AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated interim financial statements (Unaudited)

For the 6 months ended 30 June 2016

AVANGARDCO INVESTMENTS PUBLIC LIMITED

CONTENTS **Page**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Board of Directors and other officers

BOARD OF DIRECTORS:

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

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

3 Anexartisias & Kyriakou Matsi
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Cyprus

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Leonardo Business Center
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INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Str.
1087 Nicosia, Cyprus

BANKERS:

UBS AG
Postfach, CH-8098 Zurich

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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

We, the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of AvangardCo Investments Public Limited (the "Company") for the 6 months ended 30 June 2016, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the condensed consolidated interim financial statements are true and complete.

Members of the Board of Directors:

Oleg Bakhmatyuk	
Nataliya Vasylyuk	
Oleg Michael Pohotsky	
Iryna Marchenko	

Person responsible for the preparation of the condensed consolidated interim financial statements for the 6 months ended 30 June 2016:

Stanislav Pohorilyi (Deputy CFO)	

25 August 2016

KPMG

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE MEMBERS OF

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AvangardCo Investments Public Limited (the "Company") and its subsidiary companies (together with the Company referred to as "the Group") as at 30 June 2016, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

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Emphasis of matter

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

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

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

25 August 2016

Condensed consolidated statement of financial position
AS AT 30 JUNE 2016
(in USD thousand, unless otherwise stated)

	Note	30 June 2016	31 December 2015
ASSETS			
Property, plant and equipment	5	397 105	404 930
Non-current biological assets	6	6 153	13 403
Deferred tax assets		5 668	2 761
Held to maturity investments	7	7 619	9 257
Other non-current assets		6	6
Non-current assets		**416 551**	**430 357**
Inventories	8	65 141	58 149
Current biological assets	6	13 610	13 736
Trade accounts receivable, net	9	31 448	56 665
Prepaid income tax		39	72
Prepayments and other current assets, net	10	13 846	21 027
Taxes recoverable and prepaid		18 168	12 858
Cash and cash equivalents	11	17 178	31 307
Current assets		**159 430**	**193 814**
TOTAL ASSETS		**575 981**	**624 171**
EQUITY			
Share capital	12	836	836
Share premium	12	201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		888 948	921 435
Effect of translation into presentation currency		(1 035 301)	(1 018 085)
Equity attributable to owners of the Company		**171 505**	**221 208**
Non-controlling interests		12 677	13 847
Total equity		**184 182**	**235 055**
LIABILITIES			
Long-term bond liabilities	14	210 728	202 871
Long-term loans	13	56 871	64 423
Deferred tax liabilities		384	410
Deferred income		1 278	1 384
Dividends payable		29 542	29 542
Long-term finance lease		21	28
Non-current liabilities		**298 824**	**298 658**
Current portion of non-current liabilities		25 912	19 125
Short-term loans	15	50 000	50 000
Trade payables		2 538	3 375
Other accounts payable	16	14 525	17 958
Current liabilities		**92 975**	**90 458**
TOTAL LIABILITIES		**391 799**	**389 116**
TOTAL EQUITY AND LIABILITIES		**575 981**	**624 171**

On 25 August 2016 the Board of Directors of AvangardCo Investments Public Limited approved and authorised for issue these condensed consolidated interim financial statements.

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Nataliya Vasylyuk
Director, CEO

The notes on pages 10 to 43 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of profit and loss and other comprehensive income

FOR THE 6 MONTHS ENDED 30 JUNE 2016

(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2016	30 June 2015
Revenue	17	64 777	121 397
(Loss)/profit from revaluation of biological assets at fair value	6	(3 023)	2 068
Cost of sales	18	(59 078)	(115 953)
GROSS PROFIT		**2 676**	**7 512**
General administrative expenses		(3 876)	(3 188)
Distribution expenses		(2 974)	(7 187)
Income from government grants and incentives		48	48
Income from special VAT treatment	23	3 982	4 575
Other operating expenses	22	(20 829)	(112 206)
LOSS FROM OPERATING ACTIVITIES		**(20 973)**	**(110 446)**
Finance income	21	1 512	2 121
Finance costs	20	(15 307)	(14 908)
Losses on exchange		(708)	(31 717)
NET FINANCE COSTS		**(14 503)**	**(44 504)**
LOSS BEFORE TAX		**(35 476)**	**(154 950)**
Income tax credit		2 869	2 518
LOSS FOR THE PERIOD		**(32 607)**	**(152 432)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that are or may be reclassified subsequently to profit or loss			
Effect from translation into presentation currency		(18 266)	(192 636)
TOTAL COMPREHENSIVE INCOME		**(50 873)**	**(345 068)**
LOSS ATTRIBUTABLE TO			
Owners of the Company		(32 487)	(148 055)
Non-controlling interests		(120)	(4 377)
		(32 607)	**(152 432)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(49 823)	(329 802)
Non-controlling interests		(1 050)	(15 266)
		(50 873)	**(345 068)**
Loss per share, USD (basic and diluted)	26	**(5)**	**(23)**

The notes on pages 10 to 43 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2015	**836**	**115 858**	**201 164**	**1 077 158**	**(776 404)**	**618 612**	**27 276**	**645 888**
Comprehensive income								
Loss for the period	-	-	-	(148 055)	-	(148 055)	(4 377)	**(152 432)**
Effect from translation into presentation currency	-	-	-	-	(181 747)	(181 747)	(10 889)	**(192 636)**
Total comprehensive income	**-**	**-**	**-**	**(148 055)**	**(181 747)**	**(329 802)**	**(15 266)**	**(345 068)**
Balance at 30 June 2015	**836**	**115 858**	**201 164**	**929 103**	**(958 151)**	**288 810**	**12 010**	**300 820**
Balance at 1 January 2016	**836**	**115 858**	**201 164**	**921 435**	**(1 018 085)**	**221 208**	**13 847**	**235 055**
Comprehensive income								
Loss for the period	-	-	-	(32 487)	-	(32 487)	(120)	**(32 607)**
Effect from translation into presentation currency	-	-	-	-	(17 216)	(17 216)	(1 050)	**(18 266)**
Total comprehensive income	**-**	**-**	**-**	**(32 487)**	**(17 216)**	**(49 703)**	**(1 170)**	**(50 873)**
Balance at 30 June 2016	**836**	**115 858**	**201 164**	**888 948**	**(1 035 301)**	**171 505**	**12 677**	**184 182**

The notes on pages 10 to 43 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2016	6 months ended 30 June 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(35 476)	(154 950)
Adjustments for:			
Depreciation of property, plant and equipment	5	7 738	12 255
Change in allowance for irrecoverable amounts		21 180	46 108
Loss on disposal of current assets		255	4
(Profit)/loss on disposal of property, plant and equipment		(169)	6
Impairment of current assets		627	37 503
Effect of fair value adjustments on biological assets	6	3 023	(2 068)
Gains realised from accounts payable written-off		(32)	(90)
Amortization of deferred income on government grants		(48)	(48)
Discount bonds amortization		1 002	808
Impairement of funds	22	-	28 863
Discount on VAT government bonds amortization		(758)	(1 034)
Interest income		(754)	(1 087)
Interest payable on loans and bonds		14 295	14 081
Losses on exchange		708	36 685
Operating profit before working capital changes		**11 591**	**17 036**
Decrease/(increase) in trade receivables		2 312	(24 452)
Decrease in prepayments and other current assets		3 196	2 206
(Increase)/decrease in taxes recoverable and prepaid		(3 569)	18 672
Increase in inventories		(9 062)	(14 892)
Decrease in deferred income		(9)	-
Decrease in trade payables		(672)	(484)
Decrease in biological assets		3 260	5 986
Decrease in finance leases		-	(1)
(Decrease)/increase in other accounts payable		(5 239)	1 207
Cash generated from operations		**1 808**	**5 278**
Interest paid		(2 543)	(1 884)
Income tax paid		(17)	(45)
Net cash (used in)/generated from operating activities		**(752)**	**3 349**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(11 091)	(16 092)
Proceeds from sale of non-current assets		343	-
Interest received		1 532	1 187
Net cash used in investing activities		**(9 217)**	**(14 905)**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows (cont.)
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2016	6 months ended 30 June 2015
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans received		-	9 419
Repayment of loans		(1 968)	(5 647)
Interest paid for bonds issued		(2 575)	(10 000)
Net cash used in financing activities		**(4 543)**	**(6 228)**
Net decrease in cash and cash equivalents		**(14 512)**	**(17 784)**
Cash and cash equivalents at 1 January		**31 307**	**117 856**
Impairement of funds		-	(29 344)
Effect from translation into presentation currency		383	(18 553)
Cash and cash equivalents at 30 June	11	**17 178**	**52 175**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

1. General information

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

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

These condensed consolidated interim financial statements of the Company as at and for the 6 months ended 30 June 2016 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 June 2016 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 78% of its own fodder. The Group's activities cover almost all the territory of Ukraine. Due to the operating environment in Ukraine, the companies of the Group which have been affected and are not operational are described in note 29 to the condensed consolidated interim financial statements.

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

1. General information (cont.)

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

Company name	Principal Activity	Country of registration	Ownership interest (%) 30 June 2016	Ownership interest (%) 31 December 2015
PJSC Agroholding Avangard (PJSC Ptakhohospodarstvo Chervonyi Prapor)	Keeping of technical laying hen, production and selling of eggs	Ukraine	98,00%	98,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
PPB LLC Ptytsecompleks		Ukraine	100,00%	100,00%
PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Avangard-Agro of PJSC Agroholding Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale	Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Donetske of PSPC Interbusiness		Ukraine	100,00%	100,00%
LLC Slovyany		Ukraine	90,00%	90,00%
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
SC Zorya of PJSC Agroholding Avangard		Ukraine	98,00%	98,00%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor		Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Agroholding Avangard		Ukraine	98,00%	98,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	100,00%	100,00%
PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	100,00%	100,00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	99,00%	99,00%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	98,00%	98,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	98,00%	98,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	96,00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Torgivenlniy Dim Avangard (LLC Imperovo LTD)	Rental services	Ukraine	99,00%	99,00%
LLC "GENERAL KONSTRAKSHYN"	Assets holding companies	Ukraine	98,00%	98,00%
LLC "LOHISTYK AGROTRADE"		Ukraine	100,00%	100,00%
LLC "REMTREYDSTANDART"		Ukraine	98,00%	98,00%
LLC "COMPANY NEW REGION"		Ukraine	98,00%	98,00%
LLS "PRIME LEADER"		Ukraine	98,00%	98,00%
LLC "CITY REGION"		Ukraine	98,00%	98,00%
LLC "FORVARDTRANS"		Ukraine	98,00%	98,00%
LLC "UNITED LOHISTYK"		Ukraine	98,00%	98,00%
LLC "AGROTRADE BUSINESS"		Ukraine	98,00%	98,00%
LLC "KOMERTSBUDPLAST"		Ukraine	98,00%	98,00%
LLC "AGROMASH-ZAHID"		Ukraine	98,00%	98,00%
LLC "STC-INVESTMENTS"		Ukraine	98,00%	98,00%
LLC "TRANSMAGISTRAL"		Ukraine	93,00%	92,00%

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

1. General information (cont.)

Company name	Principal Activity	Country of registration	Ownership interest (%) 30 June 2016	Ownership interest (%) 31 December 2015
PJSC Avangard*	Dormant	Ukraine	0,00%	99,00%
PJSC Chornobaivske*		Ukraine	0,00%	97,00%
PJSC Agrofirma Avis*		Ukraine	0,00%	100,00%
PJSC Kirovskiy*		Ukraine	0,00%	100,00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited*		Ukraine	0,00%	100,00%
LLC Makarivska Ptakhofabryka*		Ukraine	0,00%	100,00%
LLC PF Volnovaska*		Ukraine	0,00%	100,00%
PJSC Cross-PF Zorya*		Ukraine	0,00%	89,00%
PJSC Ptakhofabryka Pershe Travnya*		Ukraine	0,00%	93,00%
PJSC Chernivetska Ptakhofabryka*		Ukraine	0,00%	98,00%
ALLC Donetska Ptakhofabryka*		Ukraine	0,00%	100,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka*		Ukraine	100,00%	100,00%

*As at 31 December 2015 the Group completed the process of restructuring through transfer of assets and liabilities. The following companies' assets and liabilities were transferred to PJSC Agroholding Avangard (PJSC Ptakhohospodarstvo Chervonyi Prapor): PJSC Avangard, PJSC Chornobaivske, PJSC Agrofirma Avis, PJSC Kirovskiy, PJSC Cross-PF Zorya, PJSC Ptakhofabryka Pershe Travnya, PJSC Chernivetska Ptakhofabryka. Additionaly, the assets and liabilities of: SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited, LLC Makarivska Ptakhofabryka, LLC PF Volnovaska, ALLC Donetska Ptakhofabryka, LLC Areal-Snigurivka, LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka, SC Rogatynska Ptakhofabryka of PJSC Avangard, SC Gorodenkivska Ptakhofabryka of PJSC Avangard were transferred to PSPC Interbusiness. Currently the company LLC Torgivenlniy Budynok Bohodukhivska is in the process of liquidation as legal entity. Companies: PJSC Avangard, PJSC Chornobaivske, PJSC Agrofirma Avis, PJSC Kirovskiy, PJSC Cross-PF Zorya, PJSC Ptakhofabryka Pershe Travnya, PJSC Chernivetska Ptakhofabryka, SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited, LLC Makarivska Ptakhofabryka, LLC PF Volnovaska, ALLC Donetska Ptakhofabryka are liquidated as legal entities.

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 June 2016 with nominal value of € 0,10 per share.

The shares were distributed as follows:

	30 June 2016		31 December 2015	
Owner	**Number of shares**	**Ownership interest (%)**	**Number of shares**	**Ownership interest (%)**
Omtron Limited	1 848 575	28,9%	1 848 575	28,9%
Tanchem Limited	926 280	14,5%	926 280	14,5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22,5%	1 437 500	22,5%
UkrLandFarming Plc	2 174 825	34,1%	2 174 825	34,1%
Other	4	-	4	-
	6 387 185	100,0%	6 387 185	100,0%

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

1. General information (cont.)

As at 30 June 2016 and 31 December 2015 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	Ownership interest (%) as at 30 June 2016	Ownership interest (%) as at 31 December 2015
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 30 June 2016 and 31 December 2015 the direct interests in Mobco Limited and UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest (%) as at 30 June 2016	Ownership interest (%) as at 31 December 2015
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	95%

2. Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements as at and for the 6 months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, and should be read in conjuction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2015 (“last annual financial statements”). These condensed consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Going concern basis

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

3. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2015.

3.1 Foreign currency translation

(a) Transactions and balances

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

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

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

Currency	**30 June 2016**	**Weighted average for the 6 months ended 30 June 2016**	**31 December 2015**	**Weighted average for the 6 months ended 30 June 2015**	**30 June 2015**
US dollar to Ukrainian Hryvnia	24,8544	25,4578	24,0007	21, 3649	21,0154
Euro	0,9017	0,8959	0,9152	0,8965	0,8927

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

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

(b) Presentation currency

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

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

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

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

4. Use of judgements and estimates

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

The significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statments as at and for the year ended 31 December 2015.

4.1 Measurement of fair values

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

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

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

Significant valuation issues are reported to the Board of Directors.

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Futher information about the assumptions made in measuring fair values is included in relevant notes.

4.2 Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and

4. Use of judgements and estimates (cont.)

4.2 Ukrainian business environment (cont.)

Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

5. Property, plant and equipment

Cost	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Balance at 1 January 2016	**1 153**	**259 442**	**55 073**	**80 861**	**2 446**	**1 322**	**57 321**	**457 618**
Acquisitions	25	133	81	8	49	5	13 406	**13 707**
Disposals	(4)	-	(246)	-	(2)	-	(626)	**(878)**
Internal transfers	-	46	(7 460)	7 581	-	-	(167)	**-**
Foreign currency translation	(39)	(9 385)	(2 210)	(2 000)	(84)	(46)	(848)	**(14 612)**
Reclassification	-	(19 682)	(5 535)	24 494	-	-	723	**-**
Balance at 30 June 2016	**1 135**	**230 554**	**39 703**	**110 944**	**2 409**	**1 281**	**69 809**	**455 835**
Accumulated depreciation								
Balance at 1 January 2016	**-**	**24 802**	**9 489**	**16 051**	**1 455**	**876**	**-**	**52 673**
Depreciation charge	-	3 745	1 401	2 416	104	72	-	**7 738**
Depreciation eliminated on disposal	-	-	(74)	-	(2)	-	-	**(76)**
Foreign currency translation	-	(807)	(379)	(346)	(48)	(25)	-	**(1 605)**
Reclassification	-	(2 177)	(3 657)	5 834	-	-	-	**-**
Balance at 30 June 2016	**-**	**25 563**	**6 780**	**23 955**	**1 509**	**923**	**-**	**58 730**
Net book value								
Balance at 30 June 2016	**1 135**	**204 991**	**32 923**	**86 989**	**900**	**358**	**69 809**	**397 105**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (cont.)

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (cont.)

As at 30 June 2016 and 31 December 2015 the property, plant and equipment with carring amount USD 35 625 thousand and USD 41 191 thousand were pledged as security for Group's loans.

As at 30 June 2016 and 31 December 2015 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 36 thousand and USD 42 thousand respectively.

6. Biological assets

	Note	30 June 2016	31 December 2015
Non-current biological assets			
Replacement poultry	a), b)	6 153	13 403
		6 153	**13 403**
Current biological assets			
Commercial poultry	a), b)	13 610	13 736
		13 610	**13 736**
Total		**19 763**	**27 139**

Commercial poultry and replacement poultry were as follows:

	30 June 2016		31 December 2015	
	Number, thousand head	**Fair value**	**Number, thousand head**	**Fair value**
Loman	13 031	19 326	11 041	22 576
Hy-Line	53	16	1 094	1 374
Hisex	-	-	73	9
Brown Nick	100	23	1 000	2 113
Decalb	134	91	202	463
Tetra	345	307	197	604
	13 663	**19 763**	**13 607**	**27 139**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

6. Biological assets (cont.)

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

Balance at 1 January 2015	**49 865**
Acquisitions	14 666
Increase in value as a result of increase in weight/number	25 694
Net change in fair value	2 068
Decrease in value resulting from assets disposal	(20 964)
Effect from translation into presentation currency	(12 516)
Decrease in value resulting from hens slaughtering	(25 390)
Other changes	(51)
Balance at 30 June 2015	**33 372**
Balance at 1 January 2016	**27 139**
Acquisitions	5 463
Increase in value as a result of increase in weight/number	13 944
Net change in fair value	(3 023)
Decrease in value resulting from assets disposal	(3 926)
Effect from translation into presentation currency	(1 084)
Decrease in value resulting from hens slaughtering	(18 713)
Other changes	(37)
Balance at 30 June 2016	**19 763**

Due to the absence of an active market for laying hen in Ukraine to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 34,70% prevailing as at 30 June 2016 was applied (for the year ended 31 December 2015: 36,94% and for the 6 months ended 30 June 2015: 35,53%).

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

Regulatory and environmental risk

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

7. Held to maturity investments

Held to maturity investments as at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	31 December 2015
VAT government bonds	10 481	13 025
Discount VAT government bonds	(2 862)	(3 768)
	7 619	**9 257**

	30 June 2016	31 December 2015
Coupon receivable	510	604

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

(in USD thousand, unless otherwise stated)

8. Inventories

Inventories as at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	31 December 2015
Raw and basic materials	34 611	38 733
Work-in-progress	369	51
Agricultural produce	2 638	356
Finished goods	18 956	8 357
Package and packing materials	6 572	7 904
Goods for resale	176	1 562
Other inventories	1 819	1 186
	65 141	**58 149**

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

The Group produced shell eggs in the quantity of 1 248 961 526 (6 months ended 2015: 1 891 829 002 items) which have fair value amounted to USD 65 740 thousand (6 months ended 2015: USD 94 747 thousand).

The amout of inventories written-off for the 6 months ended 30 June 2016 was USD 627 thousand (6 months ended 2015: USD 37 444 thousand) (note 22).

9. Trade accounts receivable, net

As at 30 June 2016 an amount of USD 12 470 thousand or 40,0% of the total carrying value of trade accounts receivable is due from the single most significant client (USD 11 353 thousand or 20,3% as at 31 December 2015).

The provision for doubtful debts and write-offs for trade accounts receivable for the 6 monthes ended 30 June 2016 amounted to USD 21 432 thousand (6 months ended 30 June 2015: USD 35 940 thousand) (note 22).

10. Prepayments and other current assets, net

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

The provision for doubtful debts and write-offs for prepayments and other current assets amounted to USD (252) thousand (6 months ended 30 June 2015: release USD 10 168 thousand) (note 22).

11. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	31 December 2015
Cash in banks	17 173	31 301
Cash in hand	5	6
Cash and cash equivalents represented in condensed consolidated statement of cash flows	**17 178**	**31 307**

For the 6 months ended 30 June 2015 an amount of USD 28 863 thousand was impaired as a result of Finansova Iniciatyva Bank being placed under liquidation (note 22).

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

12. Share capital

	30 June 2016		31 December 2015	
	Number of shares	**Share capital, USD ths**	**Number of shares**	**Share capital, USD ths**
Authorised				
Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
Issued and fully paid				
Balance at 30 June /31 December	**6 387 185**	**836**	**6 387 185**	**836**

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

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

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

13. Long-term loans

Long-term loans as at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	**31 December 2015**
Long-term bank loans in national currency	881	913
Long-term bank loans in foreign currency	81 433	82 156
Total loans	**82 314**	**83 069**
Commodity credit	357	369
	82 671	**83 438**
Current portion of non-current liabilities for bank loans in national currency	(807)	(456)
Current portion of non-current liabilities for bank loans in foreign currency	(24 993)	(18 559)
	56 871	**64 423**

a) As at 30 June 2016 and 31 December 2015 the long-term bank loans by maturities were as follows:

	30 June 2016	**31 December 2015**
Less than one year	25 800	18 308
From 1 to 2 years	13 986	17 675
From 2 to 3 years	12 119	13 259
From 3 to 4 years	9 677	10 817
From 4 to 5 years	8 008	8 438
Over 5 years	12 724	14 572
	82 314	**83 069**

b) As at 30 June 2016 and 31 December 2015 the long-term bank loans by currencies were as follows:

	30 June 2016	**31 December 2015**
Long-term bank loans in UAH	881	913
Long-term bank loans in EUR	81 433	82 156
	82 314	**83 069**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

13. Long-term loans (cont.)

c) As at 30 June 2016 and 31 December 2015 the interest rates for long-term bank loans were as follows:

	30 June 2016	31 December 2015
Long-term bank loans denominated in UAH	18%	18%
Long-term bank loans in EUR	1,5%+EURIBOR-2,7%+EURIBOR	1,5%+EURIBOR-2,7%+EURIBOR

d) Commodity credit in the amount of USD 357 thousand (31 December 2015: USD 369 thousand) is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboprodiktiv" and OJSC "Ptakhohospodarstvo Chervonyi Prapor" for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. In case of default after the maturity of the loan the Group's companies are subject to fine and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine, applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments. The commodity credit does not have a maturity date.

14. Bond liabilities

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

Considering different options regarding the maturity of the bonds, the Company has successfully completed a restructuring of its USD 200m 10% Notes due in 29 October 2015 via a Scheme of Arrangement (the "Scheme"). The Scheme was approved by a majority in number representing more than 75% in value of creditors present and voting either in person or by proxy at the Scheme Meeting held on 22 October 2015. Following this, by an order dated 26 October 2015, the High Court of Justice of England and Wales sanctioned the Scheme.

As a result of the Scheme the following key amendments were made to the terms and conditions of the Notes:
- *Maturity:* Amended to 29 October 2018, 100% of principal to be redeemed at this date.
- *Coupon:* The 5% coupon will be payable on 29 October 2015 (representing the semi-annual payment of the existing 10% coupon), with 2% to be paid in cash as a regular coupon payment and 3% to be paid as payment in kind ("PIK"). The 10% coupon will be payable semi-annually in arrears on 29 April and 29 October of each year, commencing 29 April 2016, but subject to the following PIK and cash payment provisions:

Interest payment date	PIK Interest %	Cash Interest %
29.04.16	75	25
29.10.16	75	25
29.04.17	50	50
29.10.17	50	50
29.04.18	25	75
29.10.18	0	100

The Company appointed UBS Limited as sole solicitation agent, Latham & Watkins as legal counsel, and DFKing as information and tabulation agent amongst other consultants to assist it in the implementation of the Scheme.

(in USD thousand, unless otherwise stated)

14. Bond liabilities (cont.)

Surety providers of the bonds following the Scheme were as follows: (1) LLC Torgivelniy Budynok Bohodukhivska Ptahofabryka, (2) PJSC Agroholding Avangard (PJSC Ptakhohospodarstvo Chervonyi Prapor), (3) LLC Imperovo Foods, (4) PSPC Interbusiness, (5) LLC Slovyany.

15. Short-term loans

Short-term loans as at 30 June 2016 and 31 December 2015 were as follows:

	Note	**30 June 2016**	**31 December 2015**
Short-term bank loans in foreign currency	a), b), c)	50 000	50 000
		50 000	**50 000**

a) As at 30 June 2016 and 31 December 2015 the short-term bank loans by maturity were as follows:

	30 June 2016	**31 December 2015**
From 6 to 12 months	50 000	50 000
	50 000	**50 000**

b) As at 30 June 2016 and 31 December 2015 the short-term bank loans by currencies were as follows:

	30 June 2016	**31 December 2015**
Short-term bank loans in USD	50 000	50 000
	50 000	**50 000**

c) Short-term bank loans interest rate by currency as at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	**31 December 2015**
Short-term bank loans denominated in USD	11,00%	11,50%

16. Other accounts payable

Other accounts payable as at 30 June 2016 and 31 December 2015 were as follows:

	Note	**30 June 2016**	**31 December 2015**
Accrued expenses for future employee benefits		405	408
Other accrued expenses		299	217
Wages and salaries and related taxes liabilities		489	209
Other taxes and compulsory payments liabilities	a)	4 810	11 006
Accounts payable for property, plant and equipment		192	160
Advances received from customers	b)	209	528
Interest payable on loans		4 024	2 677
Accrued coupon on bonds		905	896
Other payables	c)	3 192	1 857
		14 525	**17 958**

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

(in USD thousand, unless otherwise stated)

17. Revenue

Sales revenue for the 6 months ended 30 June 2016 and 30 June 2015 was as follows:

	6 months ended	
	30 June 2016	**30 June 2015**
Revenue from finished goods	64 560	121 273
Revenue from goods sold and services rendered	217	124
	64 777	**121 397**

For the 6 months ended 30 June 2016 USD 13 700 thousand (6 months ended 30 June 2015: USD 18 955 thousand) or 21,1% (6 months ended 30 June 2015: 15,6%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

18. Cost of sales

Cost of sales for the 6 months ended 30 June 2016 and 30 June 2015 was as follows:

		6 months ended	
	Note	**30 June 2016**	**30 June 2015**
Cost of finished goods sold	19	(58 978)	(115 683)
Cost of goods sold and services rendered		(100)	(270)
		(59 078)	**(115 953)**

19. Cost of sales by elements

The cost of finished goods sold for the 6 months ended 30 June 2016 and 30 June 2015 was as follows:

		6 months ended	
	Note	**30 June 2016**	**30 June 2015**
Raw materials		(45 668)	(83 436)
Payroll of production personnel and related taxes		(1 775)	(2 817)
Depreciation		(7 604)	(12 086)
Services provided by third parties		(3 880)	(17 292)
Other expenses		(51)	(52)
	18	**(58 978)**	**(115 683)**

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

20. Finance costs

Finance costs for the 6 months ended 30 June 2016 and 30 June 2015 was as follows:

	6 months ended	
	30 June 2016	**30 June 2015**
Interest payable on loans	(3 957)	(4 081)
Total finance expenses on loans	**(3 957)**	**(4 081)**
Finance expenses on finance lease	(4)	(10)
Finance expenses on bonds	(10 338)	(10 000)
Other finance expenses	(1 008)	(817)
	(15 307)	**(14 908)**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

21. Finance income

Finance income for the 6 months ended 30 June 2016 and 30 June 2015 includes the interest income from VAT government bonds and placement of deposits, amounted to USD 1 521 thousand and USD 2 121 thousand respectively.

22. Other operating expenses

Other operating expenses for the 6 months ended 30 June 2016 and 30 June 2015 were as follows:

		6 months ended	
	Note	**30 June 2016**	**30 June 2015**
Loss on disposal of current assets		(255)	(4)
Income/(loss) on disposal of non current assets		169	(6)
Impairment of current assets		(627)	(37 503)
Impairment of funds	a)	-	(28 863)
Gain realised from writing-off of accounts payable		32	90
Foreign currency sale (loss)/income		(37)	72
Provision for doubtful debts and amounts written off		(21 180)	(46 108)
Fines, penalties recognized		(34)	(462)
Other income		1 103	578
		(20 829)	**(112 206)**

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

23. Income from special VAT treatment

According to the Tax Code of Ukraine agricultural enterprises (those with a relative value of agricultural products in total sales not less than 75% for the previous 12 months) have a tax benefit for VAT on agricultural transactions: they can retain definite percentage of the difference between VAT on output (which they charge on their agricultural products) and VAT on inputs (which they pay on goods and services required for production of agricultural products), and not to transfer this amount to the state budget, as do other manufacturers.

The saved amount is to be transferred and accumulated at a special bank account and can be used for other production purposes.

On 24 December 2015 the Parliament of Ukraine approved the Law “On amendments to the Tax Code of Ukraine and some other legislation of Ukraine in regard to securing balanced budget revenues in 2016" which, among other things, reduces the VAT subsidy for agricultural producers for 2016.

Currently, VAT subsidy is decreased as follows depending on the specialisation of agricultural production:

Specialisation	*VAT subsidy at the disposal of payer*	*VAT paid to state budget*
Crop growers	15%	85%
Milk and cattle farming	80%	20%
Other (incl. Avangard)	50%	50%

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

23. Income from special VAT treatment (cont.)

All members of the Group met the criteria for the use of these VAT benefits except from: LLC Rohatyn-Korm, LLC Kamyanets-Podilsky Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, OJSC Volnovaskyi Kombinat Khliboprodiktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Torgivenlniy Dim Avangard (LLC Imperovo LTD), LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited, LLC "GENERAL KONSTRAKSHYN", LLC "LOHISTYK AGROTRADE", LLC "REMTREYDSTANDART", LLC "COMPANY NEW REGION", LLS "PRIME LEADER", LLC "CITY REGION", LLC "FORVARDTRANS", LLC "UNITED LOHISTYK", LLC "AGROTRADE BUSINESS", LLC "KOMERTSBUDPLAST", LLC "AGROMASH-ZAHID", LLC "STC-INVESTMENTS", LLC "TRANSMAGISTRAL".

24. Related party balances and transactions

The Company is controlled by Oleg Bakhmatyuk, who directly or indirectly owns 77,5% of the Company’s share capital. The remaining 22,5% of the shares are widely owned.

For the purposes of these condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

According to these criteria the related parties of the Group are divided into the following categories:
A. Key management personnel;
B. Companies having the same top management;
C. Companies in which the Group's owners have an equity interest;
D. Companies in which activities are significantly influenced by the Group's owners.

Salary costs of key management personnel for the 6 months ended 30 June 2016 and 30 June 2015 were as follows:

	6 months ended	
	30 June 2016	**30 June 2015**
Salary	436	425
Contributions to state funds	66	99
	502	**524**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

24. Related party balances and transactions (cont.)

Outstanding amounts of the Group for transactions with related parties as at 30 June 2016 and 31 December 2015 were as follows:

	Outstanding balances with related parties as at	
	30 June 2016	**31 December 2015**
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	-	1
D. Companies in which activities are significantly influenced by the Group's owners	4 326	11 136
	4 326	**11 137**
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	1 774	2 151
	1 774	**2 151**
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	-	28
	-	**28**
Current portion of non-current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	-	16
	-	**16**
Trade accounts payable		
D. Companies in which activities are significantly influenced by the Group's owners	-	2
	-	**2**
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	-	48
D. Companies in which activities are significantly influenced by the Group's owners	2	5
	2	**53**

In 2015 the share capital of LLC Imperovo Foods was increased, therefore the direct shareholding percentage of UkrLandFarming Plc at 31 December 2015 was increased to 3,56% (same for 30 June 2016) from 3,17% at 31 December 2014.

As at 30 June 2016 Prepayments and other current assets, net include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 3 407 thousand (31 December 2015: USD 6 269 thousand).

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

24. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 6 months ended 30 June 2016 and 30 June 2015 were as follows:

	Transactions with related parties for the 6 months ended	
	30 June 2016	**30 June 2015**
Sales revenue		
D. Companies in which activities are significantly influenced by the Group's owners	418	265
	418	**265**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(16)	(39)
	(16)	**(39)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(1 279)	(3 227)
	(1 279)	**(3 227)**
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	582	(28 740)
	582	**(28 740)**
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	-	29
	-	**29**
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	-	(10)
	-	**(10)**

For the 6 months ended 30 June 2016 and 30 June 2015 transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 583 thousand and USD 2 542 thousand respectively. All those services were provided on market terms.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

25. Operating segments

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

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

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

Reportable segment information for the 6 months ended 30 June 2016 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	100 985	3 728	32 180	22 122	738	-	159 753
Intra-group elimination	(61 566)	(829)	(32 177)	-	(404)	-	(94 976)
Revenue from external buyers	**39 419**	**2 899**	**3**	**22 122**	**334**	**-**	**64 777**
Income from revaluation of biological assets at fair value	(6 261)	3 238	-	-	-	-	(3 023)
Other operating expenses	(15 956)	(109)	196	(4 872)	(88)	-	(20 829)
Income from government grants and incentives	47	1	-	-	-	-	48
OPERATING (LOSS)/PROFIT	**(18 833)**	**2 157**	**(291)**	**(2 159)**	**(1 847)**	**-**	**(20 973)**
Finance income	132	-	-	1 345	35	-	1 512
Finance costs,	(84)	-	-	(2 927)	(12 296)	-	(15 307)
including:							
Interest payable on loans	(83)	-	-	(2 926)	(948)	-	(3 957)
Income tax (expense)/credit	-	-	(56)	2 594	331	-	2 869
NET (LOSS)/PROFIT FOR THE PERIOD	**(18 849)**	**2 123**	**(348)**	**(2 362)**	**(13 171)**	**-**	**(32 607)**
TOTAL ASSETS	**2 752 276**	**77 082**	**295 616**	**819 742**	**939 945**	**(4 308 680)**	**575 981**
Depreciation	5 359	1 124	226	238	791	-	**7 738**
TOTAL LIABILITIES	**2 176 976**	**9 127**	**331 047**	**616 177**	**347 444**	**(3 088 972)**	**391 799**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

25. Operating segments (cont.)

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

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

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

	Revenue from external customers		Non-current assets	
	For the 6 months ended		As at	
	30 June 2016	30 June 2015	30 June 2016	31 December 2015
Ukraine	33 115	77 165	416 551	430 357
Middle East and North Africa	14 433	25 481	-	-
Far East	3 012	12 135	-	-
Central and West Africa	166	-	-	-
Europe	14 051	6 616		
Total	**64 777**	**121 397**	**416 551**	**430 357**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

26. Loss per share

Basic loss per share

The calculation of basic loss per share for the 6 months ended 30 June 2016 and 30 June 2015 was based on loss attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	6 months ended	
	30 June 2016	**30 June 2015**
Loss attributable to the owners of the Company:		
(in USD thousands)		
Loss attributable to the owners of the Company	(32 487)	(148 055)
Weighted average number of shares:		
Weighted average number of ordinary shares at 30 June	6 387 185	6 387 185
Loss per share (USD)	(5)	(23)

Loss per share is the loss for the period after taxation divided by the weighted average number of shares in issue for each year.

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

27. Financial risk management

The Group has exposure to the following risks arising from use of financial instruments: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk of fair value) and livestock disease risk. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2015.

a) Credit risk

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

Exposure to credit risk

The carrying value of financial assets represents the maximum exposure to credit risk. Maximum level of credit risk as at 30 June 2016 and 31 December 2015 was presented as follows:

Financial assets	**30 June 2016**	**31 December 2015**
Cash and cash equivalents	17 173	31 301
Held to maturity investments	11 810	13 599
Trade accounts receivable	31 448	56 665
Total	**60 431**	**101 565**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

a) Credit risk (cont.)

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during the 6 months ended 30 June 2016 and 2015 resulting from non-fulfillment of obligations by clients. The Management is examining each individual customer to provide extended credit terms in the light of the economic environment in Ukraine. The Management believes that unimpaired amounts are still collectible in full. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the 6 months ended 30 June 2016 USD 13 700 thousand or 21,1% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 30 June 2016 an amount of USD 12 470 thousand or 40,0% of the total carrying value of trade accounts receivable is due from the single most significant client.

For the 6 months ended 30 June 2015 USD 18 955 thousand or 15,6% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 30 June 2015 an amount of USD 13 474 thousand or 24,4% of the total carrying value of trade accounts receivable is due from the single most significant client.

As at 31 December 2015 USD 11 353 thousand or 20,3% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

Trade receivables as at 30 June 2016 and 31 December 2015 by dates of origin were presented as follows:

30 June 2016	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	7 192	5 691	7 634	2 614	2 951	5 357	9	**31 448**

31 December 2015	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	15 447	13 072	10 227	5 961	6 017	5 855	86	**56 665**

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

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

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

a) Credit risk (cont.)

Movement in provision for doubtful debts

	6 months ended	
	30 June 2016	**30 June 2015**
As at 1 January	(42 273)	(9 996)
Change in provisions	(21 180)	(46 108)
Write-offs	-	-
Effect of translation into presentation currency	949	2 270
As at 30 June	**(62 504)**	**(53 834)**

b) Liquidity risk

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

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

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

Exposure to liquidity risk

30 June 2016

Non-derivative financial liabilities	**Contractual cash flows**	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**
Bank loans	(139 112)	-	(80 178)	(46 083)	(12 850)
Finance lease (including VAT)	(35)	-	(14)	(21)	-
Long-term bond liabilities	(270 304)	-	(8 215)	(262 089)	-
Trade payables	(2 538)	(2 538)	-	-	-
Dividends payable	(29 542)	-	-	(29 542)	-
	(441 531)	**(2 538)**	**(88 407)**	**(337 735)**	**(12 850)**

31 December 2015

Non-derivative financial liabilities	**Contractual cash flows**	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**
Bank loans	(146 010)	-	(75 253)	(55 619)	(15 138)
Finance lease (including VAT)	(44)	-	(16)	(28)	-
Long-term bond liabilities	(272 880)	-	(5 247)	(267 633)	-
Trade payables	(3 375)	(3 375)	-	-	-
Dividends payable	(29 542)	-	-	(29 542)	-
	(451 851)	**(3 375)**	**(80 516)**	**(352 822)**	**(15 138)**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

c) Market risk

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

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

i) Foreign currency risk

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

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in functional currency (UAH) as at 30 June 2016 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	50 000	-	**50 000**
Trade payables	263	795	**1 058**
Cash and cash equivalents	(598)	-	**(598)**
Trade accounts receivable	(14 991)	(25)	**(15 016)**
Net exposure to foreign currency risk	**34 674**	**770**	**35 444**

The Company's exposure to foreign currency risk and the functional currency (EUR) as at 30 June 2016 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Long-term bond liabilities	210 728
Accounts payable for property, plant and equipment	128
Dividends payable	29 542
Other accounts payable	110
Cash and cash equivalents	(14 373)
Accrued coupon on bonds	905
Net exposure to foreign currency risk	**227 040**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

Exposure to foreign currency risk (cont.)

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2015 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	50 000	-	**50 000**
Trade payables	269	782	**1 051**
Cash and cash equivalents	(469)	-	**(469)**
Trade accounts receivable	(24 275)	-	**(24 275)**
Net exposure to foreign currency risk	**25 526**	**782**	**26 307**

The Company's exposure to foreign currency risk and the functional currency (EUR) as at 31 December 2015 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Short-term bond liabilities	202 871
Accounts payable for property, plant and equipment	7
Dividends payable	29 542
Other accounts payable	110
Cash and cash equivalents	(23 341)
Accrued coupon on bonds	896
Net exposure to foreign currency risk	**210 085**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

Sensitivity analysis (foreign currency risk)

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

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
30 June 2016			
USD	20%	(6 935)	(6 935)
EUR	15%	(116)	(116)

Effect in USD thousand:	Increase in currency rate against EUR	Effect on profit before tax	Effect on equity
30 June 2016	5%	(11 352)	(11 352)
USD			

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2015			
USD	20%	(5 105)	(5 105)
EUR	15%	(117)	(117)

Effect in USD thousand:	Increase in currency rate against EUR	Effect on profit before tax	Effect on equity
31 December 2015			
USD	5%	(10 504)	(10 504)

ii) Interest rate risk

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

Capital management

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

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

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

(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

c) Market risk (cont.)

Capital management (cont.)

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

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

Financial leverage ratio calculation

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

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

As at 30 June 2016 and 31 December 2015 the Group's financial leverage coefficient was 63,9% and 56,5% respectively.

	Carrying value	
	30 June 2016	**31 December 2015**
Short-term loans	50 000	50 000
Long-term loans	56 871	64 423
Current portion of long-term loans	25 800	19 015
Long-term finance lease (including VAT)	35	45
Bond liabilities	210 728	202 871
Total borrowings	**343 434**	**336 354**
Cash and cash equivalents	(17 178)	(31 307)
Net debt	**326 256**	**305 047**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	888 948	921 435
Foreign currency translation reserve	(1 035 301)	(1 018 085)
Non-controlling interests	12 677	13 847
Total equity	**184 182**	**235 055**
Total amount of equity and net debt	**510 438**	**540 102**
Financial leverage coefficient	**63,9%**	**56,5%**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

27. Financial risk management (cont.)

c) Market risk (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

For the 6 months ended 30 June 2016 and 30 June 2015 ratio of net debt to EBITDA amounted to:

	6 months ended	
	30 June 2016	30 June 2015
LOSS FOR THE PERIOD	(32 607)	(152 432)
Income tax credit	(2 869)	(2 518)
Finance income	(1 512)	(2 121)
Finance expenses	15 307	14 908
Impairment of current assets	627	-
Losses on exchange	708	31 717
EBIT (earnings before interest and income tax)	**(20 346)**	**(110 446)**
Depreciation	7 738	12 255
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**(12 608)**	**(98 191)**
Net debt at the period end	326 256	288 074
Net debt at the period end / EBITDA	**-25,88**	**-2,93**

28. Fair values

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
30 June 2016				
Biological Assets	-	-	19 763	19 763
31 December 2015				
Biological Assets	-	-	27 139	27 139

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the 6 months ended 30 June 2016.

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

28. Fair values (cont.)

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

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

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

	As at	
	30 June 2016	**31 December 2015**
Discount rate	34,70%	36,94%
Inflation rate	106,90%	101,20%

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

Sensitivity analysis of biological assets fair value to the possible changes in foreign currency rates is disclosed in the table below:

Effect in USD thousand:	**Increase/decrease of rate**	**Effect on fair value of biological assets**
30 June 2016		
Discount rate	2,50%	(240)
Discount rate	-2,50%	244
Inflation rate	1,75%	1 368
Inflation rate	-1,75%	(1 368)
31 December 2015		
Discount rate	2,50%	(393)
Discount rate	-2,50%	400
Inflation rate	1,75%	2 950
Inflation rate	-1,75%	(2 950)

There were no transfers to/from Level 3 of the fair value hierarchy during the 6 months ended 30 June 2016.

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

Total gain or losses for the period as shown in the reconciliation (note 6) are presented on the face of the consolidated statement of profit or loss and other comprehensive income as “(Loss)/profit from revaluation of biological assets at fair value” (6 months ended 30 June 2016 loss: USD 3 023 thousand).

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2016
(in USD thousand, unless otherwise stated)

28. Fair values (cont.)

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

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
30 June 2016					
Financial Assets					
Cash and cash equivalents	-	17 178	-	17 178	34 356
Held to maturity investments	10 503	-	-	10 503	11 810
Trade and other receivables	-	-	31 448	31 448	31 448
Financial Liabilities					
Trade payables	-	-	2 538	2 538	2 538
Bank loans	-	132 314	-	132 314	132 314
Long-term bond liabilities	57 750	-	-	57 750	210 728

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2015					
Financial Assets					
Cash and cash equivalents	-	31 307	-	31 307	31 307
Held to maturity investments	14 916	-	-	14 916	13 599
Trade and other receivables	-	-	56 665	56 665	56 665
Financial Liabilities					
Trade payables	-	-	3 375	3 375	3 375
Bank loans	-	133 438	-	133 438	133 438
Long-term bond liabilities	101 114	-	-	101 114	202 871

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

As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holding of a particular instrument.

As at 30 June 2016, the following methods and assumptions, which remained the same as the prior period, were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

Held to maturity investments - the fair value of held to maturity investments are measured using the available quoted market prices.

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

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

28. Fair values (cont.)

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

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

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

As at 30 June 2016 the fair value of the above financial instruments approximated to their carrying amount besides long-term bonds whose fair value was USD 57 750 thousand (31 December 2015: USD 102 114 thousand).

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

Events that took place in Ukraine in 2014 do directly or indirectly influence any business activity in the country in 2016.

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

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

Those events have influenced Group's operations in 2014 and are still influencing the Group in the 2016. Three companies of the Group, namely LLC Yuzhnaya – Holding, SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding, PPB LLC Ptytsecompleks, in a Crimea region have been put into conservation; other four companies, namely PJSC Ptakhohospodarstvo Chervonyi Prapor, SC Ptakhofabryka Chervonyi Prapor Poultry of PJSC Ptakhohospodarstvo Chervoniy Prapor, PSPC Interbusiness and PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, are located in the territory currently controlled by the terrorists. The Group has lost an ability to control those companies therefore recognized an impairment loss from the lost assets in the 3rd quarter of 2014. Besides that, a portion of the market has been lost (Crimea accounted for 5% of Ukrainian consumer market and Donetsk and Lugansk regions amounted to 15% of the market).

The Group is facing the following problems:

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

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

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

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

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

30. Events after the reporting period

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 25 August 2016.