b>	<b>17 441</b>	<b>125 994</b>	<b>818</b>	<b>126 812</b>
Profit for the period	-	-	-	-	2 444	2 444	160	2 604
Other comprehensive income	-	-	19 260	-	-	19 260	57	19 317
Acquisition of a subsidiary	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	19 260	-	2 444	21 704	217	21 921
Allocation of prior period result	-	-	-	17 441	(17 441)	-	-	-
Dividends	-	-	-	(6 780)	-	(6 780)	-	(6 780)
Exchange differences	(2)	-	2	-	-	-	-	-
<b>As at 30 September 2019 (unaudited)</b>	<b>66</b>	<b>30 933</b>	<b>(112 470)</b>	<b>219 945</b>	<b>2 444</b>	<b>140 918</b>	<b>1 035</b>	<b>141 953</b>
<b>As at 31 December 2019 (audited)</b>	<b>78</b>	<b>30 933</b>	<b>(111 110)</b>	<b>219 945</b>	<b>(20 014)</b>	<b>119 832</b>	<b>1 119</b>	<b>120 951</b>
Profit for the period	-	-	-	-	3 889	3 889	(131)	3 758
Other comprehensive income	-	-	(19 586)	-	-	(19 586)	(326)	(19 912)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	(19 586)	-	3 889	(15 697)	(457)	(16 154)
Allocation of prior period result	-	-	-	(20 014)	20 014	-	-	-
Change in the structure of the Group (see note 7)	-	-	-	-	-	-	-	-
Exchange differences	(8)	-	8	-	-	-	-	-
<b>As at 30 September 2020 (unaudited)</b>	<b>70</b>	<b>30 933</b>	<b>(130 688)</b>	<b>199 931</b>	<b>3 889</b>	<b>104 135</b>	<b>662</b>	<b>104 797</b>

[signed]

**Borys Bielikov**  
Chief Executive Officer,  
Executive Director

[signed]

**Vitalii Veresenko**  
Chairman of the Board,  
Non-executive Director

[signed]

**Karen Arshakyan**  
Head of Audit Committee,  
Non-executive Director

[signed]

**Sergii Karpenko**  
Non-executive Director

[signed]

**Vitalii Sapozhnik**  
Chief Financial Officer

	Note	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
<b>Operating activities</b>			
Profit before tax		3 801	2 645
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>			
Depreciation of property, plant and equipment and amortisation of intangible assets	11	3 119	2 690
Net change in fair value of biological assets	14	(243)	1 235
Disposal of property, plant and equipment		1	559
Disposal of biological assets		1 447	1 672
Finance income		(57)	(56)
Finance costs		764	627
Recovery of assets previously written-off	9	(3)	(486)
Impairment of doubtful accounts receivable and prepayments to suppliers	10	-	35
<b>Working capital adjustments:</b>			
(Increase)/Decrease in trade and other receivables		2 610	(3 318)
Government subsidies		(339)	2 952
Increase in prepayments to suppliers		578	(1 312)
Decrease/(Increase) in other non-current assets		70	15
Decrease/(Increase) in inventories		(519)	35
Decrease/(Increase) in trade and other payables and advances received		182	6 341
<b>Net cash flows from operating activities</b>		<b>11 411</b>	<b>13 634</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2 302)	(8 803)
Increase in biological assets	14	(10 450)	(9 443)
Effect of acquiring new companies			
<b>Net cash flows used in investing activities</b>		<b>(12 752)</b>	<b>(18 246)</b>
<b>Financing activities</b>			
Proceeds from borrowings		2 197	4 859
Repayment of borrowings		(3 631)	(2 031)
Interest received		41	56
Interest paid		(210)	(353)
Payment of dividends			(6 730)
<b>Net cash flows used in financing activities</b>		<b>(1 603)</b>	<b>(4 199)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2 944)</b>	<b>(8 811)</b>
Effect from translation into presentation currency		(409)	353
<b>Cash and cash equivalents at 01 January</b>		<b>4 478</b>	<b>14 346</b>
<b>Cash and cash equivalents at 30 September</b>		<b>1 125</b>	<b>5 888</b>

[signed]

.....  
**Borys Bielikov**  
Chief Executive Officer,  
Executive Director

[signed]

.....  
**Vitalii Veresenko**  
Chairman of the Board,  
Non-executive Director

[signed]

.....  
**Karen Arshakyan**  
Head of Audit Committee,  
Non-executive Director

[signed]

.....  
**Sergii Karpenko**  
Non-executive Director

[signed]

.....  
**Vitalii Sapozhnik**  
Chief Financial Officer

## 1. CORPORATE INFORMATION

Ovostar Union Public Company Limited (referred to herein as the “Company”) is a limited liability company incorporated on 22 March 2011 in Amsterdam under the laws of the Netherlands. Following resolution of the Extraordinary Meeting of Shareholders held in Amsterdam on 30 August 2018 the Company was redomiciled to Cyprus and on 29 November 2018 was registered with the Register of Companies of the Republic of Cyprus as a company continuing in the Republic of Cyprus. As of 31 December 2018 the Company’s registered address is 22 Ierotheou Street, Strovolos, Nicosia 2028, Cyprus.

Principal activities of the Group include egg production, distribution, egg products manufacturing and production of related products. The largest shareholder of the Company is Prime One Capital Ltd., Cyprus whose 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, United Arab Emirates and British Virgin Islands (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 address 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 2020 were authorized by the Board of Directors on 12 November 2020.

## 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; 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 the follows:

- assets and liabilities for each statement of financial position presented (ie including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented (ie including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

During nine months ended 30 September 2020 and 2019, 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 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
USD/UAH	28.2989	23.6862	24.0828
EUR/UAH	33.1309	26.4220	26.3346
USD/PLN	3.8634	3.8725	4.0098
USD/EUR	0.8528	0.9033	0.9161

	Average rate					
	1-st quarter 2020 (unaudited)	2-nd quarter 2020 (unaudited)	3-st quarter 2020 (unaudited)	1-st quarter 2019 (unaudited)	2-nd quarter 2019 (unaudited)	3-nd quarter 2019 (unaudited)
USD/UAH	25.0525	26.9143	27.5996	25.2613	26.5615	27.3058
EUR/UAH	27.6154	29.6028	32.2429	28.1009	29.8327	31.0293
USD/PLN	3.9226	4.1000	3.7995	3.8907	3.8125	3.7917
USD/EUR	0.9069	0.9087	0.8557	0.8996	0.8900	0.8807

### 3. BASIS OF CONSOLIDATION

The consolidated condensed interim financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2020. 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 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised 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.

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.

### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **5.1. Recognition and measurement of financial instruments**

##### **Financial instruments: key measurement terms**

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 best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level one: Measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level two: Valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- Level three: Valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses.

Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated condensed interim statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**Financial instruments: initial recognition**

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortised on a straight-line basis over the term of the currency swaps, loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

**5.2. Financial assets**

**Financial assets: Classification and subsequent measurement: measurement categories**

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- i) the Group's business model for managing the related assets portfolio and
- ii) the cash flow characteristics of the asset.

As at 30 September 2020 and 30 September 2019 the Group did not hold financial assets at FVOCI.

**Financial assets: Classification and subsequent measurement: business model**

The business model reflects how the Group manages the assets in order to generate cash flows - whether the Group's objective is:

- i. solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or
- ii. to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

**Financial assets: Classification and subsequent measurement: cash flow characteristics**

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The Group holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the expected credit loss measurement are provided in Note 31.

**Financial assets: Reclassification**

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

**Financial assets: Credit loss allowance for ECL**

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets of the Group that are subject to IFRS 9's new expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

**Financial assets: Write-off**

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Financial assets: Derecognition**

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

### **Financial assets: Modification**

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

#### **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.

#### **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.

### **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**

#### **Financial liabilities - measurement categories**

Financial liabilities are classified as subsequently measured at amortised cost, except for (i) financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. As of 30 September 2020 and 30 September 2019 the Group did not have financial guarantee contracts and loan commitments or financial liabilities at fair value through profit or loss.

#### **Financial liabilities - derecognition**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

#### **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.

#### **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 realisable 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, recognised in OCI, in respect to the purchases of raw materials.

Net realisable 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 capitalised 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 capitalisation 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.

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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, 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 recognised in the income statement when the asset is derecognised.

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

#### **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 capitalised 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**

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS 7.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability in most cases.

The lease asset is the right to use the underlying asset and is presented in the statement of financial position either as part of property, plant and equipment or as its own line item.

#### **5.17. 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.

#### **5.18. Provisions**

Provisions are recognised 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.

### **5.19. Revenue recognition**

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

Group's contracts with customers are fixed-price contracts and generally include both advance payment and deferred payment for the same contracts. Generally, the sales are made with a credit term of 30-60 days, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognised when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due (Note 21). Contract assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

#### **The five-step model framework**

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

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

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

#### **Step 1: Identify the contract with the customer**

A contract with a customer exists when:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

If a contract with a customer does not yet meet all of the above criteria, the Group continues as to re-assess the contract going forward to determine whether it subsequently meets the above criteria.

#### **Step 2: Identify the performance obligations in the contract**

At the inception of the contract, the Group assesses the goods or services that have been promised to the customer, and identifies a performance obligation:

- a good or service (or bundle of goods or services) that is distinct;
- or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

#### **Step 3: Determine the transaction price**

The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services. When making this determination, the Group considers past customary business practices.

**Step 4: Allocate the transaction price to the performance obligations in the contracts**

Where a contract has multiple performance obligations, the Group will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. If a standalone selling price is not directly observable, the Group will need to estimate it using an adjusted market assessment approach or the expected cost plus a margin approach.

**Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation**

Revenue is recognised as control is passed, either over time or at a point in time.

Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset.

These include:

- using the asset to produce goods or provide services;
- using the asset to enhance the value of other assets;
- using the asset to settle liabilities or to reduce expenses;
- selling or exchanging the asset;
- pledging the asset to secure a loan; and
- holding the asset.

The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly.

**5.20. 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.

As of 30 September 2020, Ukrainian corporate income tax was levied at a rate of 18% (2019: 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).

**5.21. Value Added Tax**

For the nine months ended 30 September 2020 and 2019, 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.

**5.22. 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.

Government grants are recognised 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 recognised at the moment when the decision to disburse the amounts to the Group is made.

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

**5.23. 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.

**5.24. 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.

**5.25. Reclassification**

Certain comparative information presented in the consolidated condensed interim financial statements for the nine month ended 30 September 2019 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 2020. Such reclassifications and revisions were not significant to the Group financial statements.

**6. NEW AND AMENDED STANDARDS**

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

**(a) New and amended standards and interpretations adopted**

The Group has not adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019:

**International Financial Reporting Standards (“IFRS”)**

§ IFRS 17 Insurance Contracts Amendments to existing standards and interpretations	not yet endorsed
§ Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	not endorsed
§ Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
§ Amendments to IFRS 9, IAS 39 and IFRS 7 -Interest rate benchmark reform	1 January 2020
§ Amendments to IFRS 3 – Definition of a business	not yet endorsed
§ Amendments to IAS 1 and IAS 8 – Definition of Material	1 January 2020
§ Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)	not yet endorsed

## 7. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

As at 30 September 2020, 31 December 2019 and 30 September 2019 the Group included the following subsidiaries:

Name of the company	Business activities	30 September 2020	31 December 2019	30 September 2019
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"	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%	100.0%	100.0%
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"	Trading company, egg trading – non operational activity (Ukraine)	76.0%	76.0%	76.0%
Limited Liability Company "Skybynsky Fodder Plant"	In the process of liquidation (Ukraine)	98.6%	98.6%	98.6%
"SIA" Ovostar Europe"	Trade company (Latvia)	89.0%	89.0%	89.0%
SIA "Gallusman"	Production of shell eggs (Latvia)	89.0%	89.0%	89.0%
SIA "EPEX"	Egg-products production (Latvia)	89.0%	89.0%	89.0%
International Food Trade Limited	Trade company (British Virgin Islands)	100.0%	100.0%	100.0%
OAE Food Trade FZE	Trade company (United Arab Emirates)	100.0%	100.0%	100.0%
Limited Liability Company "BVV EQUIPMENT"	Non-operational activity (Ukraine)	0.0%	100.0%	100.0%
Limited Liability Company "BV TRADING"	Non-operational activity (Ukraine)	100.0%	100.0%	100.0%
*REMEDIIUM FOODS B.V.	Egg processing, distribution of egg products	50.00%	0.0%	0.0%

\*In September 2020 Ovostar Union Public Company entered into a Joint Venture Agreement with JMMMTJL B.V. a limited liability company incorporated under Dutch law with its registered office in Weert and place of business at Koenderstraat 9, 6006 PR Weert and registered in the Dutch Chamber of Commerce under the number 78629926 to cooperate for the mutual benefit of both parties in the engagement of the business of manufacturing and further distribution of egg products. Following this, a joint venture entity, REMEDIUM FOODS B.V., has been established and registered under the Dutch law on 30 September 2020 on a 50:50 basis.

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 2020 (unaudited)	PJSC "Poultry Farm	PJSC "Malynove"	PJSC "Krushynsky y Poultry	"SIA" Ovostar Europe"	SIA "Gallusman "	SIA "EPEX"	Intra-group eliminations	Total
<b>NCI percentage</b>	<b>8.0%</b>	<b>6.0%</b>	<b>24.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>		
Non-current assets	1 864	16 986	-	9	348	59		
Current assets	2 801	5 758	529	5 167	108	85		
Non-current liabilities	-	-	-	-	-	-		
Current liabilities	(1 013)	(19 452)	15	(5 184)	(65)	(150)		
<b>Net assets</b>	<b>3 652</b>	<b>3 292</b>	<b>544</b>	<b>(8)</b>	<b>391</b>	<b>(6)</b>		
Carrying amount of NCI	292	198	131	(1)	43	(1)		662
Revenue	1 659	6 296	-	18 965	2	68		
Profit (loss)	624	(4 013)	(2)	532	21	(2)		
OCI	(2 216)	(1 389)	(106)	(39)	(330)	-		
<b>Total comprehensive income</b>	<b>(1 592)</b>	<b>(5 402)</b>	<b>(108)</b>	<b>493</b>	<b>(309)</b>	<b>(2)</b>		
Profit allocated to NCI	50	(242)	-	59	2	-		(131)
OCI allocated to NCI	(177)	(83)	(25)	(4)	(37)	-		(326)
Cash flows from operating activities	1	-	-	(419)	(15)	-		
Cash flows from investment activities	-	-	-	(9)	(11)	-		
Effect from translation into presentation	-	-	-	4	1	-		
Net (decrease)/ increase in cash and	1	-	-	(424)	(25)	-		

30 September 2019 (unaudited)	PJSC "Poultry Farm	PJSC "Malynove"	PJSC "Krushynsky y Poultry	"SIA" Ovostar Europe"	SIA "Gallusman "	SIA "EPEX"	Intra-group eliminations	Total
<b>NCI percentage</b>	<b>8.0%</b>	<b>6.0%</b>	<b>24.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>		
Non-current assets	901	25 784	-	8	233	31		
Current assets	3 088	5 707	216	5 016	179	103		
Non-current liabilities	-	(284)	(3)	-	-	-		
Current liabilities	(203)	(18 322)	12	(5 859)	(446)	(137)		
<b>Net assets</b>	<b>3 786</b>	<b>12 885</b>	<b>225</b>	<b>(835)</b>	<b>(34)</b>	<b>(3)</b>		
Carrying amount of NCI	304	773	54	(92)	(4)	-		1 035
Revenue	1 651	5 706	-	18 493	10	1		
Profit (loss)	(1 417)	4 246	25	143	(27)	(6)		
OCI	319	151	74	42	1	-		
<b>Total comprehensive income</b>	<b>(1 098)</b>	<b>4 397</b>	<b>99</b>	<b>185</b>	<b>(26)</b>	<b>(6)</b>		
Profit allocated to NCI	(113)	255	6	16	(3)	(1)		160
OCI allocated to NCI	26	9	18	5	-	-		58
Cash flows from operating activities	27	65	(598)		(95)			
Cash flows from investment activities	(25)	(65)						
Effect from translation into presentation			(41)		(34)			
Net (decrease)/ increase in cash and	2	-	(639)	-	-	-		

## 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	⇒	sales of egg
	⇒	sales of chicken meat
Egg products operations segment	⇒	sales of egg processing products
Oilseed operations segment	⇒	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.

The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the nine months ended 30 September 2020 and 2019:

9 months ended 30 September 2020 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue from contracts with customers	84 549	34 249		118 798
Inter-segment revenue	(39 983)	(10 991)		(50 974)
<b>Revenue from external buyers</b>	<b>44 566</b>	<b>23 258</b>		<b>67 824</b>
<b>Profit before tax</b>	<b>1 739</b>	<b>2 019</b>		<b>3 758</b>

  

9 months ended 30 September 2019 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue from contracts with customers	102 654	36 033	-	138 687
Inter-segment revenue	(49 061)	(11 994)	-	(61 055)
<b>Revenue from external buyers</b>	<b>53 593</b>	<b>24 039</b>	-	<b>77 632</b>
<b>Profit before tax</b>	<b>1 922</b>	<b>723</b>	-	<b>2 645</b>

For the nine months ended 30 September 2020, 2019 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 30 September 2020, 2019 and 31 December 2019 were presented as follows:

30 September 2020 (unaudited)	Egg	Operations segment		Consolidated
		Egg products	Oilseed	
<b>Total segment assets</b>	<b>109 492</b>	<b>16 973</b>	<b>-</b>	<b>126 465</b>
<b>Total segment liabilities</b>	<b>20 205</b>	<b>1 463</b>	<b>-</b>	<b>21 668</b>
Addition to property, plant and equipment and intangible assets	1 406	800	-	2 206
Net change in fair value of biological assets and agricultural produce	156	87	-	243
Depreciation and amortization	(2 740)	(379)	-	(3 119)
Interest income				-
Interest on debts and borrowings				-
Income tax expense	(9)	(34)	-	(43)
31 December 2019 (audited)	Egg	Operations segment		Consolidated
		Egg products	Oilseed	
<b>Total segment assets</b>	<b>130 039</b>	<b>15 669</b>	<b>107</b>	<b>145 815</b>
<b>Total segment liabilities</b>	<b>23 768</b>	<b>1 096</b>	<b>-</b>	<b>24 864</b>
30 September 2019 (unaudited)	Egg	Operations segment		Consolidated
		Egg products	Oilseed	
<b>Total segment assets</b>	<b>146 689</b>	<b>18 717</b>	<b>163</b>	<b>165 569</b>
<b>Total segment liabilities</b>	<b>23 020</b>	<b>571</b>	<b>25</b>	<b>23 616</b>
Addition to property, plant and equipment and intangible assets	6 207	199	-	6 406
Net change in fair value of biological assets and agricultural produce	(827)	(408)	-	(1 235)
Depreciation and amortization	(2 289)	(395)	(6)	(2 690)
Interest income	40	16	-	56
Interest on debts and borrowings	353	-	-	353
Income tax expense	-	(41)	-	(41)

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 2020 (unaudited)	Operations segment			Total
	Egg	Egg products	Oilseed	
<b>Type of goods or service</b>				
Goods	44 218	23 258	-	67 476
Services	346	2	-	348
<b>Total revenue from contracts with customers</b>	<b>44 564</b>	<b>23 260</b>	-	<b>67 824</b>
<b>Geographical markets</b>				
Ukraine	27 398	10 959	-	38 357
Export market	17 166	12 301	-	29 467
<b>Total revenue from contracts with customers</b>	<b>44 564</b>	<b>23 260</b>	-	<b>67 824</b>

9 months ended 30 September 2019 (unaudited)	Operations segment			Total
	Egg	Egg products	Oilseed	
<b>Type of goods or service</b>				
Goods	53 559	24 037	-	77 596
Services	34	2	-	36
<b>Total revenue from contracts with customers</b>	<b>53 593</b>	<b>24 039</b>	-	<b>77 632</b>
<b>Geographical markets</b>				
Ukraine	25 847	12 607	-	38 454
Export market	27 746	11 432	-	39 178
<b>Total revenue from contracts with customers</b>	<b>53 593</b>	<b>24 039</b>	-	<b>77 632</b>

## 9. OTHER OPERATING INCOME

	Note	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
<b>Income from refund under the special legislation:</b>			
Government subsidies	a)	339	2 952
<b>Total income from refund under the special legislation</b>		<b>339</b>	<b>2 952</b>
Gain on recovery of assets previously written off		3	486
Insurance compensation		1 805	-
Gain on disposal of property plant and equipment		-	4
Other income		176	152
<b>Total</b>		<b>2 323</b>	<b>3 594</b>

Recovery of assets previously written-off mainly represents amounts of inventory surplus identified in the reporting period during the stock-taking and recovery of amounts previously recognized as doubtful.

### a) Government subsidies

On 7 February 2018, the Cabinet of Ministers of Ukraine approved the procedure to obtain livestock sector state support. During the year ended 31 December 2019, the Group received government grants in accordance to the compensation program for construction and reconstruction of livestock farms in an amount of USD 2 952 thousand. Government grants are presented in the statement of the financial position as deferred revenues, which is recognised in profit or loss on a systematic basis over the useful life of the related assets.

In July 2020 the Company has received insurance recovery in amount of USD 1.8 mln (UAH 49.8 mln) for the loss of fixed assets destroyed in the fire accident in August 2019.

## 10. OTHER OPERATING EXPENSES

	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
Writing off fixed assets	(17)	(559)
Impairment of doubtful accounts receivable and prepayments to suppliers	(23)	(35)
Write-off of Accounts Receivable	-	(66)
Loss on disposal of property plant and equipment	(1)	-
Fines and penalties	(7)	(35)
Other expenses	(267)	(104)
<b>Total</b>	<b>(315)</b>	<b>(799)</b>

## 11. AMORTISATION AND DEPRECIATION EXPENSES

	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
<b>Depreciation and amortisation:</b>		
Cost of sales	(2 836)	(2 375)
Selling and distribution costs	(67)	(54)
Administrative expenses	(216)	(261)
<b>Total</b>	<b>(3 119)</b>	<b>(2 690)</b>

## 12. EMPLOYEE BENEFITS EXPENSE

	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
<b>Wages, salaries and social security:</b>		
Costs of production personnel	(5 782)	(6 094)
Costs of distribution personnel	(648)	(503)
Costs of administrative personnel	(1 140)	(820)
<b>Total</b>	<b>(7 570)</b>	<b>(7 417)</b>

## 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 2020, 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 2019: at a 18% rate). The deferred income tax assets and liabilities as of 30 September 2020 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 2020 and 2019 were:

	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
Current income tax	(9)	(2)
Deferred tax	(34)	(39)
<b>Income tax (expense)/benefit reported in the income statement</b>	<b>(43)</b>	<b>(41)</b>

## 14. BIOLOGICAL ASSETS

As at 30 September 2020, 31 December 2019 and 30 September 2019 commercial and replacement poultry were presented as follows:

	30 September 2020 (unaudited)		31 December 2019 (audited)		30 September 2019 (unaudited)	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
<b>Non-current biological assets</b>						
<i>Replacement poultry</i>						
Hy-line	4 477	42 188	3 827	35 202	4 425	53 958
<b>Total non-current biological assets</b>	<b>4 477</b>	<b>42 188</b>	<b>3 827</b>	<b>35 202</b>	<b>4 425</b>	<b>53 958</b>
<b>Current biological assets</b>						
<i>Commercial poultry</i>						
Hy-line	3 624	8 982	4 234	15 557	3 471	15 216
<b>Total current biological assets</b>	<b>3 624</b>	<b>8 982</b>	<b>4 234</b>	<b>15 557</b>	<b>3 471</b>	<b>15 216</b>
<b>Total biological assets</b>	<b>8 101</b>	<b>51 170</b>	<b>8 061</b>	<b>50 759</b>	<b>7 896</b>	<b>69 174</b>

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 2020 and 2019 was presented as follows:

	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
<b>As at 01 January</b>	<b>50 759</b>	<b>53 789</b>
Increase in value as a result of assets acquisition	339	324
Increase in value as a result of capitalization of cost	10 111	9 119
Income/(Losses) from presentation of biological assets at fair value	243	(1 235)
Decrease in value as a result of assets disposal	(1 447)	(1 672)
Exchange differences	(8 835)	8 849
<b>As at 30 September</b>	<b>51 170</b>	<b>69 174</b>

For the nine months ended 30 September 2020 the Group produced shell eggs in the quantity of 1 236 million items (30 September 2019: 1 191 million).

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 16.00% (30 September 2019: 23.00%). 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.

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 2020 (unaudited)	Assumption as at 30 September 2019 (unaudited)
Eggs sale price, USD per item (UAH per item)	0,064 (1,81)	0.069 (1.69)
Discount rate, %	16.00%	23.00%
Long-term inflation rate of Ukrainian hryvnya, %	101.7%	103.4%

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 2020.

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 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
1% decrease in egg sale price	(983)	(657)
1% increase in discount rate	(671)	(567)
1% increase in long-term inflation rate of Ukrainian hryvnya	53	235

## 15. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the nine months ended 30 September 2020 the Group's additions to property, plant and equipment amounted to USD 2 207 thousand (2019: USD 8 803 thousand). In particular, the Group acquired equipment in the amount equal to USD 978 thousand (2019: USD 4 773 thousand) and capital expenditures in amount of USD 1229 thousand (2019: 975 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 2020 and 2019 respectively the Group has put into operation fixed assets of book value equal to USD 934 thousand and USD 9 045 thousand respectively.

As at 30 September 2020 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 ( 2019: USD nil).

As at 30 September 2020 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 728 thousand (2019: USD 1 454 thousand).

As at 30 September 2020, included within property, plant and equipment were fully depreciated assets with the original cost of USD 3 012 thousand (2019: USD 3 112 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 2020, 2019 and 31 December 2019.

## 16. INVENTORIES

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Raw materials	2 774	3 362	3 398
Agricultural produce and finished goods	4 788	4 931	5 905
Package and packing materials	1 637	1 713	1 525
Work in progress	814	650	283
Other inventories	1 176	1 765	1 850
(Less: impairment of agricultural produce and finished goods)	(104)	(124)	(122)
<b>Total</b>	<b>11 085</b>	<b>12 297</b>	<b>12 839</b>

## 17. TRADE AND OTHER RECEIVABLES

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Trade receivables	8 799	11 902	10 669
VAT for reimbursement	3 651	5 869	7 682
Other accounts receivable	863	196	300
Provision for doubtful accounts receivable	(195)	(233)	(214)
<b>Total</b>	<b>13 118</b>	<b>17 734</b>	<b>18 437</b>

## 18. CASH AND CASH EQUIVALENTS

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Cash in banks	1 109	4 463	4 358
Restricted cash	-	-	1 517
Cash on hand	16	15	13
<b>Total</b>	<b>1 125</b>	<b>4 478</b>	<b>5 888</b>

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

	Currency	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Ukraine	UAH	100	2 698	466
Ukraine	USD	56	91	576
Ukraine	EUR	107	401	1 947
<b>Total in Ukraine</b>		<b>263</b>	<b>3 190</b>	<b>2 989</b>
Latvia	USD	51	22	711
Latvia	EUR	178	686	58
<b>Total in</b>		<b>229</b>	<b>708</b>	<b>769</b>
United Kingdom	USD	6	284	1 925
United Kingdom	EUR	28	72	87
United Kingdom	PLN	-	1	3
<b>Total in United Kingdom</b>		<b>34</b>	<b>357</b>	<b>2 015</b>
United Arab Emirates	AED	112	86	-
United Arab Emirates	USD	470	17	-
United Arab Emirates	EUR	1	106	-
<b>Total in United Arab Emirates</b>		<b>583</b>	<b>208</b>	<b>-</b>
Denmark	USD	-	-	102
Denmark	EUR	-	-	-
<b>Total in Denmark</b>		<b>-</b>	<b>-</b>	<b>102</b>
<b>Total cash in banks</b>		<b>1 109</b>	<b>4 463</b>	<b>5 875</b>

## 19. EQUITY

### Issued capital and capital distribution

For the three months ended 30 September 2020 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.

As at 30 September 2020, 2019 and 31 December 2019 the shareholder interest above 5% in the Share capital of Company was as follows:

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Prime One Capital Ltd.	67.93%	67.93%	67.93%
Generali Otworthy Fundusz Emerytalny	10.93%	10.93%	9.94%
FAIRFAX FINANCIAL Holdings Limited	5.35%	5.35%	5.35%
AVIVA Otworthy Fundusz Emerytalny Aviva BZ WBK	5.02%	5.02%	5.02%

### Foreign currency translation reserve

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 70 thous. (30 September 2019: USD 66 thous.). 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 three months ended 30 September 2020 and 2019, there were no movements in share premium.

## 20. INTEREST-BEARING LOANS AND OTHER FINANCIAL LIABILITIES

	Currency	Effective interest rate, %	Maturity	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
<b>Current interest-bearing loans and other financial liabilities</b>						
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH	EUR	2.25%+ EURIBOR (9m)	30.12.2021	2 422	2 401	2 337
Landesbank Berlin AG	EUR	1.65%+ EURIBOR (9m)	30.12.2020	-	797	1 550
UkrSibbank	EUR	2.95%	04.12.2019	-	-	1 297
UkrSibbank	EUR	2.95%	09.12.2019	-	-	1 378
UkrSibbank	EUR	2.95%	30.09.2020	2 871	2 729	2 184
Other current loans	UAH	-	-	24	28	28
Prime One Capital Limited	EUR	3.00%	10.07.2021	636	-	-
<b>Total current interest-bearing loans and other financial liabilities</b>				<b>5 953</b>	<b>5 955</b>	<b>8 774</b>
<b>Non-current interest-bearing loans and other financial</b>						
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH	EUR	2.25%+ EURIBOR (9m)	30.12.2021	1 244	2 192	3 251
OTP Bank	EUR	3.00%	02.10.2024	2 341	-	-
Prime One Capital Limited	EUR	3.00%	10.07.2021	-	2 243	-
<b>Total non-current interest-bearing loans and other financial liabilities</b>				<b>3 585</b>	<b>4 435</b>	<b>3 251</b>
<b>Total interest-bearing loans and other financial liabilities</b>				<b>9 538</b>	<b>10 390</b>	<b>12 025</b>

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 2020 and 2019 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

*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 2019  (audited)	Financing cash flow payment	Financing cash flow received	Increase (as a result of accruals and other)	Other changes	Exchange differ- ences	30 September 2020  (unaudited)
Interest-bearing loans	10 586	(3 631)	2 197	-	-	406	9 558
Interest expenses	(224)	(210)	-	354	38	(1)	(43)
Other borrowings	28	-	-	-	-	(5)	23
<b>Total</b>	<b>10 390</b>	<b>(3 841)</b>	<b>2 197</b>	<b>354</b>	<b>38</b>	<b>400</b>	<b>9 538</b>

	31 December 2018  (audited)	Financing cash flow payment	Financing cash flow received	Increase (as a result of accruals and other)	Other changes	Exchange differ- ences	30 September 2019  (unaudited)
Interest-bearing loans	9 827	(2 031)	5 026	-	-	(545)	12 277
Interest expenses	(520)	-	-	222	-	18	(280)
Other borrowings	24	-	-	-	-	4	28
<b>Total</b>	<b>9 331</b>	<b>(2 031)</b>	<b>5 026</b>	<b>222</b>	<b>-</b>	<b>(523)</b>	<b>12 025</b>

## 21. TRADE AND OTHER PAYABLES

	30 September 2020  (unaudited)	31 December 2019  (audited)	30 September 2019  (unaudited)
Trade payables	7 379	8 749	8 725
Dividend debt	-	-	-
Employee benefit liability	511	607	622
Liability for unused vacation	637	761	595
Taxes payable	221	307	258
VAT liabilities	63	77	204
Income tax payables	21	25	25
Other payables	329	168	122
	<b>9 161</b>	<b>10 694</b>	<b>10 551</b>

## **22. RELATED PARTY DISCLOSURES**

For the purposes of these consolidated 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 2020, and 2019:

### **(A). Key management personnel September 2020:**

Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Karen Arshakyan	Non-executive director
Sergii Karpenko	Non-executive director
Vitalii Sapozhnik	Chief Financial Officer
Arnis Veinbergs	Deputy CEO in charge of Production activity
Vitalii Voron	Production director

### **Key management personnel September 2019:**

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
Natalia Malovana	First Deputy CEO/Commercial director
Arnis Veinbergs	Deputy CEO in charge of Production activity
Vitalii Voron	Production director
Liliia Chernyak	HR director

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

Aleksa LTD LLC

As at 30 September 2020, 2019 and 31 December 2019 trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2019 (unaudited)
Prepayments to related parties			
<i>(B). Companies which activities are significantly influenced by the Beneficial Owners:</i>			
Aleksa LTD LLC	54	53	50
<b>Total</b>	<b>51</b>	<b>53</b>	<b>50</b>

**(C). Other related parties:**

For the nine months ended 30 September 2020, 2019 the Group has no other related parties.

**24. COMMITMENTS AND CONTINGENCIES**

**Contingent liabilities**

**Operating environment.**

The Company operates in Ukraine. Although Ukrainian economy is referred to as market, it still has certain features of an emerging economy. The mentioned traits include but are not limited to poor liquidity of capital market, high inflation rates and significant deficit of balance-of-payments and trade.

After a severe deterioration in 2014-2015, economical and political situation in Ukraine remains unstable. In 2019 Ukrainian government carried on its large-scale program of structural reforms aimed at elimination of existing imbalances in the economy, state finance and management; fighting corruption; reforming judicial system – measures necessary to create conditions for the economic recovery in the country.

Stabilization of Ukrainian economy in the near future will depend on the progress the government will reach as well as on the continuous financial aid from international donors and financial institutions.

The National Bank of Ukraine further maintains the floating exchange rates regime. During 2019 the official exchange rate of Ukrainian Hryvna to US dollar decreased by 13% - from 27.6883 UAH for 1.0000 USD as of 01 January 2019 to 23.6862 UAH for 1.0000 USD as of 31 December 2019. In 2019, the National Bank of Ukraine changed its discount rate from 18.0% to 13.5%.

With regard to exchange control, the National Bank of Ukraine kept on with the policy of liberalization and in March 2019 lowered the requirement of mandatory sale of foreign currency earnings by exporters from 50% to 30%, and in June 2019 this requirement was cancelled.

In 2019 consumer price inflation slowed down to 4.1% (vs. 9.8% in 2018) and real GDP growth reached 3.3%. The fall in inflation was inspired by moderate growth of prices for food as well as strengthening of Ukrainian Hryvna as a result of the surplus of foreign currency that was observed on the market throughout 2019.

International rating agencies Fitch and Standard & Poor's reported better credit rating for Ukraine which currently stands at B. The agencies pointed out considerable improvements of macroeconomics, responsible fiscal and budget policies and above that creation of a “window of opportunity” for economic reforms implementation. End of 2019 Moody's credit rating for Ukraine was set at Caa1 with positive outlook.

The present Financial Statements are made up with due regard for both actual and assumed implications of the above developments and the effects thereof on the Company's financial standing and performance in the reporting period.

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.

**25. SUBSEQUENT EVENTS**

There were no significant events after the reporting date.



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#### **FORWARD-LOOKING STATEMENTS NOTICE**

All forward-looking statements contained in this annual report with respect to our future financial and operational performance and position are, unless otherwise stated, based on the beliefs, expectations, projections and the estimates of our management representing their judgment as at the dates on which the statements have been made. Forward-looking statements are generally identifiable by the use of the words “may”, “will”, “should”, “plan”, “forecast”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “goal” or “target” or the negative of these words or other variations on these words or comparable terminology. Our actual operational and financial results or the same of our industry involve a number of known and unknown risks, uncertainties and other factors and they are not guaranteed to be similar to the forward-looking statements, although our management makes all effort to make forward-looking statements as accurate as possible. We do not undertake publicly to update or revise any forward-looking statement that may be made herein, whether as a result of new information, future events or otherwise.