

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

Interim Consolidated Financial Statements

For the 3 months ended 31 March 2017

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AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of financial position

AS AT 31 MARCH 2017

(in USD thousand, unless otherwise stated)

	Note	31 March 2017	31 December 2016
ASSETS			
Property, plant and equipment		357 364	357 821
Non-current biological assets	4	14 723	14 273
Deferred tax assets		5 708	5 663
Held to maturity investments	5	4 266	5 700
Other non-current assets		5	5
Non-current assets		382 066	383 462
Inventories	7	61 963	62 144
Current biological assets	4	15 612	7 755
Trade accounts receivable, net	8	26 901	40 628
Prepaid income tax		42	41
Prepayments and other current assets, net	9	14 034	14 412
Taxes recoverable and prepaid	6	10 646	8 479
Cash and cash equivalents	10	19 756	12 570
Current assets		148 954	146 029
TOTAL ASSETS		531 020	529 491
EQUITY			
Share capital		836	836
Share premium		201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		859 554	864 457
Effect of translation into presentation currency		(1 057 809)	(1 053 923)
Equity attributable to owners of the Company		119 603	128 392
Non-controlling interests		10 214	10 418
Total equity		129 817	138 810
LIABILITIES			
Long-term bond liabilities	12	222 288	219 014
Long-term loans	11	90 281	93 924
Deferred tax liabilities		354	351
Deferred income		1 110	1 123
Dividends payable		29 542	29 542
Long-term finance lease		2	3
Non-current liabilities		343 577	343 957
Current portion of non-current liabilities	13	37 337	31 224
Trade payables	14	2 509	3 062
Other accounts payable	15	17 780	12 438
Current liabilities		57 626	46 724
TOTAL LIABILITIES		401 203	390 681
TOTAL EQUITY AND LIABILITIES		531 020	529 491

Nataliya Vasylyuk
Director, CEO

Iryna Melnyk
Director, CFO

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of profit and loss and other comprehensive income

FOR THE 3 MONTHS ENDED 31 MARCH 2017

(in USD thousand, unless otherwise stated)

	Note	for the 3 months ended	
		31 March 2017	31 March 2016
Revenue	16	34 004	39 839
(Loss)/profit from revaluation of biological assets at fair value		(209)	635
Cost of sales	17	(35 365)	(32 193)
GROSS (LOSS)/PROFIT		(1 570)	8 281
General administrative expenses	19	(1 930)	(1 822)
Distribution expenses	20	(1 597)	(1 521)
Income from government grants and incentives		22	24
Income from special VAT treatment		-	28
Other operating income	21	1 371	312
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(3 704)	5 302
Finance income	23	572	757
Finance costs	22	(7 897)	(7 827)
Gains/(losses) on exchange		5 724	(2 137)
NET FINANCE COSTS		(1 601)	(9 207)
LOSS BEFORE TAX		(5 305)	(3 905)
Income tax credit		(37)	(69)
LOSS FOR THE PERIOD		(5 342)	(3 974)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		(3 651)	(45 306)
TOTAL COMPREHENSIVE INCOME		(8 993)	(49 280)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(4 903)	(4 020)
Non-controlling interests		(439)	46
		(5 342)	(3 974)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(8 789)	(46 453)
Non-controlling interests		(204)	(2 827)
		(8 993)	(49 280)
Loss per share			
Basic and diluted (USD)		(1)	(1)

The notes on pages 6 to 21 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of changes in equity

FOR THE 3 MONTHS ENDED 31 MARCH 2017

(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve			
Balance at 1 January 2016	836	115 858	201 164	921 435	(1 018 085)	221 208	13 847	235 055
Comprehensive income								
Loss for the period	-	-	-	(4 020)	-	(4 020)	46	(3 974)
Effect from translation into presentation currency	-	-	-	-	(42 479)	(42 479)	(2 827)	(45 306)
Total comprehensive income	-	-	-	(4 020)	(42 479)	(46 499)	(2 781)	(49 280)
Balance at 31 March 2016	836	115 858	201 164	917 415	(1 060 564)	174 709	11 066	185 775
Balance at 1 January 2017	836	115 858	201 164	864 457	(1 053 923)	128 392	10 418	138 810
Comprehensive income								
Loss for the period	-	-	-	(4 903)	-	(4 903)	(439)	(5 342)
Effect from translation into presentation currency	-	-	-	-	(3 886)	(3 886)	235	(3 651)
Total comprehensive income	-	-	-	(4 903)	(3 886)	(8 789)	(204)	(8 993)
Balance at 31 March 2017	836	115 858	201 164	859 554	(1 057 809)	119 603	10 214	129 817

The notes on pages 6 to 21 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of cash flows
FOR THE 3 MONTHS ENDED 31 MARCH 2017
(in USD thousand, unless otherwise stated)

	Note	for the 3 months ended	
		31 March 2017	31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(5 305)	(3 905)
Adjustments for:			
Depreciation of property, plant and equipment		3 774	3 775
Change in allowance for irrecoverable amounts		(1 969)	5
Loss/(profit) on disposal of current assets	21	206	(352)
Loss on disposal of non current assets	21	2	173
Impairment of current assets	21	34	489
Effect of fair value adjustments on biological assets		209	(635)
Gains realised from accounts payable written-off	21	(15)	(1)
Amortization of deferred income on government grants		(22)	(24)
Discount bonds amortization		566	493
Discount on VAT government bonds amortization		(294)	(384)
Interest income		(278)	(373)
Interest payable on loans and bonds		7 353	7 328
(Gains)/losses on exchange		(5 724)	8 193
Operating (loss)/profit before working capital changes		(1 463)	14 782
Decrease/(increase) in trade receivables		14 151	(1 511)
Decrease/(increase) in prepayments and other current assets		1 694	(609)
Increase in taxes recoverable and prepaid		(324)	(751)
Decrease/(increase) in inventories		434	(6 236)
Decrease in deferred income		(1)	(9)
Decrease in trade payables		(561)	(877)
(Increase)/decrease in biological assets		(8 516)	1 937
Decrease/(increase) in finance leases		(1)	2
Decrease in other accounts payable		(1 147)	(4 647)
Cash generated from operations		4 266	2 080
Interest paid		(1 223)	(82)
Income tax paid		(11)	(11)
Net cash generated from operating activities		3 032	1 988
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(348)	(7 006)
Interest received		783	2 239
Net cash generated/(used in) investing activities		435	(4 769)

The notes on pages 6 to 21 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of cash flows (cont.)

FOR THE 3 MONTHS ENDED 31 MARCH 2017

(in USD thousand, unless otherwise stated)

	Note	for the 3 months ended	
		31 March 2017	31 March 2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		-	(1 944)
Net cash used in financing activities		-	(1 944)
Net increase/(decrease) in cash and cash equivalents		3 467	(4 725)
Cash and cash equivalents at 1 January		12 570	31 307
Effect from translation into presentation currency		3 719	(2 563)
Cash and cash equivalents at 31 March	10	19 756	24 019

The notes on pages 6 to 21 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(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 Anexartias & Kyriakou Matsi, 3040 Limassol, Cyprus.

The consolidated financial statements of the Company as at and for the 3 months ended 31 March 2017 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 31 March 2017 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 82% 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 39 to the consolidated financial statements.

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(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 (%) 31 March 2017	Ownership interest (%) 31 December 2016	
PJSC Agroholding Avangard (PJSC Ptakhohospodarstvo Chervonyi Prapor)	Keeping of technical laying hen, production and selling of eggs	Ukraine	98,00%	98,00%	
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%	
PPB LLC Pitysecompleks		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 Donetsk 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 ChervonyiPrapor		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 Vuhlehirskiy Eksperementalny Kombikormoviy Zavod			Ukraine	100,00%	100,00%
PJSC Volnovaskiy Kombinat Khliboproduktiv	Ukraine		99,00%	99,00%	
LLC Kamyanets-Podilsky Kombikormoviy Zavod	Ukraine		98,00%	98,00%	
LLC Pershe Travnaya Kombikormoviy Zavod	Ukraine		98,00%	98,00%	
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	96,00%	
LLC Agrarniy Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%	
LLC Torgivenlniy Dim Avangard (LLC Imperovo LTD)	Rental services	Ukraine	99,00%	99,00%	
LLC "GENERAL KONSTRAKSHYN"	Assets holding companies	Ukraine	98,00%	98,00%	
LLC "LOHISTYK AGROTRADE"		Ukraine	100,00%	100,00%	
LLC "REMTREYDSTANDART"		Ukraine	98,00%	98,00%	
LLC "COMPANY NEW REGION"		Ukraine	98,00%	98,00%	
LLS "PRIME LEADER"		Ukraine	98,00%	98,00%	
LLC "CITY REGION"		Ukraine	98,00%	98,00%	
LLC "FORVARDTRANS"		Ukraine	98,00%	98,00%	
LLC "UNITED LOHISTYK"		Ukraine	98,00%	98,00%	
LLC "AGROTRADE BUSINESS"		Ukraine	98,00%	98,00%	
LLC "KOMERTSBUDPLAST"		Ukraine	98,00%	98,00%	
LLC "AGROMASH-ZAHID"		Ukraine	98,00%	98,00%	
LLC "STC-INVESTMENTS"		Ukraine	98,00%	98,00%	
LLC "TRANSMAGISTRAL"		Ukraine	93,00%	93,00%	

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(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 31 March 2017 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	31 March 2017		31 December 2016	
	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 31 March 2017 and 31 December 2016 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	Ownership interest (%) as at 31 March 2017	Ownership interest (%) as at 31 December 2016
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 31 March 2017 and 31 December 2016 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 31 March 2017	Ownership interest (%) as at 31 December 2016
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	95%

2. Basis of preparation

2.1 Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

2.2 Basis of measurement

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(in USD thousand, unless otherwise stated)

2. Basis of preparation (cont.)

2.3 Going concern basis

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

3. Significant accounting policies

3.1 Foreign currency translation

(a) Transactions and balances

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

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

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

Currency	31 March 2017	Weighted average for the 3 months ended 31 March 2017	31 December 2015	Weighted average for the 3 months ended 31 March 2016
US dollar to Ukrainian Hryvnia	26,9761	27,0611	27,1909	25, 6537
Euro	0,9313	0,9393	0,9567	0,8831

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(in USD thousand, unless otherwise stated)

4. Biological assets

	<u>31 March 2017</u>	<u>31 December 2016</u>
Non-current biological assets		
Replacement poultry	14 723	14 273
	14 723	14 273
Current biological assets		
Commercial poultry	15 612	7 755
	15 612	7 755
Total	30 335	22 028

5. Held to maturity investments

Held to maturity investments as at 31 March 2017 and 31 December 2016 were as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
VAT government bonds	5 951	7 664
Discount VAT government bonds	(1 685)	(1 964)
	4 266	5 700
	<u>31 March 2017</u>	<u>31 December 2016</u>
Coupon receivable	181	409

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

6. Taxes recoverable and prepaid

Taxes recoverable and prepaid as at 31 March 2017 and 31 December 2016 were as follows:

	Note	<u>31 March 2017</u>	<u>31 December 2016</u>
VAT settlements	a)	10 592	8 403
Other taxes prepaid		54	76
		10 646	8 479

a) VAT settlements related to VAT recoverable arising from operating activities and capital expenditure, is subject to:

- cash refund through release of budgetary funds by the Government;
- settlement of future tax liabilities of the entity under this tax within non-agricultural transactions.

The VAT settlements are receivable within one year based on the prior years' pattern, history of cash refunds and expectations that funds will be realised within twelve months from the reporting period.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(in USD thousand, unless otherwise stated)

7. Inventories

Inventories as at 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017	31 December 2016
Raw and basic materials	26 211	20 103
Work-in-progress	433	281
Agricultural produce	1 497	1 685
Finished goods	22 357	22 475
Package and packing materials	5 138	5 546
Goods for resale	4 210	10 070
Other inventories	2 117	1 984
	61 963	62 144

8. Trade accounts receivable, net

Trade accounts receivable as at 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017	31 December 2016
Trade receivables-gross	77 527	91 115
Provision for doubtful debts	(50 626)	(50 487)
	26 901	40 628

9. Prepayments and other current assets, net

Prepayments and other current assets as at 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017	31 December 2016
Prepayments	7 568	9 590
Provision for doubtful debts	(2 459)	(4 139)
Other non-trade accounts receivable	5 062	5 129
Current portion of VAT bonds	3 863	3 832
	14 034	14 412

10. Cash and cash equivalents

Cash and cash equivalents as at 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017	31 December 2016
Cash in banks	19 756	12 570
Cash in hand	-	-
Cash and cash equivalents represented in consolidated statement of cash flows	19 756	12 570

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(in USD thousand, unless otherwise stated)

11. Long-term loans

Long-term loans as at 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017	31 December 2016
Long-term bank loans in national currency	48 358	47 976
Long-term bank loans in foreign currency	78 841	76 756
Total loans	127 199	124 732
Commodity credit	329	327
	127 528	125 059
Current portion of non-current liabilities for bank loans in national currency	(812)	(806)
Current portion of non-current liabilities for bank loans in foreign currency	(36 435)	(30 329)
	90 281	93 924

12. Bond liabilities

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

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

As a result of the Scheme the following key amendments were made to the terms and conditions of the Notes:

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

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2017**

(in USD thousand, unless otherwise stated)

12. Bond liabilities (cont.)

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

13. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 31 March 2017 and 31 December 2016 was as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
<i>Trade and other payables</i>		
Deferred income (current portion)	90	88
<i>Financial liabilities</i>		
Current portion of non-current liabilities for bank loans in foreign currency	36 435	30 329
Current portion of non-current liabilities for bank loans in national currency	812	806
	<u>37 337</u>	<u>31 224</u>

14. Trade payables

Trade payables as at 31 March 2017 and 31 December 2016 were as follows:

	Note	<u>31 March 2017</u>	<u>31 December 2016</u>
Trade payables		2 451	2 955
Short-term notes issued	a)	58	106
		<u>2 509</u>	<u>3 062</u>

a) As at 31 March 2017 and 31 December 2016 the short-term notes issued were represented by promissory, non interest-bearing, notes.

15. Other accounts payable

Other accounts payable as at 31 March 2017 and 31 December 2016 were as follows:

	Note	<u>31 March 2017</u>	<u>31 December 2016</u>
Accrued expenses for future employee benefits		704	280
Other accrued expenses		185	208
Wages and salaries and related taxes liabilities		686	512
Other taxes and compulsory payments liabilities	a)	1 161	430
Accounts payable for property, plant and equipment		52	214
Advances received from customers	b)	936	389
Interest payable on loans		6 982	6 042
Accrued coupon on bonds		4 660	1 919
Other payables	c)	2 414	2 444
		<u>17 780</u>	<u>12 438</u>

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

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16. Revenue

Sales revenue for the 3 months ended 31 March 2017 and 31 March 2016 was as follows:

	for the 3 months ended	
	31 March 2017	31 March 2016
Revenue from finished goods	25 856	39 756
Revenue from goods sold and services rendered	8 148	83
	34 004	39 839

17. Cost of sales

Cost of sales for the 3 months ended 31 March 2017 and 31 March 2016 was as follows:

	Note	for the 3 months ended	
		31 March 2017	31 March 2016
Cost of finished goods sold	18	(28 191)	(32 174)
Cost of goods sold and services rendered		(7 174)	(19)
		(35 365)	(32 193)

18. Cost of sales by elements

The cost of finished goods sold (Note 24) for the 3 months ended 31 March 2017 and 31 March 2016 was as follows:

	Note	for the 3 months ended	
		31 March 2017	31 March 2016
Raw materials		(21 642)	(25 402)
Payroll of production personnel and related taxes		(1 333)	(970)
Depreciation		(3 717)	(3 709)
Services provided by third parties		(1 483)	(2 076)
Other expenses		(16)	(17)
	17	(28 191)	(32 174)

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.

19. General administrative expenses

General administrative expenses for the 3 months ended 31 March 2017 and 31 March 2016 were as follows:

	for the 3 months ended	
	31 March 2017	31 March 2016
Salaries and wages of administrative personnel	(1 310)	(868)
Services provided by third parties	(377)	(524)
Depreciation	(23)	(23)
Repairs and maintenance costs	(22)	(210)
Tax expenses, except for income tax	(142)	(66)
Material usage	(29)	(25)
Other expenses	(27)	(106)
	(1 930)	(1 822)

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20. Distribution expenses

Distribution expenses for the 3 months ended 31 March 2017 and 31 March 2016 were as follows:

	for the 3 months ended	
	31 March 2017	31 March 2016
Salaries and wages of distribution personnel	(115)	(134)
Transport expenses	(807)	(581)
Depreciation	(30)	(43)
Services provided by third parties	(620)	(728)
Packing materials	(11)	(15)
Repairs and maintenance costs	(1)	(2)
Other expenses	(13)	(18)
	(1 597)	(1 521)

21. Other operating income

Other operating expenses for the 3 months ended 31 March 2017 and 31 March 2016 were as follows:

	for the 3 months ended	
	31 March 2017	31 March 2016
Loss on disposal of current assets	(206)	352
Income/(loss) on disposal of non current assets	(2)	(173)
Impairment of current assets	(34)	(489)
Gain realised from writing-off of accounts payable	15	1
Foreign currency sale (loss)/income	(8)	(34)
Provision for doubtful debts and amounts written off	1 969	(5)
Fines, penalties recognized	(123)	(13)
Other (expenses)/income	(240)	673
	1 371	312

22. Finance costs

Finance costs for the 3 months ended 31 March 2017 and 31 March 2016 was as follows:

	for the 3 months ended	
	31 March 2017	31 March 2016
Interest payable on loans	(1 917)	(1 755)
Total finance expenses on loans	(1 917)	(1 755)
Finance expenses on bonds	(5 436)	(5 573)
Other finance expenses	(544)	(499)
	(7 897)	(7 827)

23. Finance income

Finance income for the 3 months ended 31 March 2017 and 31 March 2016 includes the interest income from VAT government bonds and placement of deposits, amounted to USD 572 thousand and USD 757 thousand respectively.

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24. Related party balances and transactions

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

For the purposes of these consolidated 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.

Outstanding amounts of the Group for transactions with related parties as at 31 March 2017 and 31 December 2016 were as follows:

	Outstanding balances with related parties as at	
	31 March 2017	31 December 2016
Prepayments and other current assets, net		
D. Companies in which activities are significantly influenced by the Group's owners	3 447	5 499
	3 447	5 499
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	5 683	154
	5 683	154
Dividends payable		
D. Companies in which activities are significantly influenced by the Group's owners	22 892	22 892
	22 892	22 892
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	2	3
	2	3
Other current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	1	2
	1	2

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24. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 3 months ended 31 March 2017 and 31 March 2016 were as follows:

	Transactions with related parties for the 3 months ended	
	31 March 2017	31 March 2016
Revenue		
D. Companies in which activities are significantly influenced by the Group's owners	8 604	172
	8 604	172
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(6)	(2)
	(6)	(2)
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(1 025)	(538)
	(1 025)	(538)
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	18	438
	18	438
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	-	(5)
	-	(5)

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25. Operating segments

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

For the purpose of management, the Group is divided into the following reportable segments on the basis of produced goods and rendered services, and consists of the following 5 reportable segments:

- shell eggs - breeding of industrial laying hens, production and sale of shell eggs;
- poultry - incubation (production and sale of baby chicks), breeding of young birds for sale, as well as sale of birds for slaughter;
- animal feed - production and sale of feeds;
- egg products - processing and sale of egg products;
- other activities - including sale of goods and services, sale of poultry meat and by-products, sale of plant production, sale of poultry manure etc.

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

Reportable segment information for the 3 months ended 31 March 2017 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	32 191	11 777	32 020	6 257	65 713	-	147 958
Intra-group elimination	(17 164)	(7 568)	(31 731)	-	(57 490)	-	(113 954)
Revenue from external buyers	15 027	4 209	289	6 257	8 223	-	34 004
Income from revaluation of biological assets at fair value	(433)	224	-	-	-	-	(209)
Other operating expenses	6 003	(5 279)	136	(4 647)	5 156	-	1 371
Income from government grants and incentives	22	-	-	-	-	-	22
OPERATING (LOSS)/PROFIT	2 732	(1 825)	(139)	(4 478)	4	-	(3 704)
Finance income	53	-	-	518	1	-	572
Finance costs, including:	(36)	(8)	-	(1 480)	(6 373)	-	(7 897)
Interest payable on loans	(36)	-	-	(1 463)	(418)	-	(1 917)
Income tax (expense)/credit	-	-	(2)	(6)	(29)	-	(37)
NET (LOSS)/PROFIT FOR THE YEAR	2 748	(1 833)	(141)	(5 049)	(1 067)	-	(5 342)
TOTAL ASSETS	1 742 715	110 225	271 582	707 138	853 085	(3 153 725)	531 020
TOTAL LIABILITIES	1 215 778	53 886	302 736	510 718	356 689	(2 038 604)	401 203

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25. Operating segments (cont.)

Reportable segment information for the 3 months ended 31 March 2016 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	71 401	2 730	28 643	9 298	522	-	112 593
Intra-group elimination	(43 109)	(623)	(28 643)	-	(381)	-	(72 755)
Revenue from external buyers	28 292	2 107	1	9 298	141	-	39 839
Income from revaluation of biological assets at fair value	(2 011)	2 647	-	-	-	-	635
Other operating expenses	(134)	13	27	428	(22)	-	312
Income from government grants and incentives	23	0	-	-	-	-	24
OPERATING LOSS	2 401	2 735	(113)	1 628	(1 349)	-	5 302
Finance income	66	0	0	691	-	-	757
Finance costs, <i>including:</i>	(35)	-	-	(1 086)	(6 705)	-	(7 827)
Interest payable on loans	(35)	-	-	(1 085)	(634)	-	(1 755)
Income tax (expense)/credit	-	-	(23)	(18)	(28)	-	(69)
NET LOSS FOR THE YEAR	2 431	2 646	(82)	(2 387)	(6 582)	-	(3 974)
TOTAL ASSETS	2 188 620	84 681	235 340	641 833	(269 089)	(2 304 063)	577 321
TOTAL LIABILITIES	1 518 196	8 255	271 734	568 719	336 736	(2 312 094)	391 546

26. Financial risk management

Capital management

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

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

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

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

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**Notes to the consolidated financial statements
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26. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation

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

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

As at 31 March 2017 and 31 December 2016 the Group's financial leverage coefficient was 71,8% and 70,5% respectively.

	Carrying value	
	31 March 2017	31 December 2016
Long-term loans	90 281	93 924
Current portion of long-term loans	37 247	31 135
Long-term finance lease (including VAT)	2	3
Bond liabilities	222 288	219 014
Total borrowings	349 818	344 076
Cash and cash equivalents	(19 756)	(12 570)
Net debt	330 062	331 506
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	859 554	864 457
Foreign currency translation reserve	(1 057 809)	(1 053 923)
Non-controlling interests	10 214	10 418
Total equity	129 817	138 810
Total amount of equity and net debt	459 879	470 316
Financial leverage coefficient	71,8%	70,5%

For the 3 months ended 31 March 2017 and 31 March 2016 ratio of net debt to EBITDA amounted to:

	for the 3 months ended	
	31 March 2017	31 March 2016
LOSS FOR THE PERIOD	(5 342)	(3 974)
Income tax credit	37	69
Finance income	(572)	(757)
Finance expenses	7 897	7 827
Impairment of current assets	34	489
Losses on exchange	(5 724)	2 137
EBIT (earnings before interest and income tax)	(3 670)	5 791
Depreciation	3 770	3 775
EBITDA (earnings before interest, income tax, depreciation and amortisation)	100	9 566
Net debt at the period end	330 062	316 991
Net debt at the period end / EBITDA	3300,62	33,14

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
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*(in USD thousand, unless otherwise stated)***27. Events after the reporting period**

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