

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

**Condensed consolidated interim financial statements
(Unaudited)
For the 6 months ended 30 June 2017**

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AVANGARDCO INVESTMENTS PUBLIC LIMITED

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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, appointed on 16 September 2016)
Iryna Marchenko (Member of the Board, resigned on 16 September 2016)

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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

We, the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of AvangardCo Investments Public Limited (the "Company") for the 6 months ended 30 June 2017, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the condensed consolidated interim financial statements are true and complete.

Members of the Board of Directors:

Oleg Bakhmatyuk	
Nataliya Vasylyuk	
Oleg Michael Pohotsky	
Iryna Melnyk	

Person responsible for the preparation of the condensed consolidated interim financial statements for the 6 months ended 30 June 2017:

Stanislav Pohorilyi (Deputy CFO)	
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24 August 2017

AVANGARDCO INVESTMENTS PUBLIC LIMITED**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 2017.

Financial results

The results of the Group for the period ended 30 June 2017 are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 8 to the condensed consolidated financial statements.

The loss for the period attributable to the owners of the Company amounted to USD 10 870 thousand (period 2016: loss USD 32 487 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 11 718 thousand compared to a loss of USD 32 607 thousand in the previous period.

The loss is mainly a result of the continued decline in revenue due to the decrease in exports (mostly because of import ban due to avian influenza in the first quarter) and the fall of prices of eggs. This is compensated by the gain on exchange created mostly from the retranslation of long-term bond liabilities.

The Group’s total assets at 30 June 2017 increased to USD 534 749 thousand compared to USD 529 491 thousand at 31 December 2016.

Additionally, 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 (note 14).

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in notes 26 and 28 to the condensed consolidated interim financial statements.

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

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country’s gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine’s foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Interim Management Report (cont.)****Principal risks and uncertainties (cont.)**

Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 65% (2015: 75%) of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

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

The uncertain economic conditions in Ukraine have affected the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non-financial assets. The Group's management has assessed whether any impairment provisions are deemed necessary for the Group's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

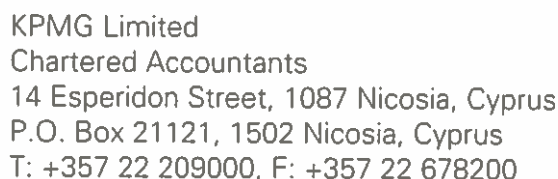
Related party balances and transactions

Disclosed in note 23 to the condensed consolidated interim financial statements.

By Order of the Board of Directors,

Nataliya Vasylyuk
Chief Executive Officer

Nicosia, 24 August 2017



**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
to the members of
AVANGARDCO INVESTMENTS PUBLIC LIMITED**

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 2017, 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 (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our 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.

Emphasis of matter

We draw attention to notes 2.4, 4.2, 14 and 28 to the condensed consolidated interim financial statements, which describe the political and social unrest and regional tensions in Ukraine. The impact of the events referred to in notes 2.4, 4.2, 14 and 28 about the continuing economic and political crisis in Ukraine and their final resolution cannot be determined and may adversely affect the Ukrainian economy and the operations of the Group and its ability to meet its obligations as they fall due.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



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

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

24 August 2017

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of financial position

AS AT 30 JUNE 2017

(in USD thousand, unless otherwise stated)

	Note	30 June 2017	31 December 2016
ASSETS			
Property, plant and equipment	5	366 591	357 821
Non-current biological assets	6	13 940	14 273
Deferred tax assets		7 720	5 663
Held to maturity investments	7	4 535	5 700
Other non-current assets		5	5
Non-current assets		392 791	383 462
Inventories	8	54 941	62 144
Current biological assets	6	19 774	7 755
Trade accounts receivable, net	9	29 160	40 628
Prepaid income tax		41	41
Prepayments and other current assets, net	10	13 764	14 412
Taxes recoverable and prepaid		11 670	8 479
Cash and cash equivalents	11	12 608	12 570
Current assets		141 958	146 029
TOTAL ASSETS		534 749	529 491
EQUITY			
Share capital	12	836	836
Share premium	12	201 164	201 164
Reserve capital	12	115 858	115 858
Retained earnings		853 587	864 457
Effect of translation into presentation currency		(1 062 901)	(1 053 923)
Equity attributable to owners of the Company		108 544	128 392
Non-controlling interests		11 920	10 418
TOTAL EQUITY		120 464	138 810
LIABILITIES			
Long-term bond liabilities	14	225 679	219 014
Long-term loans	13	49 484	93 924
Deferred tax liabilities		360	351
Deferred income		1 124	1 123
Dividends payable		29 542	29 542
Long-term finance lease		-	3
Non-current liabilities		306 189	343 957
Current portion of non-current liabilities		84 737	31 224
Trade payables		3 053	3 062
Other accounts payable	15	20 306	12 438
Current liabilities		108 096	46 724
TOTAL LIABILITIES		414 285	390 681
TOTAL EQUITY AND LIABILITIES		534 749	529 491

On 24 August 2017 the Board of Directors of AvangardCo Investments Public Limited approved and authorised these condensed consolidated interim financial statements for issue.

Nataliya Vasylyuk
Director, CEO

Iryna Melnyk
Director, CFO

The notes on pages 12 to 43 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of profit and loss and other comprehensive income
FOR THE 6 MONTHS ENDED 30 JUNE 2017
(in USD thousand, unless otherwise stated)

	Note	for the 6 months ended	
		30 June 2017	30 June 2016
Revenue	16	54 706	64 777
Loss from revaluation of biological assets at fair value	6	(4 551)	(3 023)
Cost of sales	17	(62 228)	(59 078)
GROSS (LOSS)/PROFIT		(12 073)	2 676
General administrative expenses		(3 739)	(3 876)
Distribution expenses		(3 246)	(2 974)
Income from government grants and incentives	22.1	1 266	48
Income from special VAT treatment	22.2	-	3 982
Other operating expenses	21	(15)	(20 829)
LOSS FROM OPERATING ACTIVITIES		(17 807)	(20 973)
Finance income	20	1 063	1 512
Finance costs	19	(15 957)	(15 307)
Losses on exchange		19 226	(708)
NET FINANCE COSTS		4 332	(14 503)
LOSS BEFORE TAX		(13 475)	(35 476)
Income tax credit		1 757	2 869
LOSS FOR THE PERIOD		(11 718)	(32 607)
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		(6 629)	(18 266)
TOTAL COMPREHENSIVE INCOME		(18 347)	(50 873)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(10 870)	(32 487)
Non-controlling interests		(848)	(120)
		(11 718)	(32 607)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(19 848)	(49 823)
Non-controlling interests		1 502	(1 050)
		(18 347)	(50 873)
Loss per share			
Basic and diluted (USD)	25	(2)	(5)

The notes on pages 12 to 43 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2017
(in USD thousand, unless otherwise stated)

	Note	for the 6 months ended	
		30 June 2017	30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(13 475)	(35 476)
Adjustments for:			
Depreciation of property, plant and equipment	5	7 656	7 738
Change in allowance for irrecoverable amounts		(1 532)	21 180
(Profit)/loss on disposal of current assets	21	(17)	255
Loss/(profit) on disposal of non current assets	21	23	(169)
Impairment of current assets	21	1 167	627
Effect of fair value adjustments on biological assets	6	4 551	3 023
Gains realised from accounts payable written-off	21	(15)	(32)
Amortization of deferred income on government grants		(46)	(48)
Discount bonds amortization		1 123	1 002
Discount on VAT government bonds amortization		(578)	(758)
Interest income		(485)	(754)
Interest payable on loans and bonds		14 800	14 295
Income from received government grants VAT		(1 220)	-
(Gains)/losses on exchange		(13 830)	708
Operating (loss)/profit before working capital changes		(1 878)	11 591
Decrease in trade receivables		12 091	2 312
Decrease in prepayments and other current assets		3 015	3 196
Increase in taxes recoverable and prepaid		(819)	(3 569)
Decrease/(increase) in inventories		8 422	(9 062)
Decrease in deferred income		(1)	(9)
Decrease in trade payables		(119)	(672)
(Increase)/decrease in biological assets		(15 049)	3 260
Decrease in finance leases		(3)	-
Decrease in other accounts payable		(4 199)	(5 239)
Cash (used in)/generated from operations		1 460	1 808
Interest paid		(1 917)	(2 543)
Income tax paid		(19)	(17)
Net cash used in operating activities		(476)	(752)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(961)	(11 091)
Proceeds from sale of non-current assets		-	343
Interest received		563	1 532
Net cash generated/(used in) investing activities		(398)	(9 217)

The notes on pages 12 to 43 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows (cont.)
FOR THE 6 MONTHS ENDED 30 JUNE 2017
(in USD thousand, unless otherwise stated)

		for the 6 months ended	
	Note	30 June 2017	30 June 2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		-	(1 968)
Interest paid for bonds issued		-	(2 575)
Net cash used in financing activities		-	(4 543)
Net decrease in cash and cash equivalents		(874)	(14 512)
Cash and cash equivalents at 1 January		12 570	31 307
Effect from translation into presentation currency		912	383
Cash and cash equivalents at 30 June	11	12 608	17 178

The notes on pages 12 to 43 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 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 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 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 30 June 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 83% 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 28 to the condensed consolidated interim financial statements.

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 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 (%) 30 June 2017	Ownership interest (%) 31 December 2016
PJSC Agroholding Avangard (PJSC Ptakohospodarstvo 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 Ptakohospodarstvo Donetske of PSPC Interbusiness		Ukraine	100,00%	100,00%
LLC Slovyany		Ukraine	90,00%	90,00%
SC Ptakohospodarstvo 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 Ptakohospodarstvo Chervonyi Prapor		Ukraine	98,00%	98,00%
SC Ptakohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Ptakohospodarstvo Chornobaivske of PJSC Agroholding Avangard		Ukraine	98,00%	98,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	100,00%	100,00%
PJSC Vuhlehirskyi Eksperymentalnyi Kombikormovyi Zavod		Ukraine	100,00%	100,00%
PJSC Volnovaskyi Kombinat Khiboproductiv		Ukraine	99,00%	99,00%
LLC Kamyans-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 Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Torgivenlniy Dim Avangard (LLC Imperovo LTD)	Rental services	Ukraine	99,00%	99,00%
LLC "GENERAL KONSTRAKSHYN"	Assets holding companies	Ukraine	98,00%	98,00%
LLC "LOHISTYK AGROTRADE"		Ukraine	100,00%	100,00%
LLC "REMTREYDSTANDART"		Ukraine	98,00%	98,00%
LLC "COMPANY NEW REGION"		Ukraine	98,00%	98,00%
LLS "PRIME LEADER"		Ukraine	98,00%	98,00%
LLC "CITY REGION"		Ukraine	98,00%	98,00%
LLC "FORWARDTRANS"		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 condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2017 (in USD thousand, unless otherwise stated)

1. General information (cont.)

Company name	Principal Activity	Country of registration	Ownership interest (%) 30 June 2017	Ownership interest (%) 31 December 2016
LLC Torgivnitsiy Budynok Bohodukhivska Ptakhofabryka	Dormant	Ukraine	100,00%	100,00%

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

The shares were distributed as follows:

Owner	30 June 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 30 June 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 30 June 2017	Ownership interest (%) as at 31 December 2016
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 30 June 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 30 June 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 financial statements as at and for the 6 months ended 30 June 2017 have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting", and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2016 ("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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2017**
(in USD thousand, unless otherwise stated)

2. Basis of preparation (cont.)

2.1 Statement of compliance (cont.)

These interim financial statements were authorised for issue by the Company's Board of Directors on 24 August 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Going concern basis

These interim financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management are closely monitoring the events in the current operating environment of the Group described in note 28 to the condensed consolidated interim financial statements 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.

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

As from 1 January 2017, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by EU which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2016. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018).

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2017 (in USD thousand, unless otherwise stated)

2.5 Standards and interpretations (cont.)

(ii) Standards and Interpretations not adopted by the EU

- IAS 7 (Amendments) “Disclosure Initiative” (effective for annual accounting periods beginning on or after 1 January 2017).
- IAS 12 (Amendments) “Recognition of Deferred Tax Assets for Unrealised Losses” (effective for annual accounting periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2017 (IFRS 12) and 1 January 2018 (IFRS 1 and IAS 28)).
- IFRS 2 (Amendments) “Classification and Measurement of Share-based Payment Transactions” (effective for annual periods beginning on or after 1 January 2018).
- IFRS 4 (Amendments) “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 (Clarifications) “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018).
- IAS 40 (Amendments) “Transfers of Investment Property” (effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019).

The Board of Directors expects that the adoption of these interim financial reporting standards in future periods will not have a material effect on the financial statements of the Group

3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

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	30 June 2017	Weighted average for the 6 months ended 30 June 2017	31 December 2016	Weighted average for the 6 months ended 30 June 2016
US dollar to				
Ukrainian Hryvnia	26,0909	26,7602	27,1909	25,4578
Euro	0,8762	0,9248	0,9567	0,8959

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3. Significant accounting policies (cont.)

3.1 Foreign currency translation (cont.)

(a) Transactions and balances (cont.)

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 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 judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

4.1 Measurement of fair values

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

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

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

Significant valuation issues are reported to the Board of Directors.

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Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2017 *(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

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

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

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

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

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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 2017	1 037	211 247	38 780	102 745	2 422	1 198	61 475	418 904
Acquisitions	-	569	54	206	4	34	-	867
Disposals	-	-	(24)	-	(1)	(2)	-	(27)
Internal transfers	-	2 795	-	1	-	12	(2 808)	-
Foreign currency translation	44	8 906	1 623	4 314	101	52	3 279	18 319
Reclassification	-	(391)	-	391	-	-	-	-
Balance at 30 June 2017	1 081	223 126	40 433	107 657	2 526	1 294	61 946	438 063
Accumulated depreciation								
Balance at 1 January 2017	-	26 367	7 287	25 079	1 459	891	-	61 083
Depreciation charge	-	3 078	1 202	3 228	87	61	-	7 656
Depreciation eliminated on disposal	-	-	(11)	-	(1)	(1)	-	(13)
Foreign currency translation	-	1 181	333	1 131	62	39	-	2 746
Reclassification	-	-	-	-	-	-	-	-
Balance at 30 June 2017	-	30 626	8 811	29 438	1 607	990	-	71 472
Net book value								
Balance at 30 June 2017	1 081	192 500	31 622	78 219	919	304	61 946	366 591

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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 2016	1 153	259 442	55 073	80 861	2 446	1 322	57 321	457 618
Acquisitions	25	133	81	8	49	5	13 406	13 707
Disposals	(4)	-	(246)	-	(2)	-	(626)	(878)
Internal transfers	-	46	(7 460)	7 581	-	-	(167)	-
Foreign currency translation	(39)	(9 385)	(2 210)	(2 000)	(84)	(46)	(848)	(14 612)
Reclassification	-	(19 682)	(5 535)	24 494	-	-	723	-
Balance at 30 June 2016	1 135	230 554	39 703	110 944	2 409	1 281	69 809	455 835
Accumulated depreciation								
Balance at 1 January 2016	-	24 802	9 489	16 051	1 455	876	-	52 673
Depreciation charge	-	3 745	1 401	2 416	104	72	-	7 738
Depreciation eliminated on disposal	-	-	(74)	-	(2)	-	-	(76)
Foreign currency translation	-	(807)	(379)	(346)	(48)	(25)	-	(1 605)
Reclassification	-	(2 177)	(3 657)	5 834	-	-	-	-
Balance at 30 June 2016	-	25 563	6 780	23 955	1 509	923	-	58 730
Net book value								
Balance at 30 June 2016	1 135	204 991	32 923	86 989	900	358	69 809	397 105
Balance at 31 December 2016	1 037	184 880	31 493	77 666	963	307	61 475	357 821

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5. Property, plant and equipment (cont.)

As at 30 June 2017 and 31 December 2016 the property, plant and equipment with carrying amount USD 62 329 thousand and USD 61 346 thousand were pledged as security for Group's loans.

As at 30 June 2017 and 31 December 2016 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 24 thousand and USD 28 thousand respectively.

6. Biological assets

	30 June 2017	31 December 2016
Non-current biological assets		
Replacement poultry	13 940	14 273
	13 940	14 273
Current biological assets		
Commercial poultry	19 774	7 755
	19 774	7 755
Total	33 714	22 028

a) Commercial poultry and replacement poultry were as follows:

	30 June 2017		31 December 2016	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	13 481	32 722	13 356	21 879
Novogen	65	981	-	-
Decalb	10	11	125	94
Tetra	-	-	77	55
	13 556	33 714	13 558	22 028

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

Balance at 1 January 2016	27 139
Acquisitions	5 463
Increase in value as a result of increase in weight/number	13 944
Net change in fair value	(3 023)
Decrease in value resulting from assets disposal	(3 926)
Effect from translation into presentation currency	(1 084)
Decrease in value resulting from hens slaughtering	(18 713)
Other changes	(37)
Balance at 30 June 2016	19 763
Balance at 1 January 2017	22 028
Acquisitions	19 819
Increase in value as a result of increase in weight/number	60 860
Net change in fair value	(4 551)
Decrease in value resulting from assets disposal	(11 087)
Effect from translation into presentation currency	1 188
Decrease in value resulting from hens slaughtering	(54 433)
Other changes	(110)
Balance at 30 June 2017	33 714

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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 25,90% prevailing as at 30 June 2017 was applied (for the year ended 31 December 2016: 26,13% and for the 6 months ended 30 June 2016: 34,70%).

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

Regulatory and environmental risk

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

7. Held to maturity investments

Held to maturity investments as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
VAT government bonds	5 989	7 664
Discount VAT government bonds	(1 454)	(1 964)
	<u>4 535</u>	<u>5 700</u>
	30 June 2017	31 December 2016
Coupon receivable	347	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.

8. Inventories

Inventories as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
Raw and basic materials	18 484	20 103
Work-in-progress	623	281
Agricultural produce	1 923	1 685
Finished goods	25 383	22 475
Package and packing materials	5 306	5 546
Goods for resale	1 174	10 070
Other inventories	2 048	1 984
	<u>54 941</u>	<u>62 144</u>

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

The Group produced shell eggs in the quantity of 993 467 836 (6 months ended 2016: 1 248 961 526 items) which have fair value amounted to USD 35 268 thousand (6 months ended 2016: USD 65 740 thousand).

The amount of inventories written-off for the 6 months ended 30 June 2017 was USD 176 thousand (6 months ended 2016: USD 627 thousand).

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9. Trade accounts receivable, net

As at 30 June 2017 an amount of USD 7 790 thousand or 26,7% of the total carrying value of trade accounts receivable is due from the single most significant debtor (USD 9 135 thousand or 22,5% as at 31 December 2016).

The provision for doubtful debts and write-offs for trade accounts receivable for the 6 months ended 30 June 2017 amounted to USD 341 thousand (6 months ended 30 June 2016: USD 21 432 thousand) (note 21).

10. Prepayments and other current assets, net

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

The bad debt recovered on prepayments and other current assets amounted to USD (1 873) thousand (6 months ended 30 June 2016: release USD (252) thousand) (note 21).

11. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
Cash in banks	12 608	12 570
Cash in hand	-	-
Cash and cash equivalents represented in condensed consolidated statement of cash flows	12 608	12 570

12. Share capital

	30 June 2017		31 December 2016	
	Number of shares	Share capital, USD ths	Number of shares	Share capital, USD ths
<i>Authorised</i>				
Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
<i>Issued and fully paid</i>				
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.

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13. Long-term loans

Long-term loans as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
Long-term bank loans in national currency	49 983	47 976
Long-term bank loans in foreign currency	83 805	76 756
Total loans	133 788	124 732
Commodity credit	340	327
	134 128	125 059
Current portion of non-current liabilities for bank loans in national currency	(839)	(806)
Current portion of non-current liabilities for bank loans in foreign currency	(83 805)	(30 329)
	49 484	93 924

a) As at 30 June 2017 and 31 December 2016 the long-term bank loans by maturities were as follows:

	30 June 2017	31 December 2016
Less than one year	84 644	31 134
From 1 to 2 years	7 036	15 998
From 2 to 3 years	7 036	17 038
From 3 to 4 years	7 036	14 507
From 4 to 5 years	7 036	14 302
Over 5 years	21 000	31 753
	133 788	124 732

b) As at 30 June 2017 and 31 December 2016 the long-term bank loans by currencies were as follows:

	30 June 2017	31 December 2016
Long-term bank loans in UAH	49 984	47 976
Long-term bank loans in EUR	83 804	76 756
	133 788	124 732

c) As at 30 June 2017 and 31 December 2016 the interest rates for long-term bank loans were as follows:

	30 June 2017	31 December 2016
Long-term bank loans denominated in UAH	12,5%-18%	12,5%-18%
Long-term bank loans in EUR	1,5%+EURIBOR- 2,7%+EURIBOR	1,5%+EURIBOR- 2,7%+EURIBOR

d) Commodity credit in the amount of USD 340 thousand (2015: USD 327 thousand) is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboproduktiv" and OJSC "Ptakhoospodarstvo 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.

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14. Bond liabilities

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

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

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

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

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

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

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

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14. Bond liabilities (cont.)

The restructuring 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 26 to the condensed consolidated interim financial statements.

15. Other accounts payable

Other accounts payable as at 30 June 2017 and 31 December 2016 were as follows:

	Note	30 June 2017	31 December 2016
Accrued expenses for future employee benefits		292	280
Other accrued expenses		222	208
Wages and salaries and related taxes liabilities		810	512
Other taxes and compulsory payments liabilities	a)	296	430
Accounts payable for property, plant and equipment		120	214
Advances received from customers	b)	689	389
Interest payable on loans		8 025	6 042
Accrued coupon on bonds		7 469	1 919
Other payables	c)	2 383	2 444
		20 306	12 438

- 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.

16. Revenue

Sales revenue for the 6 months ended 30 June 2017 and 30 June 2016 was as follows:

	for the 6 months ended	
	30 June 2017	30 June 2016
Revenue from finished goods	44 870	64 560
Revenue from goods sold	9 563	-
Revenue from services rendered	273	217
	54 706	64 777

For the 6 months ended 30 June 2017 USD 11 484 thousand (6 months ended 2016: USD 13 700 thousand) or 21,0% (6 months ended 2016: 21,1%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

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17. Cost of sales

Cost of sales for the 6 months ended 30 June 2017 and 30 June 2016 was as follows:

		for the 6 months ended	
	Note	30 June 2017	30 June 2016
Cost of finished goods sold	18	(52 338)	(58 978)
Cost of goods sold		(9 480)	-
Cost of services rendered		(410)	(100)
		(62 228)	(59 078)

18. Cost of sales by elements

The cost of finished goods sold (Note 17) for the 6 months ended 30 June 2017 and 30 June 2016 was as follows:

		for the 6 months ended	
	Note	30 June 2017	30 June 2016
Raw materials		(39 672)	(45 668)
Payroll of production personnel and related taxes		(2 704)	(1 775)
Depreciation		(7 542)	(7 604)
Services provided by third parties		(2 389)	(3 880)
Other expenses		(31)	(51)
	17	(52 338)	(58 978)

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. Finance costs

Finance costs for the 6 months ended 30 June 2017 and 30 June 2016 was as follows:

	for the 6 months ended	
	30 June 2017	30 June 2016
Interest payable on loans	(3 701)	(3 957)
Total finance expenses on loans	(3 701)	(3 957)
Finance expenses on finance lease	-	(4)
Finance expenses on bonds	(11 099)	(10 338)
Other finance expenses	(1 157)	(1 008)
	(15 957)	(15 307)

20. Finance income

Finance income for the 6 months ended 30 June 2017 and 30 June 2016 includes the interest income from VAT government bonds and placement of deposits, amounted to USD 1 063 thousand and USD 1 521 thousand respectively.

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Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2017 (in USD thousand, unless otherwise stated)

21. Other operating expenses

Other operating expenses for the 6 months ended 30 June 2017 and 30 June 2016 were as follows:

	for the 6 months ended	
	30 June 2017	30 June 2016
Profit/(loss) on disposal of current assets	17	(255)
(Loss)/income on disposal of non current assets	(23)	169
Impairment of current assets	(1 167)	(627)
Gain realised from writing-off of accounts payable	15	32
Foreign currency sale loss	(16)	(37)
Bad Debt recovered	1 532	-
Provision for doubtful debts and amounts written off	-	(21 180)
Fines, penalties recognized	(205)	(34)
Other (expense)/income	(168)	1 103
	(15)	(20 829)

22. Government grants received

22.1 Income from government grants and incentives

Income from government grants and incentives received for the 6 months ended 30 June 2017 and 30 June 2016 was as follows:

		for the 6 months ended	
	Note	30 June 2017	30 June 2016
Amortization of deferred income on government grants	a)	46	48
Income from VAT government grants received	b)	1 220	-
		1 266	48

a) Partial compensation of complex agricultural equipment cost

Enterprises of the Group received partial compensation of complex agricultural equipment cost during the years 2004-2010 according to Ukrainian laws. The total amount of compensations received for the above mentioned period is UAH 60 608 thousand. Those grants were recognised as deferred income and reflected within the "Deferred income" item in the consolidated statement of financial position. The deferred income is amortised over the estimate useful life of the relevant asset (generally 25 years) and the amortisation is reflected in the above table.

b) Income from VAT government grants received

Since 1 January 2017, the procedure of distributing the government grants has been introduced for Ukrainian agricultural producers instead of the special VAT taxation treatment which was in force until 2016. The main point of Government support is that a part of the VAT paid by agricultural producers to the budget will return to the current account. The distribution of the government grants will be implemented by State Treasury Service under a separate program of the Ministry of Agrarian Policy and Food.

22.2 Income from special VAT treatment

According to the Tax Code of Ukraine agricultural enterprises (those with a relative value of agricultural products in total sales not less than 75% for the previous 12 months) have a tax benefit for VAT on agriculture transactions. Positive VAT balance (positive difference between tax liability and tax credit) from agricultural transactions shall be recognized as government grants on special VAT treatment and transferred to special current account in a financial institution and negative balance (negative difference between tax liability and tax credit) is not subject to budgetary refund and credited to the tax credit for the next reporting (tax) period. This benefit ceased on 31 December 2016 upon the introduction of the procedure of distributing the government grants as outlined in note 22.1 (b) above.

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23. 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 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 2017 and 30 June 2016 were as follows:

	for the 6 months ended	
	30 June 2017	30 June 2016
Salary	574	436
Contributions to state funds	70	66
	644	502

Outstanding amounts of the Group for transactions with related parties as at 30 June 2017 and 31 December 2016 were as follows:

	Outstanding balances with related parties as at	
	30 June 2017	31 December 2016
Prepayments and other current assets, net		
D. Companies in which activities are significantly influenced by the Group's owners	3 681	5 499
	3 681	5 499
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	7 897	154
	7 897	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	-	3
	-	3
Other current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	65	2
	65	2

As at 30 June 2017 Prepayments and other current assets, (net) include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 3 166 thousand (31 December 2016: USD 3 069 thousand).

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23. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 6 months ended 30 June 2017 and 30 June 2016 were as follows:

	Transactions with related parties for the 6 months ended	
	30 June 2017	30 June 2016
Revenue		
D. Companies in which activities are significantly influenced by the Group's owners	12 346	418
	<u>12 346</u>	<u>418</u>
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(8)	(16)
	<u>(8)</u>	<u>(16)</u>
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(2 017)	(1 279)
	<u>(2 017)</u>	<u>(1 279)</u>
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	(24)	582
	<u>(24)</u>	<u>582</u>

For the 6 months ended 30 June 2017 and 30 June 2016 purchases of goods, transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 1 261 thousand and USD 583 thousand respectively. All those goods and services were bought and provided on market terms.

24. 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 interim financial statements.

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24. Operating segments (cont.)

Reportable segment information for the 6 months ended 30 June 2017 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	58 872	20 986	67 620	8 750	10 985	-	167 212
Intra-group elimination	(31 680)	(13 636)	(66 301)	-	(889)	-	(112 506)
Revenue from external buyers	27 192	7 350	1 319	8 750	10 096	-	54 706
Income from revaluation of biological assets at fair value	(2 944)	(1 607)	-	-	-	-	(4 551)
Other operating expenses	2 842	(18 813)	175	(2 684)	18 465	-	(15)
Income from government grants and incentives	765	501	-	-	-	-	1 266
OPERATING LOSS	(10 193)	(2 254)	(793)	(3 283)	(1 284)	-	(17 807)
Finance income	92	-	-	970	1	-	1 063
Finance costs, including:	(73)	-	-	(2 957)	(12 927)	-	(15 957)
Interest payable on loans	(73)	-	-	(2 922)	(706)	-	(3 701)
Income tax (expense)/credit	-	-	(5)	1 422	340	-	1 757
NET (LOSS)/PROFIT FOR THE PERIOD	(10 251)	(2 274)	(798)	(3 093)	4 698	-	(11 718)
TOTAL ASSETS	2 217 502	115 430	319 295	831 632	893 391	(3 842 501)	534 749
Depreciation	4 613	1 180	306	218	1 339	-	7 656
TOTAL LIABILITIES	1 683 867	60 649	351 721	626 332	374 683	(2 682 967)	414 285

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24. Operating segments (cont.)

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

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

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 2017	30 June 2016	30 June 2017	31 December 2016
Ukraine	41 083	33 115	392 791	383 462
Middle East and North Africa	6 502	14 433	-	-
Far East	2 134	3 012	-	-
Central and West Africa	54	166	-	-
Europe	4 873	14 051	-	-
South Asia	60	-	-	-
Total	54 706	64 777	392 791	383 462

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25. Loss per share

Basic loss per share

The calculation of basic loss per share for the 6 months ended 30 June 2017 and 30 June 2016 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 2017	30 June 2016
<i>Loss attributable to the owners of the Company:</i> (in USD thousands)		
Loss for the period attributable to the owners of the Company	<u>(10 870)</u>	<u>(32 487)</u>
<i>Weighted average number of shares:</i>		
Weighted average number of ordinary shares at 30 June	<u>6 387 185</u>	<u>6 387 185</u>
<i>Loss per share (USD)</i>	<u>(2)</u>	<u>(5)</u>

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

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

26. 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 2016.

a) Credit risk

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

Exposure to credit risk

The carrying value of financial assets represents the maximum exposure to credit risk. Maximum level of credit risk as at 30 June 2017 and 31 December 2016 was presented as follows:

Financial assets	30 June 2017	31 December 2016
Cash and cash equivalents	12 608	12 570
Held to maturity investments	8 526	9 532
Trade accounts receivable	29 160	40 628
Total	<u>50 294</u>	<u>62 730</u>

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26. 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 2017 and 2016 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 2017 USD 11 484 thousand or 21,0% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 30 June 2017 USD 7 790 thousand or 26,7% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the 6 months ended 30 June 2016 USD 13 700 thousand or 21,1% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2016 USD 9 135 thousand or 22,5% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

Trade receivables as at 30 June 2017 and 31 December 2016 by dates of origin were presented as follows:

30 June 2017	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	8 471	5 035	5 120	2 867	5 173	2 494	-	29 160
31 December 2016	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	over one year	TOTAL
Carrying value of trade accounts receivable	12 993	14 637	8 275	3 520	687	100	416	40 628

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

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

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

Movement in provision for doubtful debts

	for the 6 months ended	
	30 June 2017	30 June 2016
As at 1 January	(54 626)	(42 273)
Change in provisions	1 532	(21 180)
Effect of translation into presentation currency	(2 247)	949
As at 30 June	(55 341)	(62 504)

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26. Financial instruments - risk management (cont.)

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 2017

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	(171 113)	-	(91 429)	(56 686)	(22 997)
Long-term bond liabilities	(267 633)	-	(19 962)	(247 671)	-
Trade payables	(3 053)	(3 053)	-	-	-
Dividends payable	(29 542)	-	-	(29 542)	-
	(471 341)	(3 053)	(111 391)	(333 899)	(22 997)

31 December 2016

Non-derivative financial liabilities	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(167 824)	-	(38 288)	(93 338)	(36 199)
Finance lease (including VAT)	(3)	-	-	(3)	-
Long-term bond liabilities	(267 633)	-	(11 226)	(256 407)	-
Trade payables	(3 062)	(3 062)	-	-	-
Dividends payable	(29 542)	-	-	(29 542)	-
	(468 064)	(3 062)	(49 514)	(379 290)	(36 199)

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:

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26. Financial instruments - risk management (cont.)

c) Market risk (cont.)

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 2017 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Trade payables	269	1 144	1 413
Cash and cash equivalents	(674)	-	(674)
Trade accounts receivable	(4 384)	(31)	(4 415)
Net exposure to foreign currency risk	(4 789)	1 113	(3 676)

The Group's exposure to foreign currency risk and the functional currency (EUR) as at 30 June 2017 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Long-term bond liabilities	225 679
Accounts payable for property, plant and equipment	1
Dividends payable	29 542
Other accounts payable	110
Cash and cash equivalents	(7 943)
Accrued coupon on bonds	7 469
Net exposure to foreign currency risk	254 858

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2016 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	263	760	1 023
Trade payables	(768)	-	(768)
Cash and cash equivalents	(18 683)	-	(18 683)
Trade accounts receivable	6	55	61
Net exposure to foreign currency risk	(19 182)	815	(18 367)

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26. 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 2016 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Long-term bond liabilities	219 014
Accounts payable for property, plant and equipment	101
Dividends payable	29 542
Other accounts payable	110
Cash and cash equivalents	(9 478)
Accrued coupon on bonds	1 919
Net exposure to foreign currency risk	<u>241 208</u>

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 2017			
USD	20%	958	958
EUR	15%	(167)	(167)
Effect in USD thousand:	Increase in currency rate against EUR	Effect on profit before tax	Effect on equity
30 June 2017			
USD	5%	(12 743)	(12 743)
Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2016			
USD	20%	3 836	3 836
EUR	15%	(122)	(122)
Effect in USD thousand:	Increase in currency rate against EUR	Effect on profit before tax	Effect on equity
31 December 2016			
USD	5%	(12 060)	(12 060)

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.

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26. 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 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 calculations of financial leverage coefficient (leverage ratio) and net debt to EBITDA.

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.

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.

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26. Financial instruments - risk management (cont.)**c) Market risk (cont.)***Capital management (cont.)***Financial leverage ratio calculation (cont.)**

As at 30 June 2017 and 31 December 2016 the Group's financial leverage coefficient amounted to:

	Carrying value	
	30 June 2017	31 December 2016
Long-term loans	49 484	93 924
Current portion of long-term loans	84 644	31 135
Long-term finance lease (including VAT)	-	3
Bond liabilities	225 679	219 014
Total debt	359 807	344 076
Cash and cash equivalents	(12 608)	(12 570)
Net debt	347 199	331 506
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	853 587	864 457
Foreign currency translation reserve	(1 062 901)	(1 053 923)
Non-controlling interests	11 920	10 418
Total equity	120 464	138 810
Total amount of equity and net debt	467 663	470 316
Financial leverage coefficient	74,2%	70,5%

For the 6 months ended 30 June 2017 and 30 June 2016 ratio of net debt to EBITDA amounted to:

	for the 6 months ended	
	30 June 2017	30 June 2016
LOSS FOR THE PERIOD	(11 718)	(32 607)
Income tax credit	(1 757)	(2 869)
Finance income	(1 063)	(1 512)
Finance expenses	15 957	15 307
Impairment of current assets	1 167	627
Losses on exchange	(19 226)	708
EBIT (earnings before interest and income tax)	(16 640)	(20 346)
Depreciation	7 656	7 738
EBITDA (earnings before interest, income tax, depreciation)	(8 984)	(12 608)
Net debt at the period end	347 199	326 256
Net debt at the period end / EBITDA	-38,65	-25,88

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27. 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 2017				
Biological Assets	-	-	33 714	33 714
31 December 2016				
Biological Assets	-	-	22 028	22 028

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the 6 months ended 30 June 2017.

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 2017	31 December 2016
Discount rate	25,90%	26,13%
Inflation rate	115,60%	112,40%

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.

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27. 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 2017		
Discount rate	-2,50%	(766)
Discount rate	2,50%	786
Inflation rate	1,75%	2 331
Inflation rate	-1,75%	(2 331)
31 December 2016		
Discount rate	-2,50%	(431)
Discount rate	2,50%	442
Inflation rate	1,75%	1 576
Inflation rate	-1,75%	(1 576)

There were no transfers to/from Level 3 of the fair value hierarchy during the 6 months ended 30 June 2017 and the year ended 31 December 2016.

The reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy is analyzed in note 6 of these 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 2017: loss USD 4 551 thousand).

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 2017					
<i>Financial Assets</i>					
Cash and cash equivalents	-	12 608	-	12 608	12 608
Held to maturity investments	9 466	-	-	9 466	8 526
Trade and other receivables	-	-	29 160	29 160	29 160
<i>Financial Liabilities</i>					
Trade payables	-	-	3 053	3 053	3 053
Bank loans	-	133 788	-	133 788	133 788
Long-term bond liabilities	48 667	-	-	48 667	225 679
31 December 2016					
<i>Financial Assets</i>					
Cash and cash equivalents	-	12 570	-	12 570	12 570
Held to maturity investments	8 768	-	-	8 768	9 532
Trade and other receivables	-	-	40 628	40 628	40 628
<i>Financial Liabilities</i>					
Trade payables	-	-	3 062	3 062	3 062
Bank loans	-	124 732	-	124 732	124 732
Long-term bond liabilities	63 988	-	-	63 988	219 014

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27. Fair values (cont.)

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 2017, the following methods and assumptions, which remained the same as the prior period, were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

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

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 2017 the fair value of the above financial instruments approximated to their carrying amount besides long-term bonds whose fair value was USD 48 667 thousand (31 December 2016: USD 63 988 thousand).

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

Events that took place in Ukraine in 2014 directly or indirectly still influence any business activity in the country. Ukraine is still in an armed conflict with pro-Russian terrorists and Russian military forces.

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2017**
(in USD thousand, unless otherwise stated)

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

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

The Group is facing the following problems:

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

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

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

29. Events after the reporting period

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 24 August 2017.