AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated interim financial statements
(Unaudited)
For the 6 months ended 30 June 2019

CONTENTS

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 Melnyk (Member of the Board)

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

LEGAL ADVISORS:

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

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

INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Str.
1087 Nicosia, Cyprus

BANKERS:

UBS AG
Postfach, CH-8098 Zurich

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

In accordance with article 9 sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on a Regulated Market) Law of 2007 (the "Law"), 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 2019, confirm that to the best of our knowledge:

a) the condensed consolidated interim financial statements presented on pages 7 to 46:

i) have been prepared in accordance with the International Accounting Standards (IAS) 34 "Interim Financial Reporting" and provisions of Article 9 section (4) of the Law, and

ii) give a true and fair view of the assets and liabilities, the financial position and the profits and losses of AvangardCo Investments Public Limited and of the entities included in the condensed consolidated interim financial statements as a whole, and

b) the Management report provides a fair review of the developments and performance of the business as well as the position of AvangardCo Investments Public Limited and of the entities included in the condensed consolidated interim financial statements as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors:

Oleg Bakhmatyuk	
Nataliya Vasylyuk	
Oleg Michael Pohotsky	
Iryna Melnyk	

Person responsible for the preparation of the condensed consolidated interim financial statements for the 6 months ended 30 June 2019:

Stanislav Pohorilyi (Deputy CFO)	

27 August 2019

Interim Management Report

The Board of Directors of AvangardCo Investments Public Limited (the "Company") presents to the members its interim management report together with the unaudited condensed consolidated interim financial statements of the Company and of its subsidiaries (together with the Company referred to as "the Group") for the 6 months ended 30 June 2019.

Financial results

The results of the Group for the period ended 30 June 2019 are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 8 to the condensed consolidated interim financial statements.

The loss for the period attributable to the owners of the Company amounted to USD 109 891 thousand (period 2018: loss USD 35 947 thousand) which the Board of Directors recommends to be transferred to the revenue reserve.

Examination of the development, position and performance of the activities of the Group

The Group recorded a loss of USD 110 885 thousand compared to a loss of USD 36 266 thousand in the previous period.

The loss is mainly a result of the loss for revaluation of biological assets and finance expenses connected to restructuring of loans, also increasing impairment loss on trade and other receivables.

The Group's total assets decreased to USD 452 035 thousand from USD 516 345 thousand mainly due to decrease in value of biological assets, increased finance costs and impairment losses.

Future development

The Management of the Group is focused on implementing its targets and strategy despite the challenging conditions in the domestic and export markets.

Additionally, the Company and its advisors continue to be engaged in discusions with various groups in relation to its debt restructuring process which is a result of breach of covenants of its bonds and of debt agreements with several banks.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in note 26 to the condensed consolidated interim financial statements.

The economic situation in Ukraine has significantly deteriorated since 2014 after the annexation of Crimean peninsula by the Russian Federation (further – the RF), the event that was recognized by neither Ukraine nor the World community. In May 2014, the social unrest fueled by the RF, has grown into a military conflict between self-proclaimed Donetsk and Lugansk People's Republics (fully supported by the RF) and Ukrainian troops. The military conflict has not been resolved yet. The RF has de-facto occupied these territories. Ukrainian authorities are unable to enforce Ukrainian laws on these territories without massive military conflict between Ukraine and RF.

These events have led to the disappearance of economic links between Ukraine and the RF, the key export destination for many Ukrainian industries. Ukraine has lost control over large mining and oil-and-gas companies concentrated in the East, the Crimean peninsula and the Black Sea. This led to trade balance deficit and severe devaluation of national currency (more than three times against US dollar).

Interim Management Report (cont.)

Principal risks and uncertainties (cont.)

Eventually, the GDP has dropped by more than 20%, public finances have eroded and the credit rating of the sovereign debt has deteriorated critically. The elected Government of Ukraine had no financial power to prevent the economic downfall in 2014 and 2015. Marginal currency reserves and exhausted government accounts have forced the government to introduce administrative anti-crisis tools. By now, it can be stated, that government actions 2014-2018 were effective. The national economy has been growing for the 14 consecutive quarters, speeding up to 4.6%, a three-year high, in Q2 2019. The banking system demonstrates record profitability; the National Bank received a prestigious Central Banking Award for transparency, the value of national currency has stabilized. The Parliament has adopted demonopolization laws for several industries; and laws aimed to comply with EU legislation. The judicial reform was mainly adopted. The anticorruption system was broadly reorganized and implemented from investigative bodies to specialized courts. The above-mentioned developments improved investment climate and enhanced economic recovery. The government has made tremendous effort to gain Ukrainian products the access to EU markets. The share of Ukrainian export of goods and services to EU exceeded 41% in 2018. It enables many companies to switch from the RF market (that was closed) to EU market. Ukraine managed to avert major risks arising from trade barriers with the RF. The military conflict with the RF is ongoing. Despite the fact that Ukraine has efficient army and thus the open hostilities probability is much lower, Ukraine suffers day-to-day human losses in local confrontations along the line of contact. The RF continues to supply arms, ammunition, military professionals and mercenaries to the occupied areas of Luhansk and Donetsk regions, showing that conflict will persist. This conflict can have different forms: from local confrontations to full-scale war accompanied by seizing new territories. Economical as well as political risks can arise from these events. Furthermore, the presidential and parliamentary elections were held in Ukraine in first half of 2019. The group of people, brought to power, has no political experience and this adds to both political and economic uncertainties. The rhetoric of the new authorities is controversial regarding many sensitive issues such as military conflict and means of its resolving or cooperation with international financial institutions. It is hard to predict future decisions of the new President and Parliament. Poorly weighted decisions could lead to internal conflicts. Moreover, the new Parliament has not formed the Government yet which will carry on the reforms. Any delay in establishment of the Government adds the economic risks. The management of the Group takes all necessary steps to support the financial stability of the Group in current circumstances. Despite the constant economic growth and wages increase, national currency devaluation still has a tangible effect on Group`s performance. Purchasing power of Ukrainians is still not high enough thus negatively affecting financial performance of the Group. Given the increasing trend of Ukraine`s development we look to the future with optimism. It will take a long period and reversal of the course for Ukraine to recover from the profound crisis. We expect our Western partners will continue to support Ukraine in this regard.

This consolidated interim financial report reflects current Management's view on the influence of the Ukrainian business environment on the financial standing of the Group. The future developments in Ukrainian economy can differ from the Management's expectations. This financial report was not adjusted for any events after the reporting period.

Related party balances and transactions

Disclosed in note 21 to the condensed consolidated interim financial statements.

By Order of the Board of Directors,

Nataliya Vasylyuk
Chief Executive Officer

Nicosia, 27 August 2019

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 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 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Material uncertainty related to going concern

We draw attention to notes 2.4, 12, 13 and 14 in the condensed consolidated financial statements, which indicate that the Group is in default of the repayment of its bonds which matured in October 2018 and in breach of covenants pursuant to debt agreements with several financial institutions triggering restructuring negotiations with the bondholders and financial institutions whose outcome cannot be determined. We further draw attention to notes 4.2 and 26 in the condensed consolidated financial statements which discuss the political and economic environment in Ukraine and to the fact that the Group incurred a loss for the period amounting to USD111m, its current liabilities as at 30 June 2019 exceeded its current assets by USD316m and, on the same date total equity was negative at USD50m. As stated in note 2.4, these events or conditions, along with other matters as set forth in note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2019 are not prepared, in all material respects, in accordance with IAS 34 *"Interim Financial Reporting"*.

KPMG Limited

KPMG Limited
Chartered Accountants

Nicosia, 27 August 2019

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of financial position
AS AT 30 JUNE 2019
(in USD thousand, unless otherwise stated)

	Note	30 June 2019	31 December 2018
ASSETS			
Property, plant and equipment	5	345 816	325 805
Non-current biological assets	6	8 435	30 316
Deferred tax assets		5 472	8 259
Right of use assets		4 480	-
Other non-current assets		103	97
Non-current assets		**364 306**	**364 477**
Inventories	7	14 974	19 697
Current biological assets	6	10 556	21 796
Trade accounts receivable, net	8	29 711	54 484
Prepaid income tax		69	55
Prepayments and other current assets, net	9	9 897	16 731
Taxes recoverable and prepaid		21 919	18 800
Cash and cash equivalents	10	603	20 305
Current assets		**87 729**	**151 868**
TOTAL ASSETS		**452 035**	**516 345**
EQUITY			
Share capital	11	836	836
Share premium	11	201 164	201 164
Reserve capital	11	115 858	115 858
Retained earnings		688 556	799 717
Effect of translation into presentation currency		(1 064 610)	(1 082 335)
Equity attributable to owners of the Company		**(58 196)**	**35 240**
Non-controlling interests		8 570	7 932
TOTAL EQUITY		**(49 626)**	**43 172**
LIABILITIES			
Long-term loans	12	65 296	320
Deferred tax liabilities		-	295
Lease liabitities		3 946	-
Deferred income		935	928
Dividends payable		22 891	22 894
Non-current liabilities		**93 068**	**24 437**
Short-term bond liabilities	13	235 877	235 889
Current portion of non-current liabilities		97 697	158 032
Trade payables		28 532	13 795
Other accounts payable	14	46 487	41 020
Current liabilities		**408 593**	**448 736**
TOTAL LIABILITIES		**501 661**	**473 173**
TOTAL EQUITY AND LIABILITIES		**452 035**	**516 345**

On 27 August 2019 the Board of Directors of AvangardCo Investments Public Limited approved and authorised these condensed consolidated inrerim financial statements for issue.

Nataliya Vasylyuk
Director, CEO

Iryna Melnyk
Director, CFO

The notes on pages 12 to 46 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of profit and loss and other comprehensive income
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

	Note	for the 6 months ended 30 June 2019	30 June 2018
Revenue	15	84 777	68 060
Loss from revaluation of biological assets at fair value	6	(44 057)	(2 542)
Cost of sales	16	(105 769)	(70 148)
GROSS LOSS		**(65 049)**	**(4 630)**
General administrative expenses		(10 626)	(4 835)
Distribution expenses		(7 322)	(4 307)
Income from government grants and incentives		45	45
Impairment loss on trade and other receivables, net	24	(14 057)	(2 630)
Impairment of non current assets	5	(6 757)	-
Other operating expenses	20	(4 584)	(1 011)
LOSS FROM OPERATING ACTIVITIES		**(108 350)**	**(17 368)**
Finance income	19	2 042	702
Finance costs	18	(3 754)	(16 975)
Income/(losses) on exchange		2 098	(2 053)
NET FINANCE COSTS		**386**	**(18 326)**
LOSS BEFORE TAX		**(107 964)**	**(35 694)**
Income tax expenses		(2 921)	(572)
LOSS FOR THE PERIOD		**(110 885)**	**(36 266)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that are or may be reclassified subsequently to profit or loss			
Effect from translation into presentation currency		19 357	32 752
TOTAL COMPREHENSIVE INCOME		**(91 528)**	**(3 514)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(109 891)	(35 947)
Non-controlling interests		(994)	(319)
		(110 885)	**(36 266)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(92 166)	(5 296)
Non-controlling interests		638	1 782
		(91 528)	**(3 514)**
Loss per share			
Basic and diluted (USD)	23	**(17)**	**(6)**

Condensed consolidated statement of changes in equity
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(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 2018	**836**	**115 858**	**201 164**	**857 723**	**(1 099 871)**	**75 710**	**8 765**	**84 475**
Adjustments on initial application of IFRS 9 (net of tax)	-	-	-	(3 470)	-	(3 470)	-	(3 470)
Adjusted balance at 1 January 2018	**836**	**115 858**	**201 164**	**854 253**	**(1 099 871)**	**72 240**	**8 765**	**81 005**
Comprehensive income								
Loss for the period	-	-	-	(35 947)	-	(35 947)	(319)	(36 266)
Effect from translation into presentation currency	-	-	-	-	30 651	30 651	2 101	32 752
Total comprehensive income	-	-	-	**(35 947)**	**30 651**	**(5 296)**	**1 782**	**(3 514)**
Balance at 30 June 2018	**836**	**115 858**	**201 164**	**818 306**	**(1 069 220)**	**66 944**	**10 547**	**77 491**
Balance at 1 January 2019	**836**	**115 858**	**201 164**	**799 717**	**(1 082 335)**	**35 240**	**7 932**	**43 172**
Comprehensive income								
Loss for the period	-	-	-	(109 891)	-	(109 891)	(994)	(110 885)
Effect from translation into presentation currency	-	-	-	-	17 725	17 725	1 632	19 357
Total comprehensive income	-	-	-	**(109 891)**	**17 725**	**(92 166)**	**638**	**(91 528)**
Acquisition of subsidiary (common control transaction)	-	-	-	(1 270)	-	(1 270)	-	(1 270)
Balance at 30 June 2019	**836**	**115 858**	**201 164**	**688 556**	**(1 064 610)**	**(58 196)**	**8 570**	**(49 626)**

The notes on pages 12 to 46 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

	Note	for the 6 months ended 30 June 2019	30 June 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(107 964)	(35 694)
Adjustments for:			
Depreciation of property, plant and equipment	5	8 558	7 106
Change in allowance for irrecoverable amounts		14 057	2 630
Loss on disposal of current assets	20	2 142	-
Gain on disposal of non current assets	20	(42)	(29)
Impairment of current assets	20	3 005	100
Discount loans amortization		1 748	-
Effect of fair value adjustments on biological assets	6	44 057	2 542
Gains realised from accounts payable written-off	20	(341)	(5)
Amortization of deferred income on government grants		(45)	(45)
Gain from de-recognition of long-term loans, net		(1 642)	-
Discount bonds amortization		-	1 318
Discount on VAT government bonds amortization		-	(401)
Interest income		(400)	(301)
Interest payable on loans and bonds		1 868	15 623
Finance expenses on lease		340	-
Impairment of non current assets		6 757	-
(Income)/losses on exchange		(2 098)	12 605
Operating (loss)/profit before working capital changes		**(30 000)**	**5 449**
Decrease in trade receivables		24 719	9 382
(Increase)/decrease in prepayments and other current assets		(5 132)	13 644
Increase in taxes recoverable and prepaid		(1 969)	(4 139)
Decrease in inventories		554	8 707
Decrease in deferred income		-	(1)
Increase in trade payables		13 879	4 223
Increase in biological assets		(8 932)	(10 027)
Increase/(decrease) in other accounts payable		1 600	(21 783)
Cash (used in)/generated from operations		**(5 281)**	**5 454**
Interest paid		(657)	(93)
Income tax paid		(63)	(45)
Net cash (used in)/generated from operating activities		**(6 001)**	**5 316**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(16 256)	(1 613)
Acquisition of subsidiary		(103)	-
Interest received		217	370
Proceed from sale of VAT government bonds		1 935	-
Net cash used in investing activities		**(14 207)**	**(1 243)**

The notes on pages 12 to 46 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows (cont.)
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

	Note	for the 6 months ended 30 June 2019	for the 6 months ended 30 June 2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		(498)	-
Payment of lease liabilities		(201)	-
Net cash used in financing activities		**(699)**	**-**
Net (decrease)/increase in cash and cash equivalents		**(20 907)**	**4 073**
Cash and cash equivalents at 1 January		20 304	18 242
Adjustments on initial application of IFRS 9 (net of tax)		-	(1 190)
Effect from translation into presentation currency		1 206	3 189
Cash and cash equivalents as at 30 June	10	**603**	**24 314**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(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 2019 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

The ultimate parent which will prepare condensed consolidated interim financial statements is Ukrlandfarming PLC whose registrated office is the same as the Company's.

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 2018 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 42% 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 26 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.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(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 2019	Ownership interest (%) 31 December 2018
PJSC Agroholding Avangard	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 Trade Avangard Agro (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	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%	93,00%
LLC "Finance-Consulting Company Avangard LTD"		Ukraine	100,00%	0,00%

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 June 2019 with nominal value of € 0,10 per share.

The shares were distributed as follows:

	30 June 2019		31 December 2018	
Owner	**Number of shares**	**Ownership interest (%)**	**Number of shares**	**Ownership interest (%)**
Omtron Limited	1 848 575	28,9%	1 848 575	28,9%
Tanchem Limited	926 280	14,5%	926 280	14,5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22,5%	1 437 500	22,5%
UkrLandFarming Plc	2 174 825	34,1%	2 174 825	34,1%
Other	4	-	4	-
	6 387 185	100,0%	6 387 185	100,0%

As at 30 June 2019 and 31 December 2018 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	Ownership interest (%) as at 30 June 2019	Ownership interest (%) as at 31 December 2018
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 30 June 2019 and 31 December 2018 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 2019	Ownership interest (%) as at 31 December 2018
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 2019 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 2018 (“last annual financial statements”). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

This is the first set of the Group’s financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.1 to these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were authorised for issue by the Company’s Board of Directors on 27 August 2019.

2. Basis of preparation (cont.)

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the biological assets which are measured at fair value and bonds, loans and investments measured at amortized cost are measured at amortized 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 Cypriot 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 of the Group are making every effort to implement their targets and strategy despite the challenging conditions in the domestic and export markets. Additionally they are closely monitoring the Group's cash flows and capital base position and have reviewed the current situation and environment of the Group as described in note 26 to the condensed consolidated interim financial statements.

As at 30 June 2019 the Group had overdue principal and interest payments and breached covenants of debt agreements with most banks and of the Eurobonds. Also on 29 Octoder 2018 the Eurobonds matured and the Group did not proceed to repay any amounts. The Group continues its constructive negotiations with banks and representatives from the Eurobond holders with a positive intent to reach an agreement with acceptable terms for both parties that will ensure the strengthening of the financial position of the Group maximising its potential for strong returns in a world economy that is returning to a more positive growth potential compared with a rather stagnant past few years. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Board of Directors strongly believes that the Group has profitability potential which will enable holders to positively consider the restructuring plan of the Group.

For the next 12 months the management is doing all relevant efforts to improve both the liquidity but also the profitability and capital base of the Group.

3. Significant accounting policies

3.1 Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

3. Significant accounting policies (cont.)

3.1 Changes in significant accounting policies (cont.)

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

b) As a lessee

The Group leases many assets, including properties and vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the statement of financial position as at 31 December 2018. The Group presents right-of-use assets and lease liabilities as separate line items of statement of financial position. The carrying amounts of right-of-use assets are as below.

in USD thousands	**Property**	**Vehicles**	**Total**
Balance at 1 January 2019	3 673	792	4 465
Balance at 30 June 2019	3 685	795	4 480

3. Significant accounting policies (cont.)

3.1 Changes in significant accounting policies (cont.)

b) As a lessee (cont.)

i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. They are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii) Transition

Previously, the Group classified property leases as operating leases under IAS 17. The leases typically run for a period of 3 years. The leases include an option to renew the lease after the end of the non-cancellable period, which is expected to be exercised by the Group.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3. Significant accounting policies (cont.)

3.1 Changes in significant accounting policies (cont.)

c) Impacts on financial statements

i) Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

in USD thousands	**1 January 2019**
Right-of-use assets	4 465
Lease liabilities	(4 465)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 9,3%.

in USD thousands	**1 January 2019**
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements (without renewal option taken into account)	1 128
Discounted using the incremental borrowing rate at 1 January 2019	4 465
Lease liabilities recognized at 1 January 2019	4 465

ii) Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised USD 4 480 thousand of right-of-use assets and USD 4 620 thousand of lease liabilities (current portion of lease liabilities amounting to USD 673 is included in "Current portion of non-current liabilities") as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised USD 238 thousand of depreciation charges and USD 103 thousand of finance income from these leases.

For the impact of IFRS 16 on segment information, see Note 22.

3.2 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.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.2 Foreign currency translation (cont.)

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

Currency	30 June 2019	Weighted average for the 6 months ended 30 June 2019	31 December 2018	Weighted average for the 6 months ended 30 June 2018
US dollar to Ukrainian Hryvnia	26,1664	26,9316	27,6883	26,7462
Euro	0,8801	0,8851	0,8331	0,8253

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, expense, assets and liabilities. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in Note 3.1 to these condensed consolidated interim financial statements.

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.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

4. Use of judgements and estimates (cont.)

4.1 Measurement of fair values (cont.)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.
• *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
• *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Further information about the assumption made in measuring fair values is included in relevant notes.

4.2 Ukrainian business environment

The economic situation in Ukraine has significantly deteriorated since 2014 after the annexation of Crimean peninsula by the Russian Federation (further – the RF), the event that was recognized by neither Ukraine nor the World community. In May 2014, the social unrest fueled by the RF, has grown into a military conflict between self-proclaimed Donetsk and Lugansk People's Republics (fully supported by the RF) and Ukrainian troops. The military conflict has not been resolved yet. The RF has de-facto occupied these territories. Ukrainian authorities are unable to enforce Ukrainian laws on these territories without massive military conflict between Ukraine and RF. These events have led to the disappearance of economic links between Ukraine and the RF, the key export destination for many Ukrainian industries. Ukraine has lost control over large mining and oil-and-gas companies concentrated in the East, the Crimean peninsula and the Black Sea. This led to trade balance deficit and severe devaluation of national currency (more than three times against US dollar).

Eventually, the GDP has dropped by more than 20%, public finances have eroded and the credit rating of the sovereign debt has deteriorated critically. The elected Government of Ukraine had no financial power to prevent the economic downfall in 2014 and 2015. Marginal currency reserves and exhausted government accounts have forced the government to introduce administrative anti-crisis tools. By now, it can be stated, that government actions 2014-2018 were effective. The national economy has been growing for the 14 consecutive quarters, speeding up to 4.6%, a three-year high, in Q2 2019. The banking system demonstrates record profitability; the National Bank received a prestigious Central Banking Award for transparency, the value of national currency has stabilized. The Parliament has adopted demonopolization laws for several industries; and laws aimed to comply with EU legislation. The judicial reform was mainly adopted. The anticorruption system was broadly reorganized and implemented from investigative bodies to specialized courts. The above-mentioned developments improved investment climate and enhanced economic recovery. The government has made tremendous effort to gain Ukrainian products the access to EU markets. The share of Ukrainian export of goods and services to EU exceeded 41% in 2018. It enables many companies to switch from the RF market (that was closed) to EU market. Ukraine managed to avert major risks arising from trade barriers with the RF. The military conflict with the RF is ongoing. Despite the fact that Ukraine has efficient army and thus the open hostilities probability is much lower, Ukraine suffers day-to-day human losses in local confrontations along the line of contact. The RF continues to supply arms, ammunition, military professionals and mercenaries to the occupied areas of Luhansk and Donetsk regions, showing that conflict will persist. This conflict can have different forms: from local confrontations to full-scale war accompanied by seizing new territories. Economical as well as political risks can arise from these events.

4. Use of judgements and estimates (cont.)

4.2 Ukrainian business environment (cont.)

Furthermore, the presidential and parliamentary elections were held in Ukraine in first half of 2019. The group of people, brought to power, has no political experience and this adds to both political and economic uncertainties. The rhetoric of the new authorities is controversial regarding many sensitive issues such as military conflict and means of its resolving or cooperation with international financial institutions. It is hard to predict future decisions of the new President and Parliament. Poorly weighted decisions could lead to internal conflicts. Moreover, the new Parliament has not formed the Government yet which will carry on the reforms. Any delay in establishment of the Government adds the economic risks. The management of the Group takes all necessary steps to support the financial stability of the Group in current circumstances. Despite the constant economic growth and wages increase, national currency devaluation still has a tangible effect on Group`s performance. Purchasing power of Ukrainians is still not high enough thus negatively affecting financial performance of the Group. Given the increasing trend of Ukraine`s development we look to the future with optimism. It will take a long period and reversal of the course for Ukraine to recover from the profound crisis. We expect our Western partners will continue to support Ukraine in this regard.

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
Balance at 1 January 2019	**1 017**	**248 318**	**37 893**	**104 493**	**2 469**	**1 342**	**20 451**	**415 981**
Acquisitions	-	1 456	8 719	4 275	57	37	1 989	16 533
Disposals	-	-	(65)	-	(32)	(91)	(5)	(193)
Impairment	-	(7 742)	-	-	-	-	-	(7 742)
Internal transfers	-	16 255	167	135	4	18	(16 579)	-
Foreign currency translation	59	14 830	2 616	5 958	150	79	616	24 310
Reclassification	-	3 262	5 257	(8 492)	(51)	24	-	-
Balance at 30 June 2019	**1 076**	**276 379**	**54 587**	**106 369**	**2 597**	**1 409**	**6 472**	**448 889**
Accumulated depreciation								
Balance at 1 January 2019	-	**39 292**	**11 576**	**36 574**	**1 686**	**1 049**	-	**90 177**
Depreciation charge	-	4 600	1 487	2 355	65	51	-	8 558
Depreciation eliminated on disposal	-	-	(61)	-	(12)	(81)	-	(154)
Impairment	-	(985)	-	-	-	-	-	(985)
Foreign currency translation	-	2 407	838	2 062	109	61	-	5 477
Reclassification	-	534	4 175	(4 708)	(1)	-	-	-
Balance at 30 June 2019	-	**45 848**	**18 015**	**36 283**	**1 847**	**1 080**	-	**103 073**
Net book value								
Balance at 30 June 2019	**1 076**	**230 531**	**36 572**	**70 086**	**750**	**329**	**6 472**	**345 816**

During 2019 the Group impaired buildings and structures that were mortgaged for a loan outside the Group because of a legal claim by the lender, which was lost by the borrower.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (cont.)

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
Balance at 1 January 2018	**1 003**	**210 105**	**36 206**	**100 739**	**2 304**	**1 219**	**56 752**	**408 328**
Acquisitions	-	3	146	313	26	82	1 031	**1 601**
Disposals	-	(4)	(4)	(5)	(6)	(2)	(16 833)	**(16 854)**
Internal transfers	-	12 533	125	36	4	4	(12 702)	**-**
Foreign currency translation	72	15 333	2 602	7 231	167	90	15 638	**41 133**
Reclassification	-	-	(29)	38	-	(9)	-	**-**
Balance at 30 June 2018	**1 075**	**237 970**	**39 046**	**108 352**	**2 495**	**1 384**	**43 886**	**434 208**
Accumulated depreciation								
Balance at 1 January 2018	-	**31 589**	**9 159**	**30 445**	**1 522**	**973**	-	**73 688**
Depreciation charge	-	3 128	1 136	2 734	73	35	-	**7 106**
Depreciation eliminated on disposal	-	(1)	(3)	(3)	(3)	(2)	-	**(12)**
Foreign currency translation	-	2 332	666	2 267	111	63	-	**5 439**
Reclassification	-	-	-	-	-	-	-	**-**
Balance at 30 June 2018	-	**37 048**	**10 958**	**35 443**	**1 703**	**1 069**	-	**86 221**
Net book value								
Balance at 30 June 2018	**1 075**	**200 922**	**28 088**	**72 909**	**792**	**315**	**43 886**	**347 987**
Balance at 31 December 2018	**1 017**	**209 026**	**26 317**	**67 920**	**782**	**293**	**20 451**	**325 805**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (cont.)

As at 30 June 2019 and 31 December 2018 the property, plant and equipment with carring amount USD 74 774 thousand and USD 64 355 thousand were pledged as security for Group's loans.

6. Biological assets

	30 June 2019	31 December 2018
Non-current biological assets		
Replacement poultry	8 435	30 316
	8 435	**30 316**
Current biological assets		
Commercial poultry	10 556	21 796
	10 556	**21 796**
Total	**18 991**	**52 112**

a) Commercial poultry and replacement poultry were as follows:

	30 June 2019		31 December 2018	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	3 664	4 094	6 862	25 532
Novogen	3 503	8 876	4 974	21 376
Decalb	8 306	5 798	907	2 478
Tetra	549	223	688	2 726
	16 022	**18 991**	**13 431**	**52 112**

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

Balance at 1 January 2018	**19 892**
Acquisitions	6 259
Increase in value as a result of increase in weight/number	18 493
Net change in fair value	(2 542)
Decrease in value resulting from assets disposal	(1 757)
Effect from translation into presentation currency	1 586
Decrease in value resulting from hens slaughtering	(12 941)
Other changes	(27)
Balance at 30 June 2018	**28 963**
Balance at 1 January 2019	**52 112**
Acquisitions	15 813
Increase in value as a result of increase in weight/number	48 394
Net change in fair value	(44 057)
Decrease in value resulting from assets disposal	(10 505)
Effect from translation into presentation currency	2 004
Decrease in value resulting from hens slaughtering	(44 680)
Other changes	(90)
Balance at 30 June 2019	**18 991**

(in USD thousand, unless otherwise stated)

6. Biological assets (cont.)

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 20,48% prevailing as at 30 June 2019 was applied (for the year ended 31 December 2018: 20,54% and for the 6 months ended 30 June 2018: 23,55%).

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. Inventories

Inventories as at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019	31 December 2018
Raw and basic materials	5 180	7 506
Work-in-progress	2	90
Agricultural produce	705	1 116
Finished goods	3 859	3 948
Package and packing materials	1 267	3 570
Goods for resale	161	213
Other inventories	3 800	3 254
	14 974	**19 697**

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

The Group produced shell eggs in the quantity of 1 776 922 991 (6 months ended 2018: 1 231 559 081 items) which have fair value amounted to USD 81 154 thousand (6 months ended 2018: USD 74 595 thousand).

The amout of impaired inventories due to writing down to their net realisable value for the 6 months ended 30 June 2019 was USD 3 005 thousand (6 months ended 30 June 2018: USD 100 thousand) (Note 20).

8. Trade accounts receivable, net

As at 30 June 2019 an amount of USD 12 941 thousand or 43,6% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2018–see note 24).

The provision for doubtful debts and write-offs for trade accounts receivable for the 6 months ended 30 June 2019 amounted to USD 1 929 thousand (6 months ended 30 June 2018: USD 981 thousand).

9. Prepayments and other current assets, net

The provision for doubtful debts and write-offs for prepayments and other current assets amounted to USD 12 128 thousand (6 months ended 30 June 2018: USD 1 648 thousand).

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

10. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019	31 December 2018
Cash at banks	599	20 306
Cash in hand	7	1
Provision for cash and cash equivalents	(3)	(3)
Cash and cash equivalents represented in condensed consolidated interim statement of cash flows	**603**	**20 304**

11. Share capital

	30 June 2019		31 December 2018	
	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.

12. Long-term loans

Long-term loans as at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019	31 December 2018
Long-term bank loans in national currency	67 561	63 899
Long-term bank loans in foreign currency	87 818	87 362
Total loans	**155 379**	**151 261**
Commodity credit	199	320
	155 578	**151 581**
Current portion of non-current liabilities for bank loans in national currency	(2 464)	(63 899)
Current portion of non-current liabilities for bank loans in foreign currency	(87 818)	(87 362)
	65 296	**320**

(in USD thousand, unless otherwise stated)

12. Long-term loans (cont.)

a) As at 30 June 2019 and 31 December 2018 the long-term bank loans by currencies were as follows:

	30 June 2019	31 December 2018
Long-term bank loans in UAH	67 562	47 114
Long-term bank loans in EUR	87 818	104 147
	155 380	**151 261**

b) As at 30 June 2019 and 31 December 2018 the interest rates for long-term bank loans were as follows:

	30 June 2019	31 December 2018
Long-term bank loans denominated in UAH	1,25%-18%	12,5%-18%
Long-term bank loans in EUR	1,5%+EURIBOR-2,7%+EURIBOR	1,5%+EURIBOR-2,7%+EURIBOR

As at the end of the reporting period the Group had overdue payments for some all of the long-term borrowings (including interest: see note 14) and was not in compliance with certain covenants. As a result, the relevant portion was classified as current until finalisation of the Group's Management negotiations with the banks with the expectation to agree on the restructuring of debt with favourable conditions for both parties.

In February 2019 Avangardco Investments Public Limited ("AVG") and UkrLandFarming PLC ("ULF") have successfully completed the restructuring of Public Joint-Stock Company "State Savings Bank of Ukraine" (further: Oschadbank) loan amounting to USD 160 629 thousand as at the date of restructuring agreement. The liabilities of AVG after the restructuring amounted to USD 96 123 thousand (principal and interest) as at the date of restructuring agreement. As a result of a deal, part of ULF liabilities have been placed to AVG. The Group agreed to repay debt liabilities to Oschadbank until 2031. The effective interest rate was significantly lowered and the major part of debt repayment is shifted to the second half of repayment period. Due to the significant change in terms the Group derecognised the loan and recognised a new financial liability at its fair value.

d) Commodity credit in the amount of USD 199 thousand (2018: USD 320 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.

13. 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 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.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

13. Bond liabilities (cont.)

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.

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

In March 2017 the Management of the Company has decided to commence the restructuring process of its Bonds and is currently engaged in negotiations with bondholders. The primary reasons which trigged this process are outlined below:

▪ weak micro-economic and macro-economic conditions in Ukraine, the Group's primary jurisdiction of operation and principal market, which adversely impacted demand and prices for the Group's products;
▪ the annexation of Crimea and the ongoing military conflict in the Donetsk and Lugansk regions of Ukraine;
▪ challenging conditions for exports as a result of continuing military/political disruption in certain of the Group's key export markets in the Middle East; and
▪ its inability to refinance existing indebtedness as a result of the continued weakness of the Ukrainian banking system and the unavailability of international capital markets to Ukrainian borrowers.

Currently the Company defaulted in paying the interest due under the Note (see note 14). Also on 29 Octoder 2018 the Eurobonds matured and the Group did not proceed to repay any amounts.

The Company continues to be in discussions with various creditor groups with the aim to achieve a restructuring.

The rectructuring process will help the Company continue to maintain its assets and operations. Going forward the Company is planning to concentrate on operations while prudently managing liquidity and servicing its existing debt portfolio.

The exposure of the Group to interest rate risk and liquidity risk in relation to bond liabilities is reported in note 24 to the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

14. Other accounts payable

Other accounts payable as at 30 June 2019 and 31 December 2018 were as follows:

	Note	30 June 2019	31 December 2018
Accrued expenses for future employee benefits		2 780	1 401
Other accrued expenses		210	309
Wages and salaries and related taxes liabilities		3 405	1 713
Other taxes and compulsory payments liabilities	a)	376	180
Accounts payable for property, plant and equipment		325	48
Advances received from customers	b)	360	937
Accrued coupon on bonds		31 755	31 757
Provision on guarantees	c)	1 296	1 296
Other payables	d)	5 980	3 379
		46 487	**41 020**

a) Other taxes and compulsory payments liabilities mainly comprises 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) As at 30 June 2019 and 31 December 2018 surety providers of the liabilities of UkrLandFarming Plc were as follows: LLC Imperovo Foods, PSPC Interbusiness, PJSC Agroholding Avangard, LLC Slovyany.
d) Other payables consist of payables for electricity, gas, water, security services, leases and other.

15. Revenue

Sales revenue for the 6 months ended 30 June 2019 and 30 June 2018 was as follows:

	for the 6 months ended	
	30 June 2019	30 June 2018
Revenue from finished goods	81 568	66 319
Revenue from goods sold	2 874	1 581
Revenue from services rendered	335	160
	84 777	**68 060**

For the 6 months ended 30 June 2019 USD 8 922 thousand (6 months ended 2018: USD 15 660 thousand) or 10,5% (6 months ended 2018: 23,0%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

The following table provides information about receivables and contract liabilities from contractors with customers.

	Note	30 June 2019	31 December 2018
Receivables, included in "Trade accounts receivable"	8	29 711	54 484
Contract liabilities	14	360	937

The contract liabilities relate to the advances received from customers (Note 14). This will be recognised as revenue when performance obligation is satisfied.

The amount of USD 792 thousand recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2019.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

16. Cost of sales

Cost of sales for the 6 months ended 30 June 2019 and 30 June 2018 was as follows:

	Note	for the 6 months ended 30 June 2019	for the 6 months ended 30 June 2018
Cost of finished goods sold	17	(104 094)	(68 626)
Cost of goods sold		(1 519)	(1 413)
Cost of services rendered		(156)	(109)
		(105 769)	**(70 148)**

17. Cost of sales by elements

The cost of finished goods sold (Note 16) for the 6 months ended 30 June 2019 and 30 June 2018 was as follows:

	Note	for the 6 months ended 30 June 2019	for the 6 months ended 30 June 2018
Raw materials		(77 004)	(51 502)
Payroll of production personnel and related taxes		(11 333)	(5 217)
Depreciation		(8 710)	(7 008)
Services provided by third parties		(7 035)	(4 842)
Other expenses		(12)	(57)
	16	**(104 094)**	**(68 626)**

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.

18. Finance costs

Finance costs for the 6 months ended 30 June 2019 and 30 June 2018 was as follows:

	for the 6 months ended 30 June 2019	for the 6 months ended 30 June 2018
Interest payable on loans	(1 868)	(4 011)
Total finance expenses on loans	**(1 868)**	**(4 011)**
Finance expenses on bonds	-	(11 612)
Other finance expenses	(1 886)	(1 352)
	(3 754)	**(16 975)**

19. Finance income

Finance income for the 6 months ended 30 June 2019 and 30 June 2018 was as follows:

	for the 6 months ended 30 June 2019	for the 6 months ended 30 June 2018
Gain from de-recognition of long-term loan,net	1 641	-
Interest incom from VAT government bonds	296	700
Financial income from discount of lease	103	-
Interest income from placement of deposits	2	2
	2 042	**702**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

20. Other operating expenses

Other operating expenses for the 6 months ended 30 June 2019 and 30 June 2018 were as follows:

	Note	for the 6 months ended 30 June 2019	for the 6 months ended 30 June 2018
(Loss)/gain on disposal of current assets		(2 142)	10
Loss on disposal of non current assets		42	29
Impairment of current assets	7	(3 005)	(100)
Gain realised from writing-off of accounts payable		341	5
Foreign currency sale loss		(113)	(1)
Fines, penalties recognized		(40)	(166)
Impairment loss on cash and cash equivalents		(393)	(933)
Other income/(expense)		726	145
		(4 584)	**(1 011)**

21. 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 2019 and 30 June 2018 were as follows:

	for the 6 months ended 30 June 2019	for the 6 months ended 30 June 2018
Salary	2 740	961
Contributions to state funds	535	108
	3 275	**1 069**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

21. Related party balances and transactions (cont.)

Outstanding amounts of the Group for transactions with related parties as at 30 June 2019 and 31 December 2018 were as follows:

	Outstanding balances with related parties as at	
	30 June 2019	**31 December 2018**
Prepayments and other current assets, net		
A. Key management	1 223	-
D. Companies in which activities are significantly influenced by the Group's owners	6 606	10 425
	7 829	**10 425**
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	7 190	8 050
	7 190	**8 050**
Dividends payable		
D. Companies in which activities are significantly influenced by the Group's owners	22 891	22 892
	22 891	**22 892**
Trade payables		
D. Companies in which activities are significantly influenced by the Group's owners	12 545	6 636
	12 545	**6 636**
Other current liabilities		
C. Companies in which the Group's owners have an equity interest	114	115
D. Companies in which activities are significantly influenced by the Group's owners	2 559	1 993
	2 673	**2 108**

As at 30 June 2019 Prepayments and other current assets, (net) include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 3 158 thousand (31 December 2018: USD 2 985 thousand).

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

21. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 6 months ended 30 June 2019 and 30 June 2018 were as follows:

	Transactions with related parties for the 6 months ended	
	30 June 2019	**30 June 2018**
Revenue		
D. Companies in which activities are significantly influenced by the Group's owners	2 178	2 051
	2 178	**2 051**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(650)	(9)
	(650)	**(9)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(4 533)	(2 166)
	(4 533)	**(2 166)**
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	111	141
	111	**141**

For the 6 months ended 30 June 2019 and 30 June 2018 purchases of goods, transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 37 790 thousand and USD 20 557 thousand respectively. All those goods and services were bought and provided on market terms.

22. 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 and sale of grain.

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

22. Operating segments (cont.)

Reportable segment information for the 6 months ended 30 June 2019 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	148 702	14 314	22 283	8 867	10 359	-	204 525
Intra-group elimination	(76 549)	(13 339)	(22 283)	(111)	(7 466)	-	(119 748)
Revenue from external buyers	**72 153**	**975**	-	**8 756**	**2 893**	-	**84 777**
Income from revaluation of biological assets at fair value	(44 427)	370	-	-	-	-	(44 057)
Other operating expenses	(1 672)	(133)	1	(2 844)	64	-	(4 584)
Income from government grants and incentives	44	1	-	-	-	-	45
OPERATING PROFIT/(LOSS)	**(79 937)**	**(6 934)**	**(2 269)**	**(15 025)**	**(4 185)**	-	**(108 350)**
Finance income	(21 306)	-	-	23 348	1	-	2 042
Finance costs, *including:*	(791)	-	-	(2 000)	(963)	-	(3 754)
Interest payable on loans	(188)	-	-	(716)	(964)	-	(1 868)
Income tax (expense)/credit	-	-	(11)	(3 200)	290	-	(2 921)
NET (LOSS)/PROFIT FOR THE PERIOD	**(102 042)**	**(6 854)**	**(2 280)**	**4 051**	**(3 760)**	-	**(110 885)**
TOTAL ASSETS	**2 695 656**	**122 770**	**217 127**	**1 098 274**	**925 363**	**(4 607 155)**	**452 035**
Depreciation	5 990	1 058	554	272	684	-	**8 558**
TOTAL LIABILITIES	**2 212 389**	**85 265**	**219 178**	**953 184**	**447 546**	**(3 415 901)**	**501 661**

The Group initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 3.1). As a result, the Group recognised USD 4 465 thousand of right-of-use assets and USD 4 465 thousand of liabilities from those lease contracts. The assets and liabilities are included in the "Shell eggs" segment as at 30 June 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated (see Note 3.1).

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

22. Operating segments (cont.)

Reportable segment information for the year ended 30 June 2018 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	127 636	5 225	26 582	19 524	4 522	-	183 489
Intra-group elimination	(77 548)	(3 939)	(25 474)	(6 826)	(1 643)	-	(115 429)
Revenue from external buyers	**50 088**	**1 286**	**1 108**	**12 698**	**2 879**	**-**	**68 060**
Income from revaluation of biological assets at fair value	(4 033)	1 492	-	-	-	-	(2 542)
Other operating expenses	(252)	7	161	(7)	(920)	-	(1 011)
Income from government grants and incentives	45	-	-	-	-	-	45
OPERATING PROFIT/(LOSS)	**23 049**	**(525)**	**166**	**1 224**	**(41 282)**	**-**	**(17 368)**
Finance income	65	-	-	635	1	-	702
Finance costs, *including:*	(73)	-	-	(3 047)	(13 855)	-	(16 975)
Interest payable on loans	(73)	-	-	(3 013)	(925)	-	(4 011)
Income tax (expense)/credit	(6)	-	(9)	(9 087)	8 530	-	(572)
NET (LOSS)/PROFIT FOR THE PERIOD	**22 546**	**(446)**	**156**	**(9 110)**	**(49 412)**	**-**	**(36 266)**
TOTAL ASSETS	**2 393 214**	**57 305**	**222 634**	**820 330**	**888 487**	**(3 847 077)**	**534 895**
Depreciation	4 467	1 173	304	245	918	-	**7 106**
TOTAL LIABILITIES	**1 836 548**	**4 894**	**256 373**	**607 892**	**401 538**	**(2 649 843)**	**457 403**

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 for the 6 months ended		Non-current assets As at	
	30 June 2019	**30 June 2018**	**30 June 2019**	**31 December 2018**
Ukraine	39 990	39 496	364 306	363 680
Middle East and North Africa	31 841	13 264	-	-
Far East	3 665	2 686	-	-
Central and West Africa	5 590	4 095	-	-
Europe	3 691	8 519	-	-
Total	**84 777**	**68 060**	**364 306**	**363 680**

23. Loss per share

Basic loss per share

The calculation of basic loss per share for the 6 months ended 30 June 2019 and 30 June 2018 was based on loss attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	for the 6 months ended	
	30 June 2019	**30 June 2018**
Loss attributable to the owners of the Company:		
(in USD thousands)		
Loss for the period attributable to the owners of the Company	(109 891)	(35 947)
Weighted average number of shares:		
Weighted average number of ordinary shares at 30 June	6 387 185	6 387 185
Loss per share (USD)	(17)	(6)

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

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

24. Financial instruments - 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 2018.

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), 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 2019 and 31 December 2018 was presented as follows:

Financial assets	**30 June 2019**	**31 December 2018**
Cash and cash equivalents	603	20 305
Investments measured at amortized cost	-	3 556
Trade accounts receivable	29 711	54 484
Total	**30 314**	**78 345**

(in USD thousand, unless otherwise stated)

24. Financial instruments - 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 2019 and 2018 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 2019 USD 8 922 thousand or 10,5% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 30 June 2019 an amount of USD 12 941 thousand or 43,6% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the 6 months ended 30 June 2018 USD 15 660 thousand or 23,0% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2018 USD 19 826 thousand or 36,4% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

Trade receivables as at 30 June 2019 and 31 December 2018 by dates of origin are presented as follows:

30 June 2019	**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	6 379	3 607	1 250	949	676	3 563	13 287	**29 711**

31 December 2018	**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	19 698	11 179	8 568	287	207	1 506	13 038	**54 484**

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 for 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.

Movement in provision for doubtful debts Trade accounts receivable

	for the 6 months ended 2019	**2018**
As at 1 January	(9 714)	(45 830)
Adjustments on initial application of IFRS:	-	(873)
As at 1 January under IFRS 9	-	**(46 703)**
Increase in loss allowance	(1 929)	(981)
Effect of translation into presentation currency	(611)	10 374
As at 30 June	**(12 254)**	**(37 310)**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

24. Financial instruments - risk management (cont.)

a) Credit risk (cont.)

Movement in provision for doubtful debts Prepayments and other current assets

	for the 6 months ended 2019	2018
As at 1 January	(1 763)	(2 719)
Adjustments on initial application of IFRS:	-	(118)
As at 1 January under IFRS 9	**(1 763)**	**(2 837)**
Increase in loss allowance	(12 128)	(1 648)
Effect of translation into presentation currency	(452)	2 501
As at 30 June	**(14 343)**	**(1 984)**

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 2019

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	(198 095)	(88 416)	(1 989)	(35 095)	(72 595)
Short-term bond liabilities	(235 877)	(235 877)	-	-	-
Trade payables	(28 532)	(28 532)	-	-	-
Dividends payable	(29 540)	(6 649)	-	(22 891)	-
Accrued coupon on bonds	(31 755)	(31 755)	-	-	-
Other payables	(5 980)	(5 980)	-	-	-
	(529 779)	**(397 209)**	**(1 989)**	**(57 986)**	**(72 595)**

31 December 2018

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	(153 339)	(151 763)	(682)	(845)	(49)
Short-term bond liabilities	(235 889)	(235 889)	-	-	-
Trade payables	(13 795)	(13 795)	-	-	-
Dividends payable	(29 578)	(6 684)	-	(22 894)	-
Accrued coupon on bonds	(31 757)	(31 757)	-	-	-
Other payables	(3 379)	(3 379)	-	-	-
	(467 738)	**(443 267)**	**(682)**	**(23 739)**	**(49)**

24. Financial instruments - 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 2019 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Trade payables	263	1 130	**1 393**
Trade accounts receivable	(6 198)	(14)	**(6 212)**
Prepayments and other current assets, net	(1)	(247)	**(248)**
Other current liabilities	20	12	**32**
Net exposure to foreign currency risk	**(5 916)**	**881**	**(5 035)**

The Group's exposure to foreign currency risk and the functional currency (EUR) as at 30 June 2019 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Short-term bond liabilities	235 877
Dividends payable	29 542
Other accounts payable	47
Cash and cash equivalents	(36)
Accrued coupon on bonds	31 755
Net exposure to foreign currency risk	**297 185**

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2018 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Trade payables	408	1 077	**1 485**
Trade accounts receivable	(14 073)	-	**(14 073)**
Net exposure to foreign currency risk	**(13 665)**	**1 077**	**(12 588)**

24. Financial instruments - 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 functional currency (EUR) as at 31 December 2018 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Long-term bond liabilities	235 889
Dividends payable	29 542
Other accounts payable	47
Cash and cash equivalents	(36)
Accrued coupon on bonds	31 757
Net exposure to foreign currency risk	**297 199**

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 2019			
USD	20%	1 183	1 183
EUR	15%	(132)	(132)

Effect in USD thousand:	**Increase in currency rate against EUR**	**Effect on profit before tax**	**Effect on equity**
30 June 2019	5%	(14 859)	(14 859)
USD			

Effect in USD thousand:	**Increase in currency rate against UAH**	**Effect on profit before tax**	**Effect on equity**
31 December 2018			
USD	20%	2 733	2 733
EUR	15%	(162)	(162)

Effect in USD thousand:	**Increase in currency rate against EUR**	**Effect on profit before tax**	**Effect on equity**
31 December 2018			
USD	5%	(14 860)	(14 860)

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.

(in USD thousand, unless otherwise stated)

24. Financial instruments - risk management (cont.)

c) Market risk (cont.)

Capital management

The Group's management follows the policy of providing the firm capital base which would allow 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 improve the Group's capital structure with the purpose of its cost reduction.

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

Financial leverage ratio calculation

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.

As at 30 June 2019 and 31 December 2018 the Group's financial leverage coefficient amounted to:

	Carrying value	
	30 June 2019	**31 December 2018**
Long-term loans	65 296	320
Current portion of long-term loans	90 282	151 261
Bond liabilities	235 877	235 889
Total debt	**391 455**	**387 470**
Cash and cash equivalents	(603)	(20 305)
Net debt	**390 852**	**367 165**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	688 556	799 717
Foreign currency translation reserve	(1 064 610)	(1 082 335)
Non-controlling interests	8 570	7 932
Total equity	**(49 626)**	**43 172**
Total amount of equity and net debt	**341 226**	**410 337**
Financial leverage coefficient	**114,5%**	**89,5%**

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

25. 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 2019				
Biological Assets	-	-	18 991	18 991
31 December 2018				
Biological Assets	-	-	19 892	19 892

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the 6 months ended 30 June 2019.

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

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

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

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

	As at	
	30 June 2019	**31 December 2018**
Discount rate	20,48%	20,54%
Inflation rate	109,00%	109,80%

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.

25. Fair values (cont.)

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 2019		
Discount rate	-2,50%	305
Discount rate	2,50%	(299)
Inflation rate	1,75%	1 424
Inflation rate	-1,75%	(1 424)
31 December 2018		
Discount rate	-2,50%	862
Discount rate	2,50%	(846)
Inflation rate	1,75%	3 809
Inflation rate	-1,75%	(3 809)

There were no transfers to/from Level 3 of the fair value hierarchy during the 6 months ended 30 June 2019 and the year ended 31 December 2018.

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 interim financial statements.

Total gain or losses for the year as shown in the reconciliation (note 6) are presented on the face of the condensed consolidated statement of profit or loss and other comprehensive income as "loss from revaluation of biological assets at fair value" (6 months ended 30 June 2019: loss USD 44 057 thousand).

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2019
(in USD thousand, unless otherwise stated)

25. Fair values (cont.)

The following table analyses the fair values of financial instruments not measured 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 2019					
Financial Assets					
Cash and cash equivalents	-	603	-	603	603
Trade and other receivables	-	-	29 711	29 711	29 711
Financial Liabilities					
Trade payables	-	-	28 532	28 532	28 532
Bank loans	-	155 414	-	155 414	155 414
Short-term bond liabilities	24 388	-	-	24 388	235 877

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2018					
Financial Assets					
Cash and cash equivalents	-	20 305	-	20 305	20 305
Investments measured at amortized cost	3 643	-	-	3 643	3 556
Trade and other receivables	-	-	54 484	54 484	54 484
Financial Liabilities					
Trade payables	-	-	13 795	13 795	13 795
Bank loans	-	131 218	-	131 218	131 218
Short-term bond liabilities	45 564	-	-	45 564	235 889

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 2019, 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.

25. Fair values (cont.)

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

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

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

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

As at 30 June 2019 the fair value of the above financial instruments approximated to their carrying amount besides short-term bonds whose fair value was USD 24 388 thousand (31 December 2018: USD 45 564 thousand).

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

Ukraine is still involved in the military conflict with pro-Russian terrorists and Russian troops. As a result Ukraine is in a state of economic war.

During the conflict (2014-2017) Ukraine faced the below mentioned consequences: inability to attract investment, capital outflow, negative trade balance and national currency devaluation. This inevitably led to lower living standards and decrease in purchasing power of the population.

These events have affected the activities of the Group. Three companies located on the Crimean peninsula are beyond the control of the Group due to annexation of the peninsula, as follows: LLC Yuzhnaya - Holding, SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding, and PPB LLC Ptytsecompleks. The companies located on the territory of the Lugansk and Donetsk regions are under control of the pro-Russian terrorists, as follows: PJSC Ptakhohospodarstvo Chervonyi Prapor, SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor, PSPC Interbusiness and PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod. The Group has lost the control over these companies and recognized the loss on impairment of these assets in 2014. In addition, the Group has lost the share of the market (Crimea accounted for 5%, Lugansk and Donetsk regions – for 15% of Ukrainian consumer market).

Challenges facing the Group:
- Decline in consumer demand in Ukraine due to lower purchasing power of population and increase in household egg production.
- Increase in cost of eggs produced nominated in UAH as imported materials are used in production.
- Substantial decrease in margin due to increase in cost of sales of egg (USD 0,05 per 1 egg) while no relevant increase in prices was observed (due to decline in demand).
- Decrease in prices on traditional for the Group foreign markets. This was caused by the market oversaturation.

The Group seeks to retain its assets and market position both on domestic and international markets.

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

Despite hard times in the history of the Group, we look forward to positive developments in the coming years. Ukraine is facing painful yet substantial and necessary reforms. The government has successfully implemented the banking reform, introduced several important changes in energy sector, created anticorruption agencies, launched medical and pension reforms, we also saw tax cuts and new administrative approaches. The anticorruption court is expected to be established as a part of judicial reform. The administration reform aimed at decentralization is being gradually implemented, granting more executive and financial autonomy to local authorities. A number of global organizations is supporting the reforms. The political commitment of the government to carry out the reforms and international support inspire confidence Ukraine can not only overcome the crisis but also imply European values and regulations and become a part of Europe not only geographically but also legally. The reforms will eventually improve the living standards, which will have a positive effect on the Group activities. Moving towards the EU, the Group expects to sell not only egg products but also class (grade) A shell eggs on European markets in the near future.

27. Events after the reporting period

The Company and its advisors continue to be engaged in discussions with various groups in relation to its debt restructuring process which is a result of breach of covenants of its bonds and of debt agreements with several banks.

There were no further material events after the reporting period except the fact that while Management believes it is taking all necessary measures to maintain the sustainability of the business in the current circumstances, a further deterioration of economic and political conditions in Ukraine could adversely affect the Group's results and financial position 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 27 August 2019.