A YEAR OF STABILISATION

ANNUAL REPORT 2018

AVANGARDCO

CONTENTS

Avangardco IPL is the largest producer of shell eggs and dry egg products in Ukraine and Europe. Relations with investors, analysts, creditors, distributors, suppliers, customers, consumers, government agencies and other institutions play a vital role in the company's eco-system.

Avangardco IPL consistently adheres to high standards of product quality and biosecurity. Despite the political and economic challenges faced by Ukrainian businesses since 2014, Avangardco IPL has retained its leading positions in the domestic and international markets increasing sales through high-margin channels (exports and retail chains), whilst further diversifying the geography of exports and expanding international quality certification for its products.

IMPORTANT DEVELOPMENTS IN 2018

SALES GROWTH UNFOLDS, ENCOURAGED BY EXPORTS

SALES CONTINUE GROWING DRIVEN BY EXPORTS WHILE HOME MARKET STAYS FLAT

Throughout 2018, Avangardco IPL benefited from continued sales growth, which was mainly driven by a successful expansion of exports in both of its core product categories, being shell eggs and egg products. We entered new markets and expanded our presence in the markets we had entered in prior periods.

Ukraine is emerging as one of the world's leading exporters of shell eggs and egg products. It currently ranks 12th globally in shell eggs with a share of 2.1% of world egg exports and 11th globally among the exporters of egg products with a global share of 2.2%[1] . While those market shares may not appear to be large, Ukraine is a clear world leader as measured by the pace, at which its market shares have been growing lately.

In 2018 alone, Ukraine's shell egg exports grew 20% YoY to 1.8 billion eggs[2] , while dry egg product exports doubled YoY reaching a total volume of 7,843 tonnes[3] . This spectacular growth should in no small measure be attributed to Avangardco IPL being Ukraine's largest exporter of shell eggs and dry egg products.

In stark contrast to the successful growth of exports, the home market stayed flat throughout 2018.

While prioritising exports, Avangardco IPL remains strongly committed to Ukraine's home market. We continue supporting healthy transformations in the market aimed at reducing seasonality and enhancing predictability by consistently increasing the share of environmentally sustainable and socially responsible factory egg farming while promoting egg branding and educating consumers on the benefits of consuming high-quality and safe shell eggs and egg products produced by the country's organised egg-farming industry.

[1] In value terms. Source: Pro-Consulting

[2] Source: State Statistics Service of Ukraine, Pro-Consulting

[3] Source: State Statistics Service of Ukraine, Pro-Consulting

1.8 BN UNITS
UA SHELL EGG EXPORTS IN 2018

46%
AVGR SHARE IN UA SHELL EGG EXPORTS

7,843 TONNES
UA DRY EGG PRODUCT EXPORTS IN 2018

73%
AVGR SHARE IN UA DRY EGG PRODUCT EXPORTS

SHELL EGG EXPORTS REACH A NEW HIGH

EXPORT-FOCUSED STRATEGY PAYS OFF AS EXPORTS OF SHELL EGGS INCREASE BY HALF WHILE EGG PRODUCT EXPORTS DOUBLE

Exports have always been a key focus of our strategy. After all, Avangardco IPL was among the first producers that introduced Ukrainian eggs and egg products to foreign markets. We've been consistently growing our export sales by entering new markets, raising awareness of our product quality and unrivalled pricing among foreign buyers and establishing long-term commercial partnerships. We have secured major international certifications to comply with the requirements of our key export markets, e.g. ISO 9001:2015, ISO 22000:2005, FSSC 22000, HACCP, Halal, EU , etc. Over the past decade, we have tapped more than 40 foreign country markets from the Middle East and North Africa to Sub-Saharan Africa, Asia and the European Union.

We had been consistently growing our export sales reaching a 29% contribution from exports to total sales when a crisis brought on by a foreign armed invasion and annexation of parts of Ukraine's territory put a very different complexion on the situation.

In a recessionary environment characterised by a steep decline in disposable income causing a severe contraction of domestic consumer demand, export sales came to the rescue.

Between 2013 and 2018, the share of exports as a percentage of total sales grew from 29% to 39%. Initially of course the increased contribution from exports was just the consequence of home sales going down and the devaluation of national currency. But most recently our exports have beaten our record sales at their pre-crisis peak. In 2018 alone, our shell egg exports grew 47% YoY reaching an all-time high of 822 million eggs, while egg product exports rebounded even more spectacularly growing 123% YOY reaching 5,708 tonnes.

822 MILLION EGGS
SHELL EGG EXPORTS IN 2018

5,708 TONNES
EGG PRODUCT EXPORTS IN 2018

39
EXPORT MARKETS IN 2018

IMPORTANT DEVELOPMENTS IN 2018 | CONT.

FLOCK SIZE AND CAPACITY EXPANDED TO MEET NEW DEMAND

FLOCK SIZE INCREASES WITH FARMS PREVIOUSLY SHUT DOWN BROUGHT BACK ONLINE AS DEMAND PICKS UP

We are happy to announce that in 2018, after 4 years of a crisis-induced decline in the company's flock size and capacity utilisation, Avangardco IPL reembarked on capacity expansion to meet new demand, mainly coming from our rapidly growing export sales, by increasing the total flock size by 41% YoY as at 31.12.2018 (laying flock by 13% YoY).

Demand growth has been substantial enough to warrant the re-commissioning of some of our other factory farms that we've had to shut down over the past several years under pressure from demand contraction[1].

Having had to deliberately reduce our flock size and production volume to withstand the demand shock, we are happy to be back on a growth track, and we feel confident about our ability to scale our business back up because, despite all the hardships and challenges that the recent crisis has thrown at us, we have succeeded in preserving all the core elements of our unique vertically integrated business model that are so crucial to scalability in our case, namely our hatcheries, our rearing facilities, our feed mills and last but not least, our state-of-the-art egg processing plant Imperovo Foods.

13.4 MN
TOTAL FLOCK AS AT 31.12.2018

10.5 MN
LAYING FLOCK AS AT 31.12.2018

2.9 MN
REARING FLOCK AS AT 31.12.2018

[1] *AVANGARDCO's production facilities in the occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and Donetsk and Luhansk regions remain suspended.*

BRANDED EGG SALES EXPAND

KVOCHKA-BRANDED EGG SALES EXPAND AS BRAND AWARENESS STRENGTHENS

As part of our commitment to Ukraine's domestic shell egg market, we have been making consistent efforts aimed at raising consumer awareness through branding.

In 2009, we launched our own retail brand of Kvochka. In its early days, Kvochka sales accounted for a small proportion of our sales. In 2011, Avangardoco IPL introduced an upgraded Kvochka brand to the Ukrainian market and successfully launched a suite of sub-brands under the trade name of Kvochka catering for consumers' various preferences, e.g. Kvochka Domashny (Homelaid) and Organic Eggs. In January 2018, Avangardco launched Kvochka XL, its new range of packaged shell eggs in the premium category.

In 2017-2018, Kvochka sales really took off, a sign of the brand reaching a new level of maturity and appreciation. In 2018, they grew even more strongly hitting an all-time high of 241 million eggs.

+36% YOY
KVOCHKA SALES IN 2018

241 MN EGGS
KVOCHKA RECORD SALES IN 2018

EGG PRODUCT SALES REEMBARK ON GROWTH

EGG PRODUCT SALES SHOW STRONG GROWTH AS KEY MARKETS REOPEN

Sales of egg products demonstrated solid growth during 2018. The company acquired a new country market, India, while increasing sales to its traditional markets in the Middle East and North Africa as bans imposed temporarily were lifted.

A crucial development in 2018 was the return of the Danish company Sanovo, our largest EU client, a global leader in egg product sales. Negotiations had stalled in 2017 over some minor contractual disagreements resulting in temporary suspension of trade, which among other factors explains the poor results of the segment in 2017. Fortunately, in 2018 all those differences were successfully resolved and trade between the two companies resumed, reaching 1,882 tonnes.

Overall, in 2018 sales of dry egg products increased more than threefold YoY to 11,114 tonnes with export sales growing 123% YoY to 5,708 tonnes.

IMPORTANT DEVELOPMENTS IN 2018 | CONT.

OSCHADBANK DEAL UNLOCKS DEBT RESTRUCTURING CONUNDRUM

AVANGARDCO IPL STRIKES A DEAL WITH ITS LARGEST BILATERAL BANK LENDER INCREASING CREDITOR CONFIDENCE

In February 2019, AVANGARDCO IPL completed its debt restructuring with Oschadbank, Ukraine's State Savings Bank, following negotiations that had lasted a year. As a result of the restructuring deal, debt maturity was extended to 2032. The parties have also agreed to significantly lower interest rate and shift a major part of debt repayment to the second half of the repayment period.

We are pleased with the debt restructuring agreement reached with Ukraine's Oschadbank and would like to thank the bank's team for their support. This agreement bodes well for Avangardco IPL as it allows us to further strengthen financial performance which was impacted by challenging conditions, following the loss of assets in Eastern Ukraine and Crimea.

Avangardco IPL continues to be in discussions with various creditor groups, including an ad-hoc committee of bondholders, to agree the terms of a holistic restructuring of its indebtedness. Based on the financial analysis performed by the Big 4 firm that advised on the Oschadbank deal, significant efforts to restructure other indebtedness should necessarily focus on securing a 70% haircut of the company's initial debt, which is essential to maintaining the company's operational and financial stability.

The restructuring deal with the state's largest bank is also a positive sign for our international creditors as we continue to seek a resolution to debt restructuring negotiations which we hope to conclude in the near future on mutually beneficial terms.

EGG PRODUCT PORTFOLIO NOW INCLUDES LIQUID PRODUCTS

AVANGARDCO IPL EXPANDS INTO LIQUID PRODUCTS AS HOME MARKET MATURES

When designing its egg processing plant Imperovo Foods back in 2007, Avangardco IPL ensured that the plant included a packaging station for liquid egg products.

Liquid egg products are popular among food processing companies and HoReCa businesses. They represent pasteurised egg mass conveniently packaged and used as ingredients in a variety of processed foods including sauces, pastries, etc.

While liquid egg products can be frozen, they are mostly sold fresh or cooled in the local market. Until recently, food processing and HoReCa clients in Ukraine did not appreciate the value of liquid egg products and preferred buying shell eggs. Now that many of them are considering exporting their products to the European Union and other foreign markets, the use of high-quality and safe egg ingredients has become a necessity.

Stringent requirements apply in the EU and other markets to ensure the safety of egg ingredients supplied not only by domestic food industry companies but also by importers. In an industrial environment, the use of shell eggs may pose a risk of contamination, which is completely eliminated through pasteurisation.

We began by launching whole-egg liquid eggs and we are working to expand our product range to meet evolving demand. Importantly, the incremental costs of producing liquid eggs are minimal because all the necessary equipment was installed years ago and the liquid egg production process is the same as for dried egg products (except for dried egg albumin), just one operation shorter. It is essentially the same pasteurised egg mass that gets packaged in liquid form without drying.

Avangard's high-quality and safe liquid products are gaining acceptance in Ukraine's B2B market. We commenced sales of liquid egg products in 2019.

In order to acquire new customers, we have also expanded our product portfolio to include dried and liquid egg products with salt and sugar as additives.

AVANGARDCO IPL SECURES HALAL CERTIFICATION FOR SHELL EGGS

AVANGARDCO IPL SUCCESSFULLY COMPLETES RIGOROUS TESTING TO OBTAIN HALAL CERTIFICATION

Avangardco IPL has successfully completed rigorous testing procedures to obtain Halal certification for its shell eggs produced at the Avis and Chornobaivske poultry complexes. This opens up new market segments for our products, both in Ukraine and overseas. Ukraine's Muslim population is estimated at 2 million people[1].

According to Halal Global Ukraine, the total number of Muslims in the world is estimated at 1.5 billion people. Some 52 million Muslims live in the EU. Importantly, Halal certification serves as a quality mark for many non-Muslim consumers in the European Union. The EU Halal market is estimated at USD 66 billion and is expected to grow by 20-25% over the next decade, while the global market has reached a total size of USD 500 billion.

Even though the company currently does not charge more for its Halal-certified eggs, it may start to do so in the future because such eggs are normally sold at a premium.

Imperovo Foods egg processing plant obtained Halal certification for its egg products back in 2009.

[1] *Source: Certification Authority Halal Global Ukraine*

IMPORTANT DEVELOPMENTS IN 2018 | CONT.

SLAUGHTERED LAYERS NOW EXPORTED TO FOREIGN MARKETS

AVANGARDCO IPL OPENS UP A NEW SEGMENT EXPORTING POULTRY TO 6 MARKETS AND COUNTING

In 2018, we started exporting slaughtered layers as meat to several foreign markets, namely Azerbaijan, Liberia, Congo, Equatorial Guinea, Angola and Ghana. Layer meat is lean and has a high protein content.

We have plans to expand this segment into new country markets going forward.

AVANGARDCO IPL EMBARKS ON NEW INCOTERMS TO SUPPORT EXPORT GROWTH

AVANGARDCO IPL INTRODUCES CIF PRICING TO STREAMLINE EXPORT LOGISTICS AND ENHANCE SECURITY OF SUPPLY

In 2018, Avangardco IPL began to explore alternative international commercial terms (Incoterms) to streamline its export logistics and enhance security of supply.

We traditionally use FCA (Free Carrier) for most of our export sales envisaging delivery and transfer of risks at the farm upon loading onto transport provided by the buyer. Buyers handle inland and international logistics, charter vessels, arrange insurance and customs clearance.

We have been exploring alternative arrangements whereby Avangardco IPL would itself charter inland transport, acquire insurance coverage, freight ships and handle export customs procedures.

We have begun to offer clients CIF-based contracts because we can offer them strong expertise in inland logistics, insurance and outbound logistics. CIF and FOB are also the two most commonly used Incoterms in international egg shipping.

We use the services of an experienced freight forwarder owned by the same parent company as Avangardco IPL.

We also use very experienced and trusted customs brokers who help us fast-track outbound customs clearance. Our key insurance partner is Allianz Ukraine, a member of the global Allianz Group. All risks underwritten by Allianz Ukraine are fully reinsured by Allianz Re headquartered in Munich, Germany.

We are confident that our CIF-based export contracts add value and make a difference for clients by streamlining inland and international logistics, securing ample and reliable insurance coverage and speeding up outbound customs clearance.

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HIGHLIGHTS OF COMPANY HISTORY

2003-2009

2003

The history of the company begins with the purchase of the Avangard poultry farm located in West Ukraine not far from Ivano-Frankivsk. The holding company was later named after the first poultry farm acquired.

2003-2009

The company implements a strategy of expansion through mergers and acquisitions, as well as organic growth. During this period, the company purchased additional 18 laying farms, 3 hatcheries, 3 rearing farms and 4 feed mills. In order to cover production needs for replacement flock, the company also constructed additional rearing farms. During the same period, the company constructs warehouses for long-term egg storage and 2 feed mills. This strategy ensures the company's presence in 14 regions of Ukraine and Crimea and supports our vertically integrated business model. In 2007, the company commissioned a modern egg processing plant, Imperovo Foods, outfitted with state-of- the-art equipment in partnership with Sanovo, a world leader in the manufacture of egg processing equipment. As a result, the company became the largest producer of shell eggs and and dry egg products in Ukraine.

Avangardco IPL was incorporated on 23 October 2007 under the laws of Cyprus to serve as the ultimate holding company for Avangard.

2010-2013

2010

Avangardco IPL enters international financial markets by successfully completing an IPO on the London Stock Exchange and attracting USD 208 million in new investment. An additional USD 200 million was raised through a Eurobond placement.

2011-2013

The company continues growing organically. Through a large-scale investment program culminating in the construction of the Avis and Chornobaivske modern poultry complexes, laying flock capacity increased to 30.1 million hens, while annual production capacity reached 8.6 billion eggs.

In 2013, the company completes a project for increasing egg processing capacity at Imperovo Foods to 6 million eggs daily.

2014-2016

2014

On 30 September 2014, Imperovo Foods receives official authorization to export dry egg products to the European Union.

In 2014, the company suspended and recognised impairment of the following assets: the laying farm "Yuzhnaya-Holding", rearing farm "YuzhnayaHolding", laying farm and hatchery "Ptytsecomplex" due to the annexation of Crimea, as well as the laying farm "Chervonyi Prapor", rearing farm "Chervonyi Prapor", laying farm "Interbusiness" and "Vyhlehirskyi feed mill" due to a military conflict in Eastern Ukraine.

2015

Avangardco restructures a USD 200 million 10.0% Eurobond that represented a lion's share of its debt portfolio shifting the maturity from October 2015 to October 2018.

2016

The Avis poultry complex successfully completes ISO 22000:2005 certification (Food safety management system).

2017-2019

2017

Avangardco enters into discussions with various creditor groups regarding proposed restructuring of its debt.

Avangardco group completes ISO 9001:2015 certification for its quality management system, while the Chornobaivske poultry complex gets certified to ISO 22000:2005 (Food safety management system).

In November 2016, Avangardco IPL launched a biogas plant at the Chornobaivske poultry complex that started generating electricity in 2017.

2018

In January 2018, Avangardco expanded its packaged egg portfolio by launching Kvochka XL, its new range of packaged shell eggs in the premium category.

The Avis poultry complex receives approval to export class (grade) A eggs to the European Union effective from February 28, 2018.

Avangardco IPL expands its egg product portfolio by adding cooled/liquid egg melange.

The company starts exporting slaughtered poultry to foreign markets.

2019

On 4 February 2019, Avangardco completed its debt restructuring with Oschadbank, Ukraine's State Savings Bank.

In February 2019, Avangardco obtained certification for its shell eggs produced at the Avis and Chornobaivske poultry complexes to Halal requirements.

OUR ASSETS

ASSET BASE REMAINS SOLID DESPITE LOSS OF ASSETS IN EASTERN UKRAINE AND CRIMEA

** AVANGARDCO IPL has suspended its operations in the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and Donetsk and Luhansk regions.*

Avangardco IPL operates a complex and vertically integrated network of assets, which enables the company to produce its finished products being shell eggs and egg products, key inputs, such as animal feed, and core manufacturing assets being laying hens. A unique feature of our vertically integrated business model is recycling animal waste into valuable commodities - biogas, thermal energy and electrical power.

Our assets comprise 19 laying farms, 3 hatcheries, 10 rearing farms, 6 feed mills, 3 long-term storage facilities, a biogas plant, 2 poultry complexes Avis and Chornobaivske and an egg processing plant, Imperovo Foods[1].

We stay close to Ukrainian consumers by operating production facilities in 14 regions of Ukraine, which enables us to cover the whole country and meet consumer demand in an efficient and timely manner. The company's production facilities are evenly distributed geographically. For example, the Avis poultry complex, located in Western Ukraine, supplies eggs to the Imperovo Foods processing plant located near the EU border. This allows the company to minimise the cost of exports to European countries. The Chornobaivske poultry complex is located in Kherson region with close access to the Black Sea, which makes exports to the countries of the Middle East, Africa, Asia, and South Pacific more effective and allows the company to minimise logistical costs.

Despite substantial loss of assets due to the annexation of Crimea and a military conflict that has engulfed parts of Ukraine's eastern provinces of Donetsk and Luhansk we have been able to preserve the core of our asset base and retain all the key links in our vertically integrated business model.

We have also concentrated a considerable proportion of our laying flock at Avis and Chornobaivske, our vertically integrated poultry complexes built and operated using state-of-the-art egg farming technologies.

[1] In 2014, the company suspended and recognised impairment of the following assets: the laying farm Yuzhnaya-Holding, rearing farm Yuzhnaya-Holding, laying farm and hatchery Ptytsecomplex due to the annexation of the Autonomous Republic of Crimea, as well as the laying farm Chervonyi Prapor, rearing farm Chervonyi Prapor, laying farm Interbusiness and Vyhlehirskyi feed mill due to a military conflict in Eastern Ukraine. In 2018, AVANGARDCO IPL resumed operations and reinstated the assets of its laying farm Bakhmutska (Interbusiness).

OUR PRODUCTS

SHELL EGGS

Avangardco produces "table" shell eggs. Depending on weight, they are divided into 5 categories: premium, supreme, first, second and small. To accomodate consumer preferences, we produce white and brown eggs.

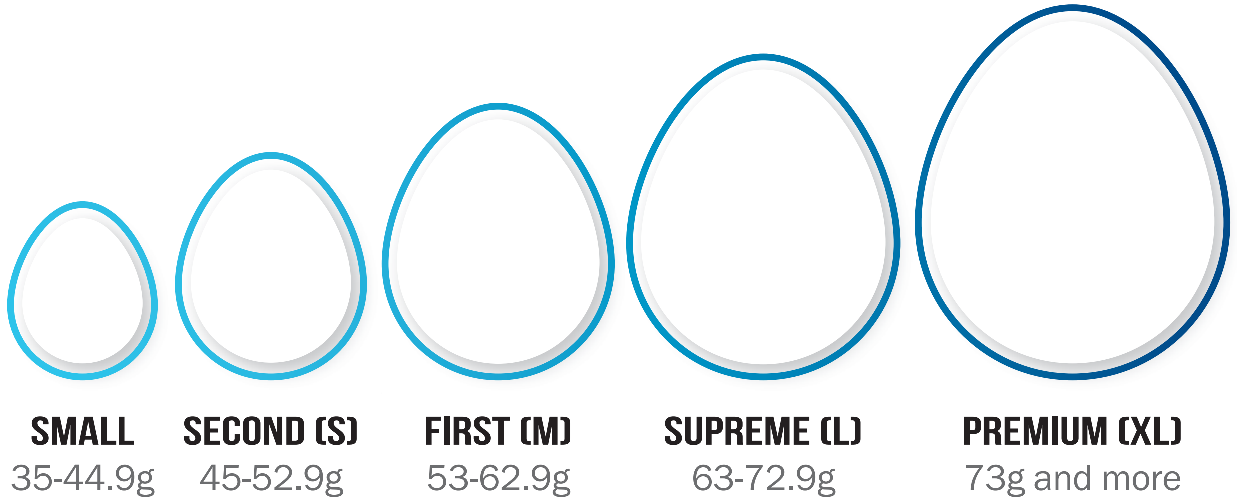
We sell shell eggs as branded packaged eggs in 10-egg cartons and in 30-egg trays.

Domestically our shell eggs are sold through approximately 2,000 outlets throughout Ukraine including key supermarket chains such as Auchan, ATB, Silpo, Varus, METRO, Novus and others. In 2018, we exported eggs to 23 countries in the MENA region, Sub-Saharan Africa, Asia and the CIS. The share of shell egg export sales reached 39% of the total shell egg sales.

Our shell eggs meet the current Ukrainian and international veterinary and sanitary requirements and standards. All products have quality and veterinary certificates. In addition, our shell eggs comply with the Halal requirements[1] and are eligible for export to the European Union[2].

[1] Shell eggs produced at the Avis and Chornobaivske poultry complexes

[2] Shell eggs produced at the Avis poultry complex



KVOCHKA BRAND OF PACKAGED SHELL EGGS

KVOCHKA (MOTHER HEN)

Kvochka is a popular brand in the packaged egg-segment. Under this consumer brand we offer high-quality and nutritious products at an attractive price. We produce our own feed for laying hens and we know for a fact that Kvochka eggs contain many nutrients and also very tasty. Kvochka - branded eggs have been endorsed by the Ukrainian Research Institute of Nutrition.

DOMASHNY (HOMELAID)[1]

Nothing beats homelaid eggs, be it for a family breakfast, feast or for baking delicious pastries. We make sure we deliver them to your table. Domashny (Homelaid) branded eggs are eggs from hens that receive all our loving care and natural feeds. These eggs are nutritious, healthy and very tasty!

**Kvochka Domashny eggs taste as homelaid eggs*

KVOCHKA XL

Kvochka XL's cartons contain ten premium table eggs (XL), each weighing over 73 grammes. Kvochka XL is priced at the higher end of the Kvochka range of packaged eggs targeting customers looking for the premium eggs.

ORGANIC EGGS[2]

We offer Ukrainian buyers a modern product under the Organic Eggs brand. This product takes the top spot in the Kvochka brand portfolio and celebrates the company's commitment to offering fresh and natural products.

[2] Production of this brand has been temporarily suspended

OUR PRODUCTS | CONT.

DRY AND LIQUID EGG PRODUCTS

Avangardco produces the following main types of dry egg products: egg albumen powder, high-whip, egg albumen powder, high-gel, whole egg powder, egg yolk powder and heat-stable egg yolk powder. Since 2019, the plant has opened up the production of pasteurised cooled/ liquid egg mélange. Depending on clients preferences, we can add many additives to our egg products, for example sugar, salt, etc.

The company produces its dry and liquid egg products at its state-of the-art egg processing facility Imperovo Foods (www.imperovo.com.ua).

In 2018, exports amounted to 51% of our total dry egg product sales. We exported our egg products to 20 countries in the EU, MENA, Asia, the Far East and the CIS. The main customers of egg products are companies in the food industry such as confectionery, fat-and-oil, bread, meat processing and others.



EGG ALBUMEN POWDER, HIGH-WHIP

Suitable for the confectionery and bakery industry. The advantages of this product include excellent whipping qualities and good foam stability.

Consists of 100% natural de-sugared, spray dried and pasteurised egg white. 100 g of powder dissolved in 700 g of water corresponds to 800 g of fresh egg white (equivalent to approx. 25 eggs).

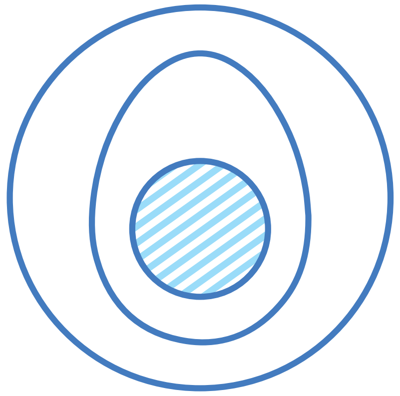


EGG ALBUMEN POWDER, HIGH-GEL

Suitable for the confectionery, bakery and meat industry, for production of crab sticks. The advantages of this product include premium gelling and water binding properties.

Consists of 100% natural de-sugared, spray dried and pasteurised egg white. 100 g of powder dissolved in 700 g of water corresponds to 800 g of fresh egg white (equivalent to approx. 25 eggs).

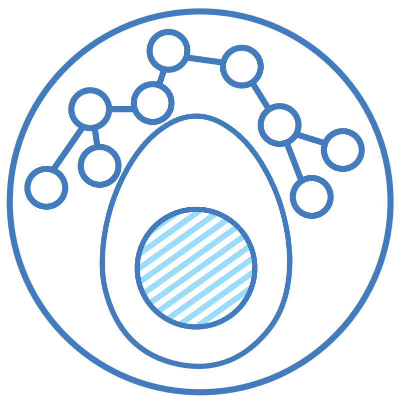




EGG YOLK POWDER

Suitable for mayonnaise, dressings, pasta, ice cream, baked products, cake mix or other products where egg yolk is needed. The advantages of this product include its emulsifying qualities, taste, colour and texture.

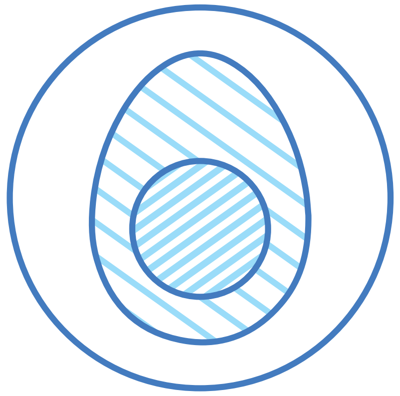
Consists of 100% natural pasteurised and spray dried egg yolk. 100 g of powder dissolved in 125 g of water corresponds to approx. 225 g of liquid egg yolk.



HEAT-STABLE EGG YOLK POWDER

This type is used mainly in the mayonnaise industry, as it is characterized by thermostability as well as excellent emulsifying properties. Provides stable emulsion in high temperature conditions, long-term storage.

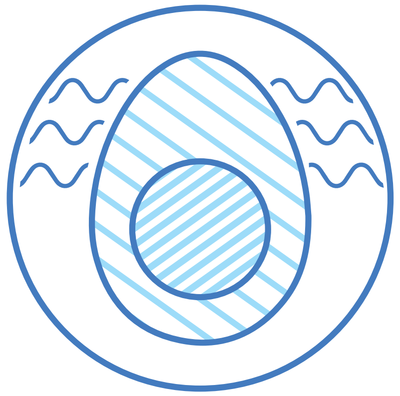
Consists of 100% natural pasteurised and spray dried egg yolk. 100 g of powder dissolved in 125 g of water corresponds to approx. 225 g of liquid egg yolk.



WHOLE-EGG POWDER

Suitable for baked products, ready meals, meat products etc. The advantages of this product include its texture and emulsifying properties.

Consists of 100% whole egg powder. Pasteurised and spray dried whole egg. 100 g dissolved in 300 g of water corresponds to 400 g fresh whole egg (equivalent to approx. 8 shell-eggs).



PASTEURISED COOLED/ LIQUID EGG MÉLANGE

Suitable for confectionery and baked products, ready meals, dressings etc. The advantage of this product is its homogeneous texture. The product is free from shell fragments and cross-contamination.

Consists of 100% natural pasteurised liquid whole egg. 1 kilogram of mélange corresponds to 20-24 fresh eggs.

VERTICAL INTEGRATION

AVANGARDCO'S VERTICALLY INTEGRATED BUSINESS MODEL ENSURES STRONGER COST CONTROL AND IMPROVES EFFICIENCY, WHILST ENSURING CONSISTENT QUALITY OF INPUTS AND QUALITY CONTROL AT EACH STAGE OF PRODUCTION

1 2 EXTERNAL INPUTS:

- Avangardco is largely self-sufficient in terms of core production materials, while sourcing from third parties only breeder flock, feed grains and a small proportion of animal feed required for shell egg production.

3 ANIMAL FEED PRODUCTION:

- Avangardco operates 5[1] feed mills with a total production capacity of 120 tonnes of feed per hour.
- In addition, the newly-built Kamyanets- Podilsky feed plant at the Avis poultry complex has a 10 tonne-per-hour soybean extrusion line and a grain elevator with a capacity of 56 thousand tonnes.

4 PRODUCTION OF HATCHING EGGS:

- Avangardco is 100% self-sufficient in hatching eggs.
- Currently, the company produces all hatching eggs at the Slovyany hatchery, which is the largest hatchery in Europe and has a production capacity of 21.1 million one-day old chicks per year.

5 6 SHELL EGG PRODUCTION:

- Avangardco operates 8[2] rearing farms with a capacity of 8.4 million pullets and 16[3] laying farms with a capacity of 27.6 million laying hens across Ukraine.
- As at 31.12.2018, Avangardco had 10.5 million laying hens in place. In 2018, the company produced 2.6 billion shell eggs.
- 51% of our laying flock is located at the modern and more efficient Avis and Chornobaivske poultry complexes.

7 STORAGE FACILITIES:

- In addition to short-term storage facilities at each laying farm, Avangardco operates 3 long-term egg storage facilities with a total capacity of 300 million shell eggs.
- The Imperovo Foods egg processing plant has its own long- term storage facility of 20 million shell eggs.

8 PRODUCTION OF EGG PRODUCTS:

- Avangardco produces its egg products at the Imperovo Foods egg processing plant, which has a capacity to process 6 million eggs per day.
- In 2018, Avangardco produced 6,482 tonnes of dry egg products.

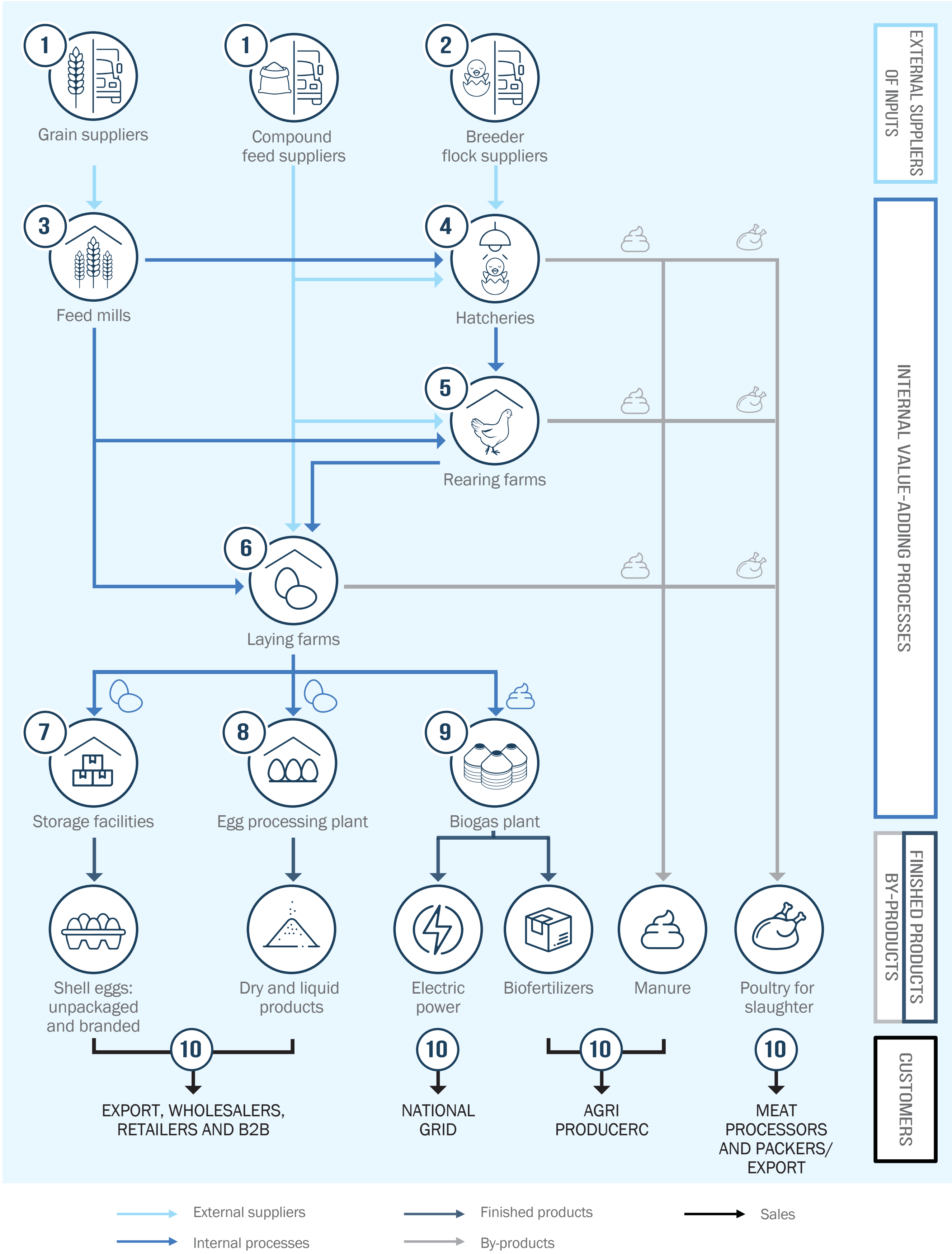
9 CO-GENERATION:

- A company-owned biogas plant at the Chornobaivske poultry complex with a total capacity of 6MW, allows Avangardco to dispose of chicken manure and produce green electricity, heat and organic fertilisers while protecting the environment of the region.

10 SALES:

- Avangardco sells its products to thousands of customers across Eurasia and Africa and is fully committed to its customers' wellbeing, ensuring that its products are of a consistently high quality and safe for consumption.

[1,2,3] *Excluding temporarily suspended facilities in Eastern Ukraine and Crimea.*



OUR VALUE CREATION MODEL

VERTICAL INTEGRATION +

Most businesses have just one stream of value creation. They buy their inputs and add value to them by processing or reselling them.

Avagardco business model integrates multiple value-adding activities that form our unique value streams or cycles.

We go beyond classical vertical integration by doing considerably more than just producing our inputs instead of buying them.

In few industries does vertical integration go as far as to include in-house production of manufacturing assets.

Egg farming is one industry where this is not only possible but also highly feasible. Very few industrial egg farmers, however, have the capabilities required to produce their own manufacturing assets - laying hens.

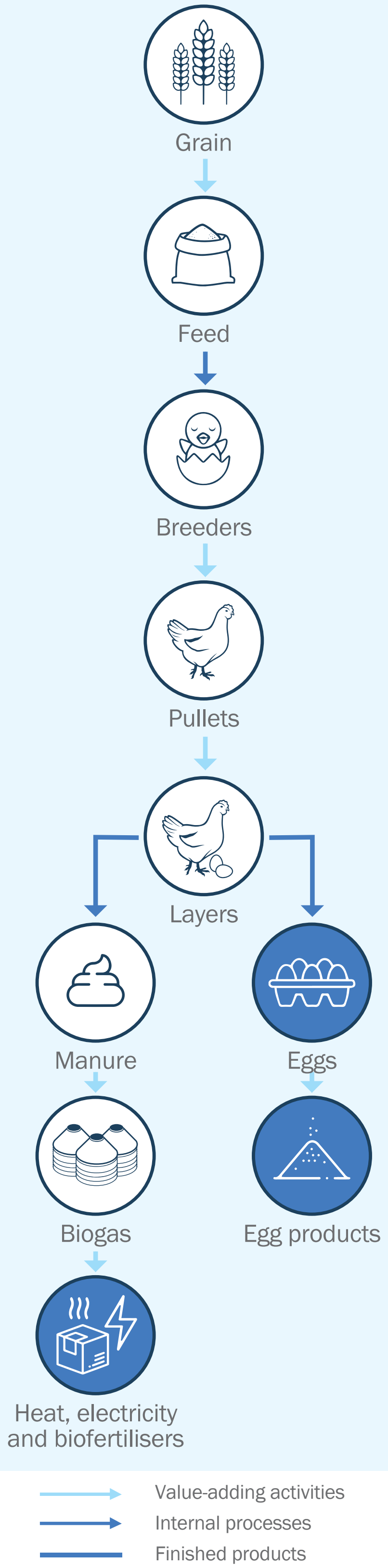
Avangardco has that capability. We produce, or rather, grow our own productive assets, our hens, from a very young age. As a matter of fact, they are born into our hatcheries, grown to egg-laying age and used productively until we retire them.

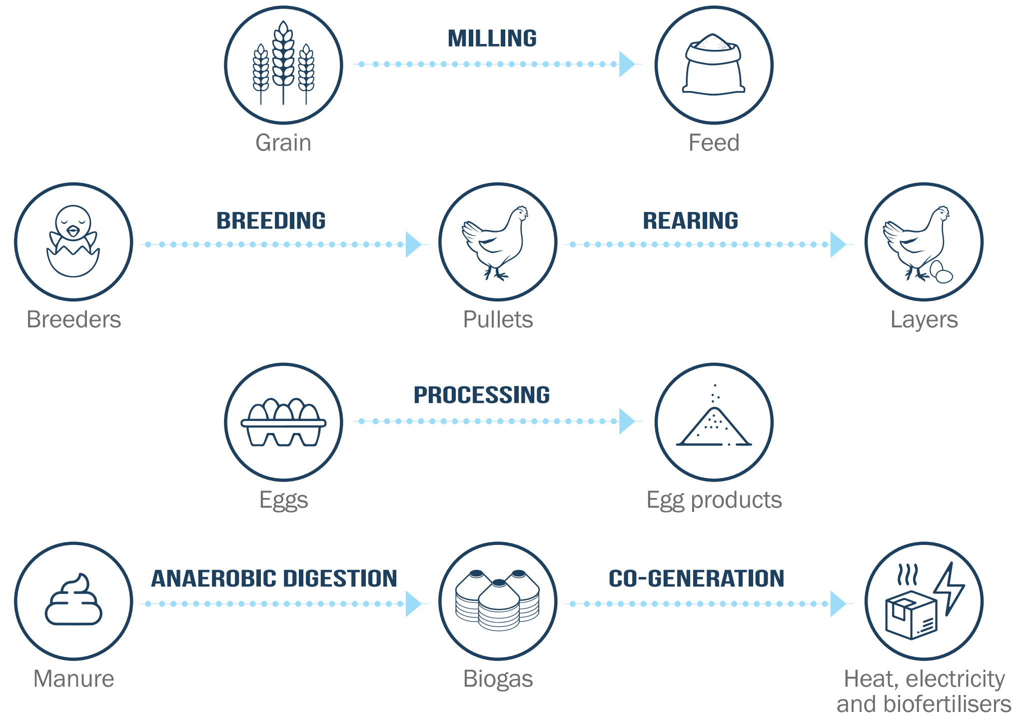
Laying of eggs is not where it ends though. We set aside some of the eggs laid and add more value by processing them into several varieties of egg products.

But even that is not all there is to our value creation model. As part of our core operations, we generate by-products, which would be discarded as waste if we didn't think of a way of using them productively.

The model below describes Avangardco's multiple and mutually enhancing cycles of value creation. It also shows our value-adding activities and identifies our finished products.

AVANGARDCO'S VALUE CREATION MODEL





OUR STREAMS OF VALUE CREATION

Our value creation streams help us source key inputs and productive assets and add value to them in the most secure, sustainable and cost-effective manner.

All our value creation streams share three important characteristics or dimensions:

DOING IT COST-EFFECTIVELY
We look for the best deals on our inputs and productive assets and add value at the lowest cost to improve profitability.

DOING IT SAFELY
We put biological security first. It overrides all other considerations when we make our sourcing decisions.

DOING IT SUSTAINABLY
We use sustainable sourcing practices to ensure that we continue to have uninterrupted access to our key inputs and productive assets.

OUR VALUE CREATION MODEL | CONT.

THE FEED STREAM

Animal feed is without a doubt our most important input and cost driver. Its share in the company's cost of sales is as high as 71% as of 2018. We source animal feed cost-effectively, safely and sustainably:

- **Doing it cost-effectively:** the cheaper the price we pay for feed the higher our margin on egg sales, as simple as that;
- **Doing it safely:** cost is an important consideration but not the decisive one – biosecurity always takes precedence in all our sourcing decisions including feed, which represents one of the potential avenues of contagion.

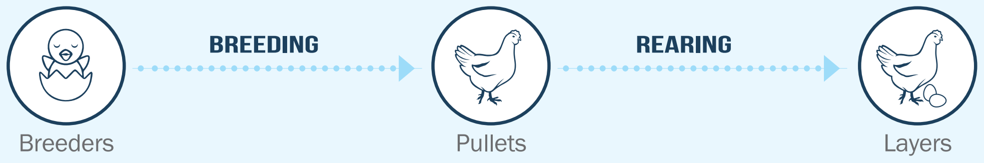
It is the second dimension that convinced us early on in our company's history that there was no better way to enforce rigorous biosecurity standards than to build and operate our own animal feed mills. We buy grain and other ingredients and mix compound feed in strict accordance with the recipes prescribed by our suppliers of breeder flock.

Moreover, in 2018 Avangardco started purchasing fodder from its parent company Ukrlandfarming PLC. In particular, we buy fodder from HACCP certified feed mill, which guarantees the production of safe fodder for laying hens.

In 2018, 71% of fodder consumed by our poultry flock was either produced internally or purchased from our parent company.

- **Doing it sustainably:** we either buy grain from a large community of grain farmers with whom we've built long-term business relationships over the years or from our parent company Ukrlandfarming PLC- Ukraine's top vertically integrated agro-industrial corporation managing one of the country's largest farmland portfolios.

THE BREEDING AND REARING STREAMS



It is extremely rare even for cases of the strongest vertical integration to include the production of the manufacturing assets with which finished products are created. It is not that unusual in poultry farming but it's not the norm all the same.

Egg farming relies on a unique and complex supply and value chain that incorporates a traditional production stream involving the manufacturing of inputs, such as feed, as described above, where value is added and extra margin is earned in the classical sense of vertical integration by producing inputs in-house instead of buying them from third parties.

Unique to egg farming are two more streams of vertical integration and value creation whereby the industry's productive assets – laying hens – are created. And Avangardco IPL includes them both in its vertically integrated ecosystem.

Unlike in most industries, in egg farming manufacturing assets are not built or manufactured, they are grown at a special type of farm called a rearing farm. Vertically integrated industrial egg producers normally buy one-day-old pullets from breeders to rear them to laying age at which point the new laying hens are moved into a laying farm to lay eggs. Those with no vertical integration at all buy fully grown laying hens from third-party rearing farms.

Avangardco IPL owns and operates 8[1] rearing farms where we rear all our laying hens in a biologically secure and controlled environment.

But unlike most other industrial egg farmers we do not buy our pullets from breeders, we are breeders ourselves. The company owns and operates two[2] hatcheries equipped to the state of the art of modern technology, one of which is Europe's largest, where it breeds the parents of our future laying hens. Currently we buy breeder chickens from Lohmann Tierzucht and Novogen SAS, the world's leaders in poultry genetics, and then produce the pullets that we eventually grow into layers.

Breeding and rearing operations enable us to source our primary productive assets, laying hens, cost-effectively, safely and sustainably:

- **Doing it cost-effectively:** it is by definition cheaper for us to produce our laying hens in-house rather buy them as one-day-old pullets or fully grown layers.
- **Doing it safely:** biological security works best if all the links in the supply chain are equally rigorously controlled. If a stand-alone egg farm without vertical integration buys its layers from a third-party, strong as the latter's biosecurity defences may be, the risk of disease affecting the flock is bound to be higher than for a vertically integrated farm that gets its layers from a rearing farm enforcing biosecurity standards of equal rigour.
- **Doing it sustainably:** on top of all the benefits that this depth of vertical integration offers in terms of profitability and biosecurity, it ensures an exceptionally high degree of sustainability to our business model allowing us to accurately plan our breeding, rearing and laying operations within one planning cycle.

LAYING AS A VALUE-ADDING ACTIVITY ENHANCED BY VERTICAL INTEGRATION

Laying of eggs is a value-adding activity that benefits from all other streams of vertical integration if there are any. The streams described above have traditionally contributed to Avangard's impressively high margin on egg sales until recently. In the current critical economic circumstances brought on by a military aggression against Ukraine and annexation of parts of our territory by a foreign power, our margin from egg farming operations has decreased but we hope to recover its normal sustainable level when the crisis is over.

[1,2] *Excluding temporarily suspended facilities in Eastern Ukraine and Crimea.*

OUR VALUE CREATION MODEL | CONT.

THE PROCESSING STREAM

The next stream of our vertical integration goes beyond egg production. We process eggs into dry egg products to create a new commodity by adding value to shell eggs. Dry egg products or egg powder come in several distinct varieties depending on their uses. There are varieties produced from egg yolks, some from egg whites that bifurcate into sub-varieties with high gel-forming capabilities or high foaming capacity. Egg powder also has a much longer shelf life; it can be stored for up to 2 years. Recently, we have also added pasteurized/cooled liquid egg melange to our egg product portfolio.

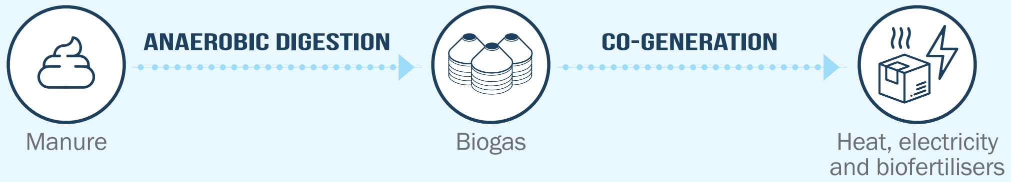
Avangradco IPL has built and operates Eurasia's largest and most modern egg-breaking plant capable of producing both dried and liquid varieties of egg products.

We produce egg products sustainably and safely benefitting our entire vertically integrated business model.

- **Doing it cost-effectively:** we are one of the world's most cost effective producers of egg products because we source eggs internally at a cost that fully benefits from our deep vertical integration.
- **Doing it safely:** all eggs we process into egg products come from our own egg-laying farms protected by our strong biosecurity defences. Upon breaking, the egg mass gets pasteurised, which renders it and the resulting egg products sterile.
- **Doing it sustainably:** it is a unique feature of our vertical integration that is extremely critical in the unique circumstances of Ukraine's home egg market where organised industry traditionally shares the market with egg-producing households that cause unmanageable oversupply situations in times of crisis when household income drops forcing families to switch to home-laid eggs. Egg processing allows the company to literally save any excessive volume it inadvertently produces, when household production surges, from being sold at a loss or spoilt, by converting it to egg powder that can be stored for a considerably longer time.

There are two more streams of value creation that the company has added recently to its vertically integrated business model – biogas produced from chicken manure generated by Avangard's megafarm of Chornobaivske is converted to heat, electric power and biofertilisers using co-generation technology.

THE ANAEROBIC DIGESTION AND HEAT AND ELECTRICITY CO-GENERATION STREAMS



Chornobaivske is huge not only in terms of production volume or flock, it is also Eurasia's largest by another important metric – the amount of chicken manure produced in one place.

Unless it is safely disposed of, manure can present a major environmental challenge. The best and most environmentally sound way of dealing with manure is to convert it to biogas through anaerobic digestion and then convert it to thermal energy, electric power and biofertiliser via co-generation.

- **Doing it cost-effectively:** by recycling manure productively we avoid additional costs of disposal. True, it costs money to operate a biogas plant but the value derived from manure turned to biogas turned to heat and power more than compensates for the cost of biogas plant operation.
- **Doing it safely:** it is obvious that the safest way to deal with manure potentially posing a biosecurity risk especially if generated in large volumes is to dispose of it on site without having to move it anywhere. Anaerobic manure digestion is a process whereby manure gets biologically deactivated in a controlled environment.
- **Doing it sustainably:** recycling biological waste into valuable commodities and at the same time preventing environmental pollution.

  We sell electricity produced at the Chornobaivske biogas plant to the national grid at the so-called green tariff, which is on average two times higher than the normal price of power produced from fossil fuels. Using a by-product of anaerobic manure treatment, we also produce liquid and granulated biofertilisers, for which we are consuming the thermal power obtained from biogas processing.

Admittedly, the margin-earning potential of our vertical integration has been depressed over the past five years due to the economic recession that set in after Crimea was annexed by Russia and the military conflict in Eastern Ukraine. But only on the financial side, technically it keeps on running like clockwork. We are confident that we will be able to recover our historically high margins when the crisis has passed.

Nataliya Vasylyuk,
Chief Executive Officer

LETTER FROM CEO

Dear shareholders, bondholders, customers, suppliers and partners!

The economic recovery that had started in Ukraine in 2016 continued into 2018. According to national statistics, GDP grew 3.3% YOY in 2018 while real household income rose 9.9% YOY.

As more income becomes available, households catch up on consumption deferred during the recessionary period. This process, however, takes time. We at Avangardco IPL, Ukraine's largest producer of chicken eggs and egg products, couldn't be happier if egg consumption in Ukraine were recovering at the same pace as household income. This unfortunately is not the case. In 2018, domestic egg consumption grew only marginally, from 273 eggs per capita per year in 2017 to 275 in 2018, or by a mere 0.7% YoY.

The recovery has been slow because the loss of income during the crisis years of 2014-2015 was so severe that households are still struggling to make both ends meet, especially low- to medium-income families, our key customer group in Ukraine's home market, hence egg consumption among the mass consumers has yet to pick up pace.

The mass market is also particularly sensitive to price. We have found that the elasticity of demand in this largest of segments of Ukraine's home egg market is significantly higher than among wealthier consumers. Household income may have grown, yes, but so has the egg price. According to statistics, egg prices grew 32% YOY[1] in 2018, which couldn't but constrain consumption growth, especially for the poorest households, many of which had to reduce their egg consumption rather than increase it.

The good news is that the medium and premium segments have been growing more strongly as evidenced in particular by the successful growth of our own retail brand of Kvochka. In 2018, Kvochka sales grew 36% YOY. We have been supporting Kvochka's sales growth by expanding the brand

[1] Source: State Statistics Service of Ukraine, Pro-Consulting

portfolio and conducting innovative promotion campaigns.

On the export front, Avangardco IPL retains its leadership as Ukraine's largest exporter of shell eggs (46% of total export revenue) and egg products (70%).

2018 became a record year for Ukrainian egg exports, which increased 20% YOY reaching an all-time high volume of 1.8 billion eggs.

Our export revenues grew a solid 74% YOY generating a total of USD 66.1 million. As part of our strategy, we have been working hard to increase the share of exports in our total sales reaching 39% in 2018.

In 2018, we entered two new exports markets, Gabon and India, the latter being one of the world's largest consumers of eggs.

To promote exports to the Muslim world, we have secured full Halal certification for our shell eggs produced at the Avis and Chornobaivske poultry complexes. Our egg products have been Halal certified since 2009. Halal secures access to a vast and rapidly growing market of nearly 1.5 billion people globally[1].

We are facilitating export sales not only by obtaining certification but also by upgrading logistics and offering additional services. In 2018, we introduced CIF-based contracts to to streamline export logistics and enhance security of supply.

We use the services of experienced freight forwarders and trusted customs brokers who help us fast-track outbound customs clearance.

Our key insurance partner is Allianz Ukraine, a member of the global Allianz Group. All risks underwritten by Allianz Ukraine are fully reinsured by Allianz Re.

In 2018, egg product sales almost tripled YoY exceeding 11 thousand tonnes. We introduced liquid egg products to cater to an emerging home market of B2B clients including food processing companies and HoReCa businesses. We started selling liquid egg products in 2019 mostly in Ukraine.

As a result of these developments, the company's total sales revenue grew 33% YOY and we have every reason to expect the growth to continue going forward. To meet new demand, Avangardco IPL has been investing in capacity expansion marked by an increasing flock size (+41% YOY in 2018) and recommissioning of farms previously suspended during the 2014-2015 crisis[2].

Despite the increase in egg prices, higher cost of sales continued to put pressure on the company's performance in 2018. It will remain our concern in the year ahead. In 2018, the company's EBITDA declined to negative USD 0.9 million.

The company's debt situation remained challenging during 2018. The deal reached with Oschadbank, the company's largest lender among banks, unlocked the debt restructuring conundrum boosting creditor confidence as negotiations continue with various group of lenders pushing the ongoing restructuring towards a final and mutually beneficial resolution.

Let me conclude by assuring all our shareholders, bondholders and trading partners of our unswerving commitment to the company. We are confident that the current growth trend will continue going forward and enable Avangardco IPL to regain its market share, production volume, sales and profitability, which will serve as a source of meeting all our commitments and sustaining growth in future.

We remain strongly committed to our vision of becoming the world's number one egg producer by regaining global industry leadership through the acquisition of new and retention of existing markets while promoting the high quality and safety of our shell eggs an egg products.

Sincerely,

Nataliya Vasylyuk
Chief Executive Officer

[1] Souce: Halal Global Ukraine.

[2] AVANGARDCO's production facilities in the occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and Donetsk and Luhansk regions remain suspended.

MACROECONOMIC HIGHLIGHTS

UKRAINE SLOWLY RECOVERS AS ECONOMY STRUGGLES TO REGAIN PRE-CRISIS PERFORMANCE

GDP GROWS 3.3% YOY IN 2018 FALLING SHORT OF FORECAST

In 2018, the Ukrainian economy continued recovering from the severe crisis of 2014-2015 brought on by a foreign armed invasion and annexation of parts of the country's territory and costing its GDP 6.6% YoY in 2014 and 9.8% YoY in 2015 according to official statistics.

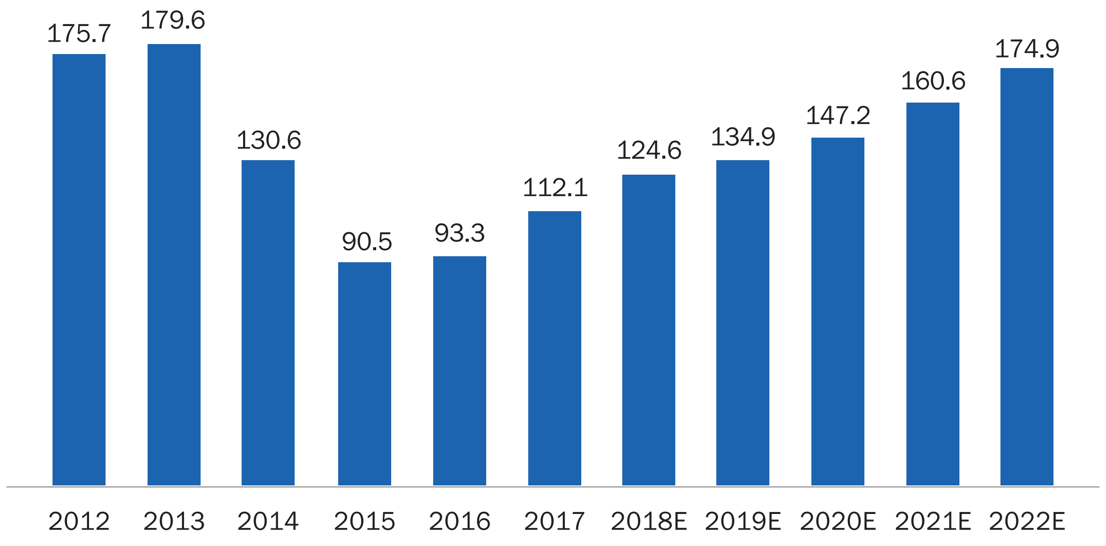
2016 became the first post-crisis year when economic growth turned positive with GDP growing 2.4% YoY. The following year it grew by another 2.5% YoY and in 2018 GDP growth reached 3.3% YoY slightly falling short of the 3.5% figure projected at the start of the year by the IMF and World Bank.

Continued GDP growth is excellent news and the ongoing recovery has already told positively on corporate revenues, unemployment, household income, etc. But the road to a full recovery is long and bumpy as Ukraine still has a lot of catching up to do.

On the production side, GDP growth was led by agriculture (+7.8% YOY) even though most of this growth was achieved by expanding exports.

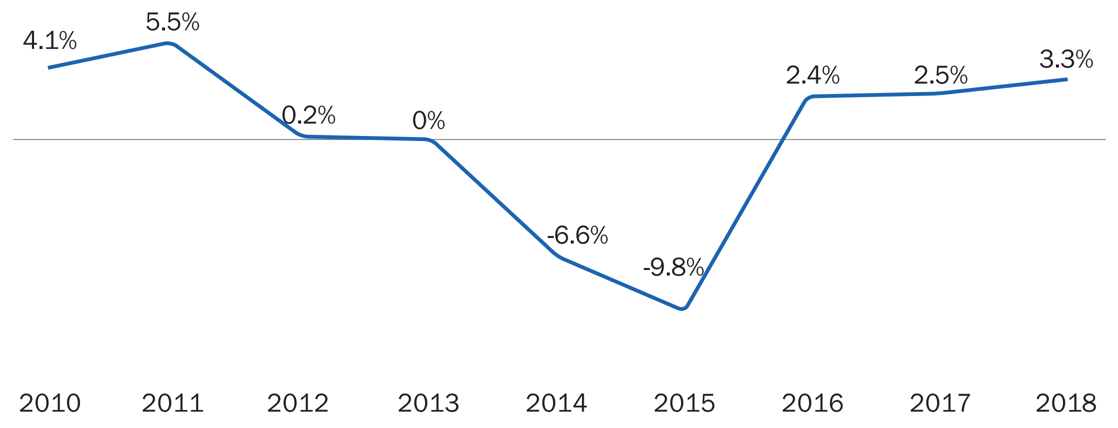
According to available projections, economic growth is expected to continue in the foreseeable future. The reliability of such projections naturally diminishes as we look further into the future because various shocks may occur that could undermine the ongoing economic recovery, e.g. the two elections in 2019, but we hope that the current positive trend will continue.

GROSS DOMESTIC PRODUCT, CURRENT PRICES, USD BN



Source: IMF

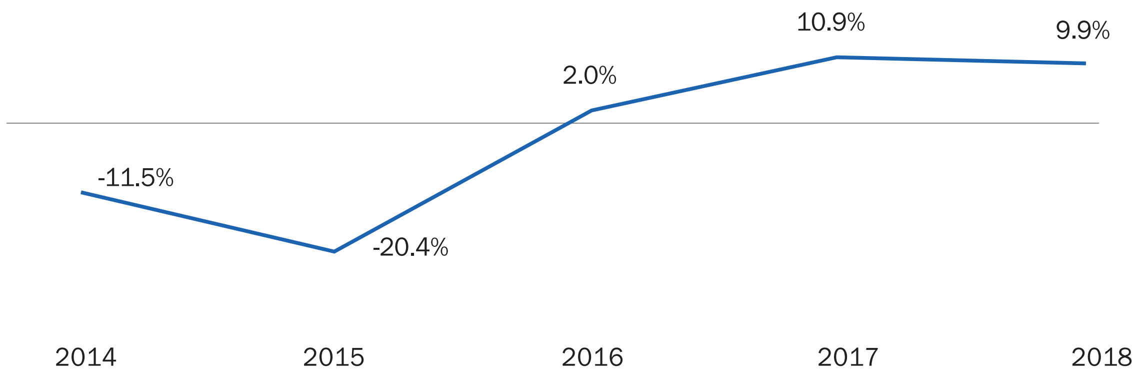
CHANGE OF GDP IN CONSTANT 2010 PRICES YOY, % [1].



Source: State Statistics Service of Ukraine

[1] *Excludes the Temporary Occupied Territories and Crimea*

CHANGE OF REAL DISPOSABLE HOUSEHOLD INCOME YOY, %



Source: State Statistics Service of Ukraine

MACROECONOMIC HIGHLIGHTS | CONT.

UKRAINE ACHIEVES SINGLE-DIGIT INFLATION FOR THE FIRST TIME IN FIVE YEARS

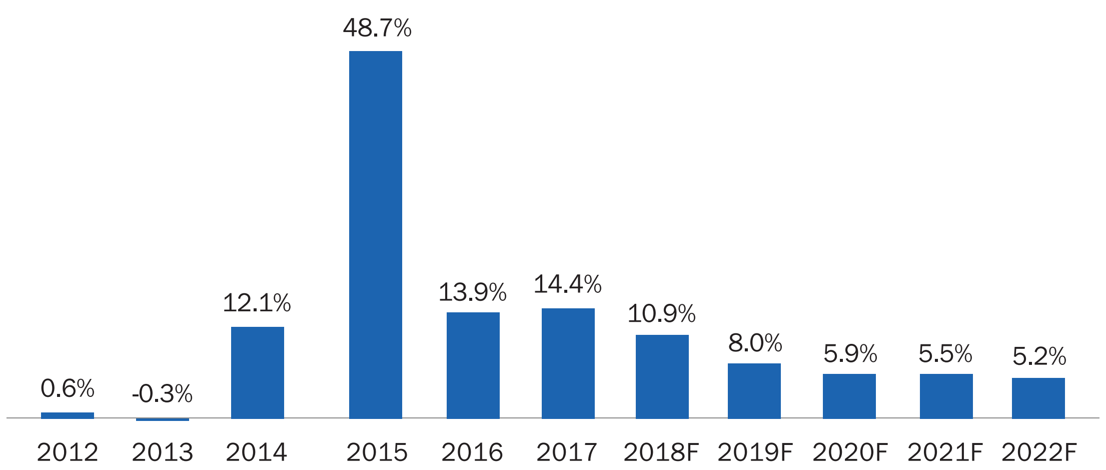
MONETARY POLICY STANCE EXPECTED TO REMAIN RESTRICTIVE TO CONTAIN INFLATION

The National Bank of Ukraine, the country's central bank, has made considerable efforts since the introduction of inflation targeting in 2016 to curb inflation and keep it in check within single-digit territory.

In 2018, CPI-measured inflation originally projected by the IMF to reach 11.4% YoY was successfully lowered to 9.8% YoY, according to Ukraine's State Statistics Service. The NBU is committed to pursuing further measures to gradually reduce inflation to 5% over the next four years.

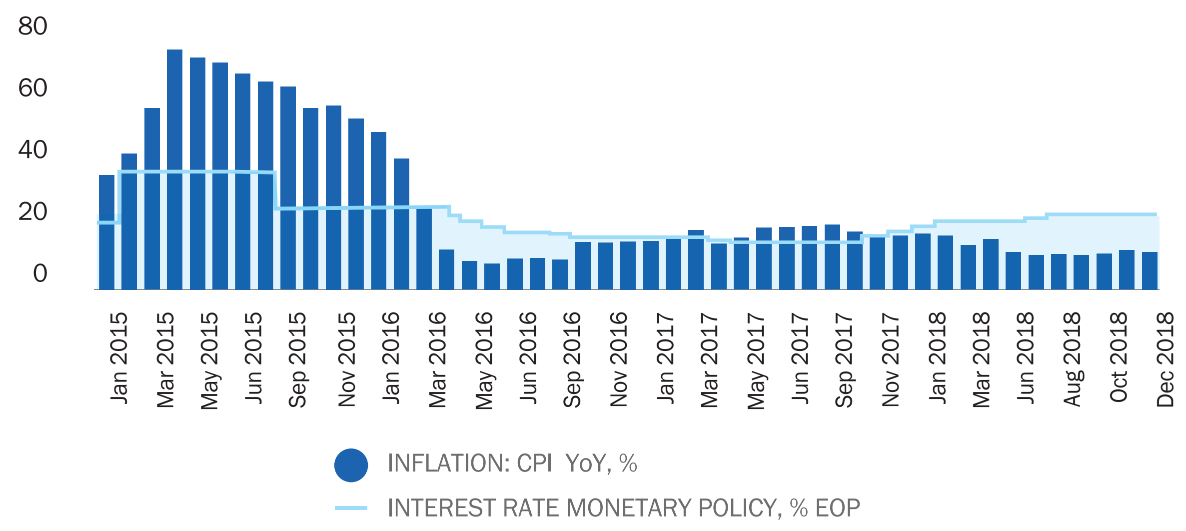
The NBU's commitment to curb inflation implies that the central bank will continue to pursue restrictive monetary policy, which will benefit consumers by maintaining price stability. At the same time, a tight monetary policy stance also implies tight control of interest rates, achieved inter alia through the central bank's policy rate currently as high as 18% p.a. according to the NBU. Admittedly, interest rates of 25% p.a. and higher prevalent in Ukraine are prohibitive for most borrowers and the continued dearth of credit cannot but inhibit GDP growth, constrain consumer demand and slow down economic recovery.

CHANGE IN INFLATION IN AVERAGE CONSUMER PRICES YOY, %



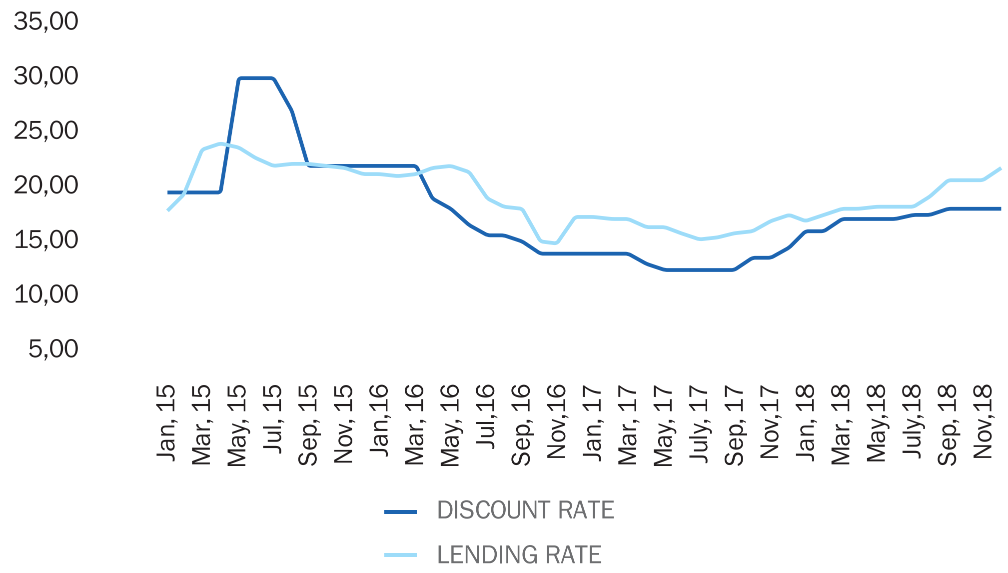
Source: IMF

UKRAINE MONETARY POLICY RATE VS INFLATION



Source: NBU, State Statistics Service of Ukraine

DISCOUNT AND LENDING RATE



Source: NBU

MACROECONOMIC HIGHLIGHTS | CONT.

HOUSEHOLD INCOME ON THE RISE AND CONTRIBUTING TO GDP GROWTH

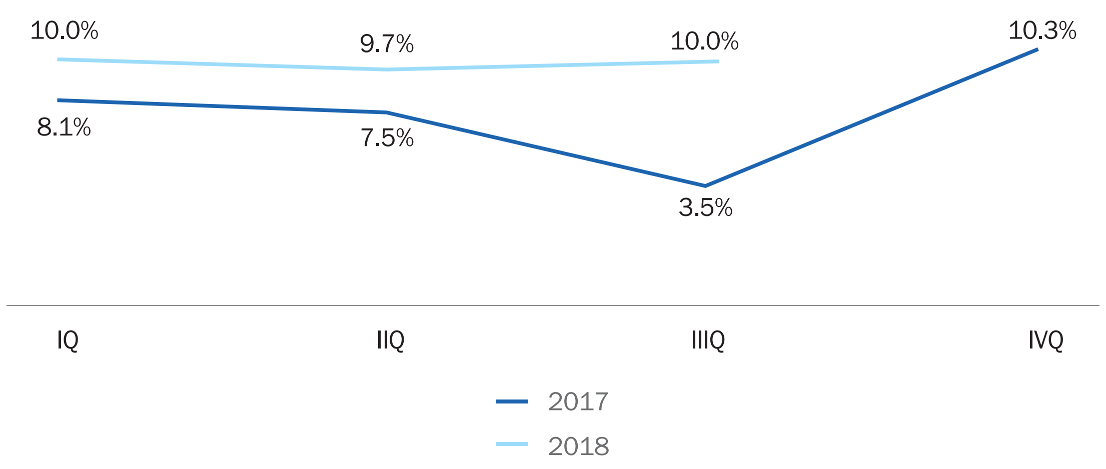
CONTINUED HOUSEHOLD INCOME GROWTH CONVERTS TO NEW CONSUMER DEMAND

According to the IMF, the economy of Ukraine continues to face important challenges. Growth is still too low to recover the incomes lost during the crisis and for incomes to catch up to levels seen in regional peers. The business environment is still weak, discouraging investment, the banking system has yet to address the burden of legacy non-performing loans (NPLs), and external financing conditions have become tighter and more volatile. Importantly, disappointed with domestic economic conditions, outward migration has increased significantly, with an estimated 2–3 million Ukrainians working abroad.

Private consumption identified by most analysts as the key driver of economic growth grew 8.9% YoY (vs. 9.5% YoY in 2017)[1], which is consistent with income growth. It is fair to assume therefore that most of the new income was spent on consumption as the propensity to save among Ukrainian households remains low.

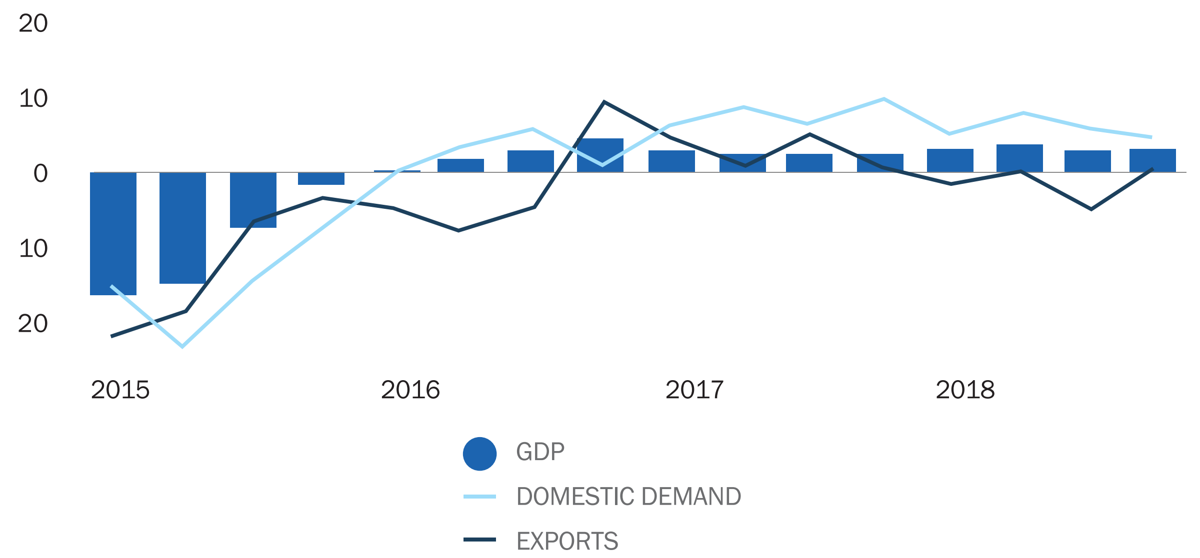
[1] Source: State Statistics Service of Ukraine

CHANGE IN REAL DISPOSABLE INCOME OF HOUSEHOLDS YOY,%



Source: State Statistics Service of Ukraine

GDP VS DOMESTIC DEMAND AND EXPORTS, % YOY



Source: State Statistics Service of Ukraine

FEARS OF SOVEREIGN DEFAULT ALLAYED BY NEW IMF DEAL

IMF FINALLY UNFREEZES FUNDING TO UKRAINE TO HELP AVERT PUBLIC DEBT CRISIS

Following months of suspension in disbursements under the IMF USD 17.5 billion facility, the International Monetary Fund eventually agreed to continue supporting Ukraine by approving in December 2018 a new stand-by arrangement for a total of USD 3.9 billion to help Ukraine avert an imminent public debt crisis and possibly sovereign default.

The new deal will allow the government, which must service a rising debt burden next year, to go to the market to issue new debt and would also pave the way for the European Union and other foreign donors to disburse more aid.

An active IMF programme has become a beacon of hope not only for the Ukrainian government but also for Ukrainian companies, and while they do not benefit from IMF funding directly, they suffer each time the programme

MACROECONOMIC HIGHLIGHTS | CONT.

gets suspended as international capital markets close the window of opportunity for all Ukrainian entities on hearing the news.

The new IMF arrangement comes with strings attached including requirements to complete the anti-corruption reform, finalise privatisation, increase household gas prices, etc.

According to Mr. David Lipton, First Deputy Managing Director of IMF:

Further progress on anti-corruption reforms and privatisation will help attract investment and improve the business climate more broadly. Priorities include operationalising the anti-corruption court, privatising large state-owned enterprises, streamlining regulations, and advancing land reform.

Program implementation is subject to significant risks, both domestic and external. The authorities have taken important steps to mitigate these risks, including by adopting a sound 2019 budget, raising gas and heating tariffs, and adopting legislation to improve governance in state-owned banks. The full and timely implementation of the program will be critical for its success in light of the difficult challenges.

STRUCTURAL BENCHMARKS OF UKRAINE'S COOPERATION WITH THE IMF ON THE SBA PROGRAM

STRUCTURAL BENCHMARK	TERM OF IMPLEMENTATION
1 Increase of heating tariffs from January 1, 2019	End of December 2018
2 Changing NBU rules for reducting regulatory capital by volume of loans to related parties	End of December 2018
3 Passing the Split law to revise the distribution of supervision powers over financial intermediaries	End of March 2019
4 Report on the progress of asset recovery and litigation involving the four state-owned banks	End of March 2019
5 Division of the State Fiscal Service (SFS) into the Tax Service and the Customs Service	End of April 2019
6 Appointment of at last 35 anti-corruption judges for work at the Highest Anticorruption Court	End of April 2019
7 Supervisory measures by the NBU against banks that do not meet capital requirements	End of June 2019
8 Completion of the external audit of the National Anticorruption Bureau of Ukraine	End of July 2019

Source: Ministry of Finance of Ukraine

HOME MARKET OVERVIEW

FLOCKS GROW AS EGG FARMING SECTOR CONTINUES TO RECOVER

FLOCK SIZES INCREASE ACROSS INDUSTRY AND HOUSEHOLDS

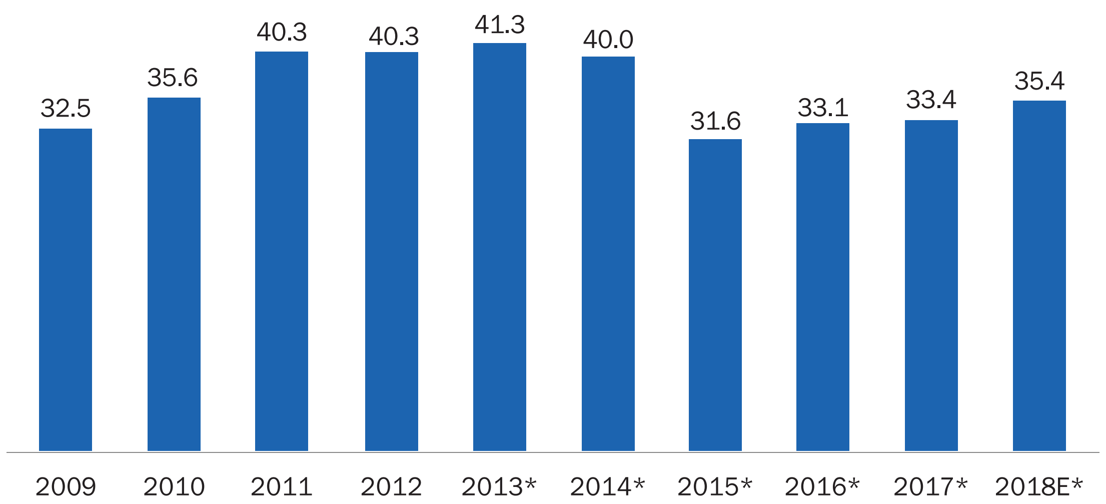
In 2014, following almost a decade of consistent expansion, Ukraine's egg-farming sector nosedived into a period of decline, brought on by the crisis, that lasted from 2013 to 2015 and cost the industry 23% of its total capacity as measured by laying flock size, according to Pro-Consulting.

The following factors contributed to the decline:

- annexation of Crimea with the ensuing loss of substantial egg-farming capabilities;
- closure of factory farms producing table eggs in parts of Eastern Ukraine affected by the ongoing armed conflict;
- contraction of home demand for eggs under pressure from declining incomes and trade;
- cost inflation triggered by the steep and severe depreciation of Ukraine's currency causing the cost of imported inputs to skyrocket.

The situation began to turn around in 2016. The recovery continued into the following years. In 2018 alone, industrial laying flock grew 6.0% YoY and is expected to continue growing.

TOTAL INDUSTRIAL LAYING FLOCK IN UKRAINE, MN HENS



Source: State Statistics Service of Ukraine, Pro-Consulting

** Excluding Crimea and the JFO (Joint Forces Operation) area*

EGG FARMING INDUSTRY CONTINUES TO REGAIN MARKET TURF FROM HOUSEHOLDS

FACTORY FARMS SLOWLY BUT STEADILY WIN OVER MARKET SHARE LOST DURING CRISIS

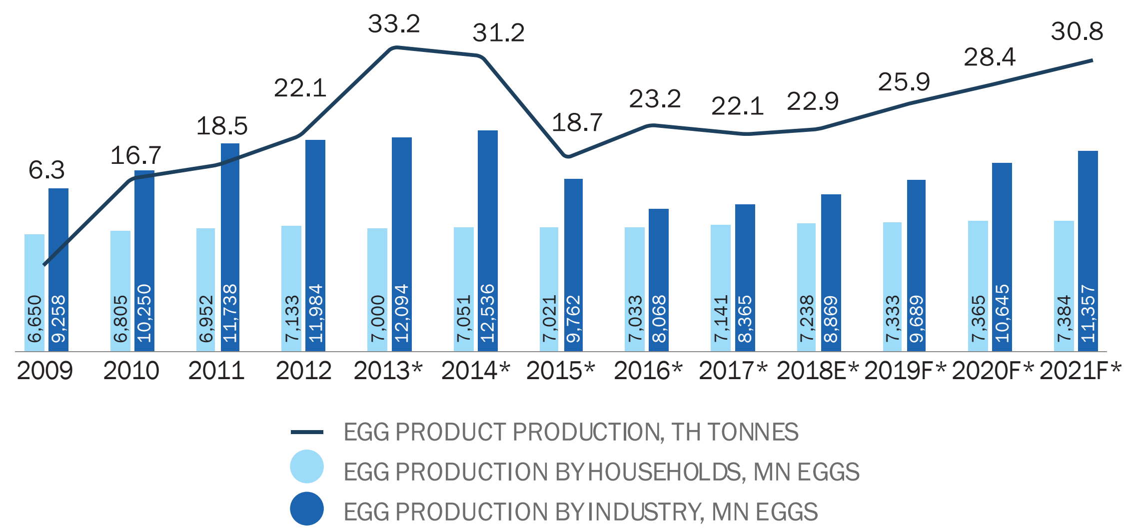
Before the crisis struck in 2014, Ukraine's egg-farming sector had been consistently evolving away from its legacy structure dominated by households towards the best European models of market organisation where factory egg farming claims a dominant share of the market while households normally represent an insignificant market actor.

During the critical period of 2014-2016, the trend reversed, and factory farms lost some of their market share to households under the enormous economic pressures brought on by the crisis as many households switched to rearing chickens at home and consuming eggs produced within the household.

In 2017, however, the trend reversed again and ever since the situation has been slowly but steadily improving with industrial egg production growing at a faster pace than production by households.

In 2018, factory farms increased their production volume by 6.4% YoY while households only increased theirs by 1.4% YoY.

EGG AND EGG PRODUCT PRODUCTION IN UKRAINE

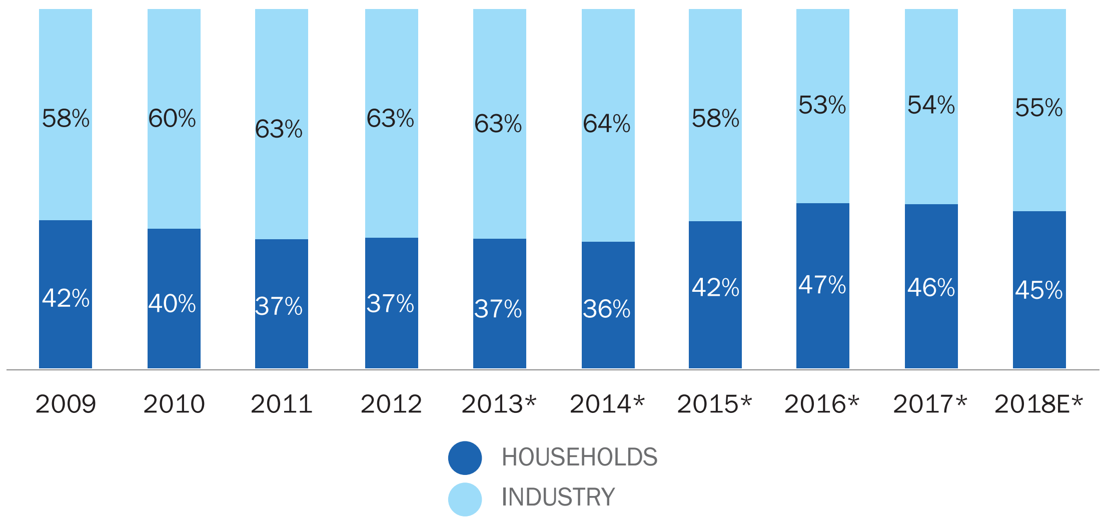


Source: State Statistics Service of Ukraine, Pro-Consulting

** Excluding Crimea and the JFO (Joint Forces Operation) area*

HOME MARKET OVERVIEW | CONT.

EGG PRODUCTION BY INDUSTRY VS. HOUSEHOLDS



Source: State Statistics Service of Ukraine, Pro-Consulting

** Excluding Crimea and the JFO (Joint Forces Operation) area*

EGG PRODUCTION GROWS LARGELY IN RESPONSE TO FOREIGN DEMAND

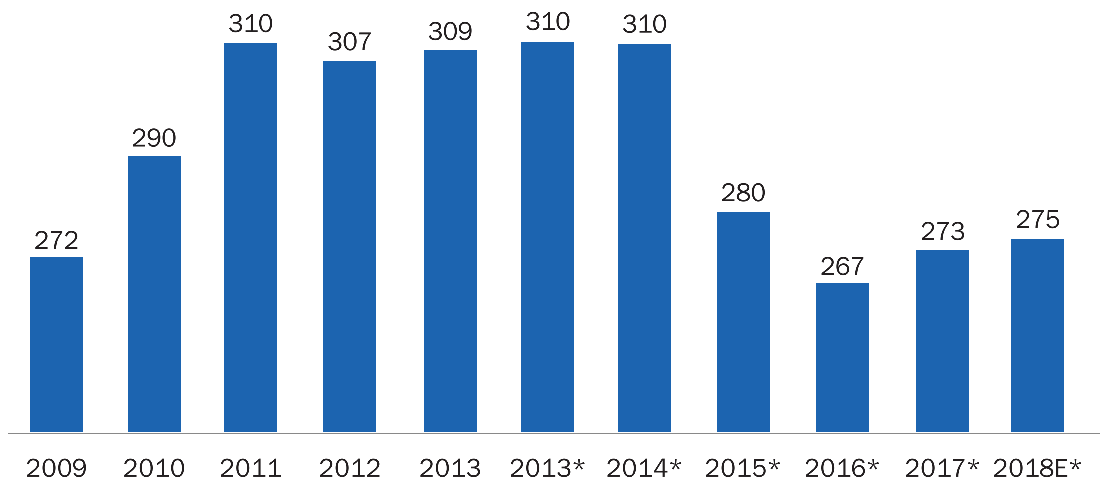
FOREIGN DEMAND CONTINUES TO DRIVE PRODUCTION WHILE HOME CONSUMPTION STAYS FLAT

Shell egg production in Ukraine continued to recover during 2018 growing 4.1% YoY to 16.1 billion eggs, which was largely driven by foreign demand, while home consumption stayed flat only slightly increasing by two eggs per capita and reaching 275 egg per capita per year.

While 275 eggs per capita is not a low consumption level compared to other countries but it's low compared to Ukraine's before the 2014-2016 crisis.

AVANGARDCO HOLDS **30%** OF THE INDUSTRIAL SHELL EGG MARKET IN UKRAINE

EGG CONSUMPTION PER CAPITA PER YEAR IN UKRAINE



Source: State Statistics Service of Ukraine, Pro-Consulting

** Excluding Crimea and the JFO (Joint Forces Operation) area*

HOME MARKET OVERVIEW | CONT.

STRONG FOREIGN DEMAND PROPS UP DOMESTIC EGG PRICE

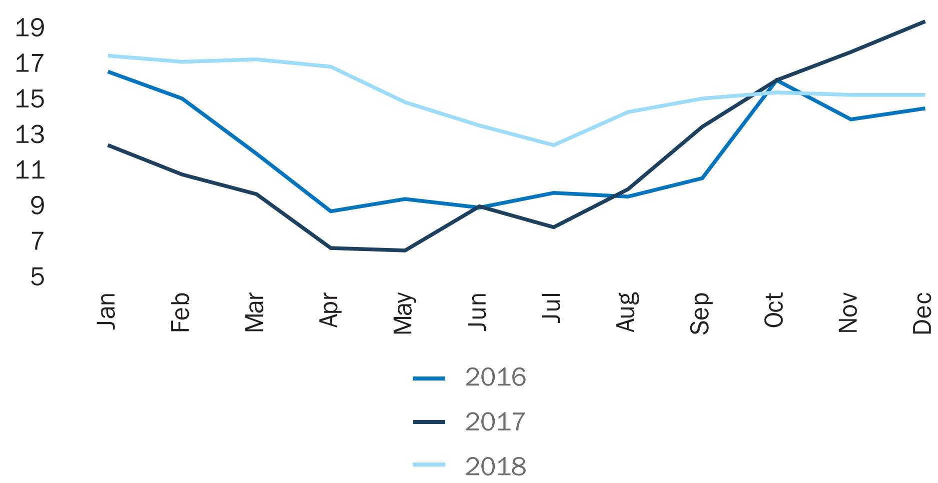
EXPORTS HELP REDUCE SEASONAL DIP IN HOME EGG PRICES

During 2018, the pricing situation in Ukraine's domestic egg market was generally favourable to the country's industrial egg producers. Strong foreign demand propped up domestic egg price dynamics throughout the year and helped mitigate the market's normal seasonality by reducing the depth of the seasonal dip in prices that normally occurs in the summer months when households flood the market with home-laid eggs and the price nosedives.

Fortunately, the seasonality pattern of Ukraine's egg exports does not match that of the domestic market. When the home market becomes oversupplied exports come to the rescue absorbing the volume overproduced and preventing the domestic price from collapsing.

Growing exports did not only help mitigate domestic seasonality but also contributed to a net increase in the average price of Ukrainian eggs of 32% YoY achieved in 2018.

EGG PRICE SEASONALITY IN UKRAINE, UAH PER 10 EGGS NET OF VAT



Source: State Statistics Service of Ukraine, Pro-Consulting

** Excluding Crimea and the JFO (Joint Forces Operation) area*

EXPORTS BOOM AS FOREIGN DEMAND EXPANDS

EXPORTS OF SHELL EGGS AND EGG PRODUCTS HIT A HISTORICAL RECORD

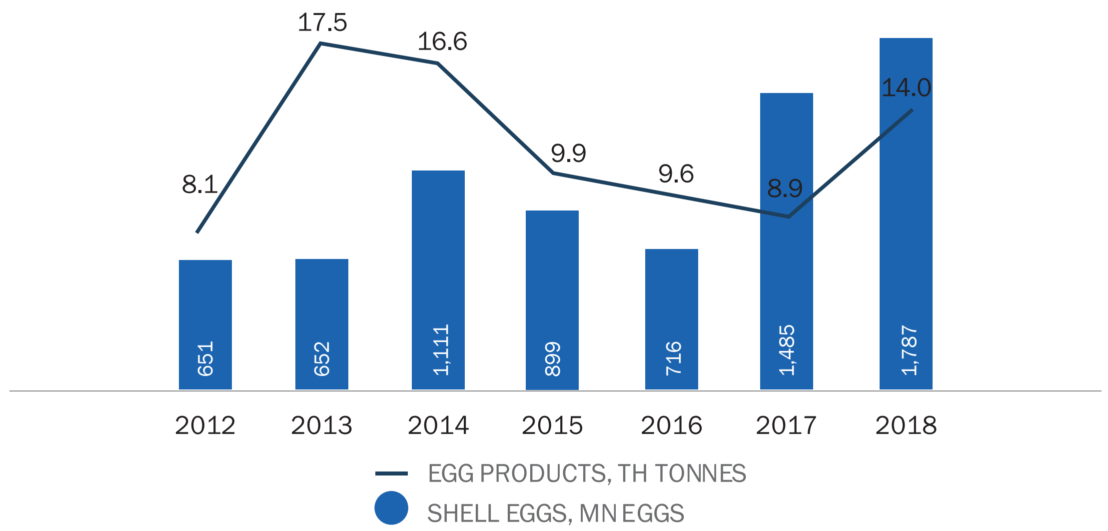
The performance of Ukrainian egg exporters over the past two years has been very inspiring. Ukraine exported in 2017-2018 as many eggs as it had in the preceding 4 years (2013-2016). In 2018, the share of exports of shell eggs and egg products (in egg equivalent) reached 29% of total industrially produced eggs, that is one of every four eggs produced was exported.

In 2018, Ukrainian exports of shell eggs hit a historical record with a total volume of 1.8 billion eggs, which represents a 20.3% increase YoY. Exports of egg products also grew 57% YoY reaching a total volume of 14 thousand tonnes, of which the share of dried egg products was 7.8 thousand tonnes (+100% YoY) while liquid eggs accounted for 6.2 thousand tonnes (+24% YoY).

This spectacular growth of exports has largely been driven by the growing popularity of Ukraine as a large, reliable and competitive supplier of shell eggs and egg products to the world market.

In 2018, most Ukrainian eggs were exported as shell eggs with a share 69%, dried egg products accounted for 26% of exports and liquid eggs 5%.

UKRAINE'S EXPORTS OF SHELL EGGS AND EGG PRODUCTS

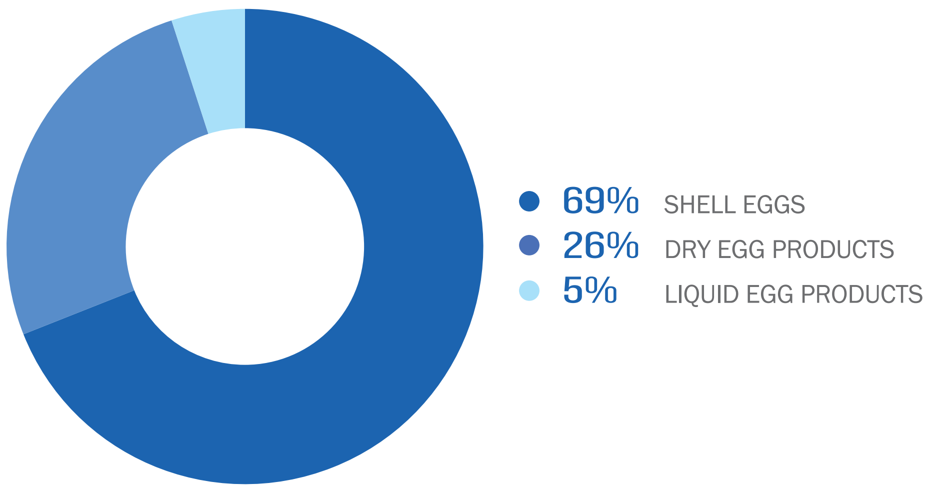


Source: State Statistics Service of Ukraine, Pro-Consulting

** Excluding Crimea and the JFO (Joint Forces Operation) area*

HOME MARKET OVERVIEW | CONT.

UKRAINIAN EGG EXPORTS BY PRODUCT, 2018, IN MN EGGS



Source: State Statistics Service of Ukraine, Pro-Consulting

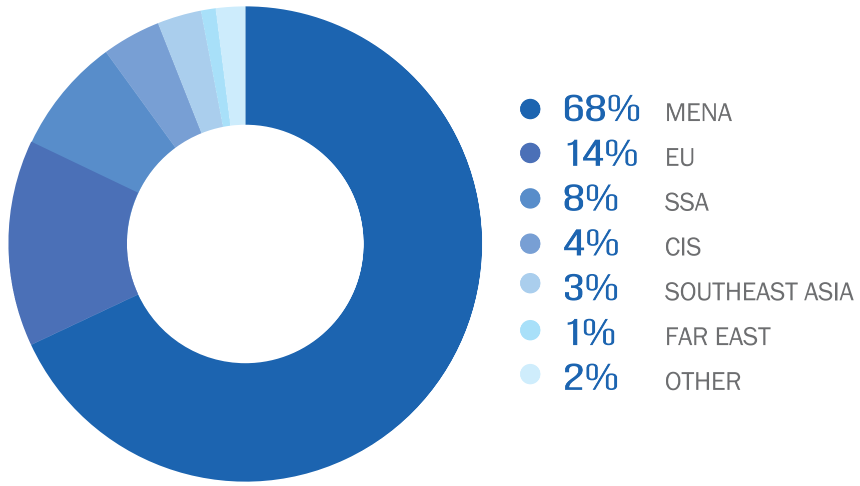
KEY FOREIGN MARKETS RETAIN THEIR DOMINANCE

MENA AND EU REMAIN UKRAINE'S LARGEST MARKETS FOR EXPORTING SHELL EGGS AND EGG PRODUCTS

The Middle East and North Africa region traditionally remains Ukraine's largest market for exporting shell eggs and egg products with a share of 68% of export revenue, as of 2018, followed by the EU with a 14% share and Sub-Saharan Africa accounting for 8% of exports. MENA claims an even larger share of Ukraine's shell egg exports (82% of egg export revenue) while the EU is the largest foreign buyer of Ukrainian egg products (48% of egg product export revenue).

AVANGARDCO GENERATED **52%** OF UKRAINE'S REVENUE FROM THE EXPORT OF SHELL EGGS AND EGG PRODUCTS

UKRAINIAN EXPORTS OF SHELL EGGS AND EGG PRODUCTS BY REGION BY VALUE IN 2018, %



Source: State Statistics Service of Ukraine, Pro-Consulting

HOME MARKET OVERVIEW | CONT.

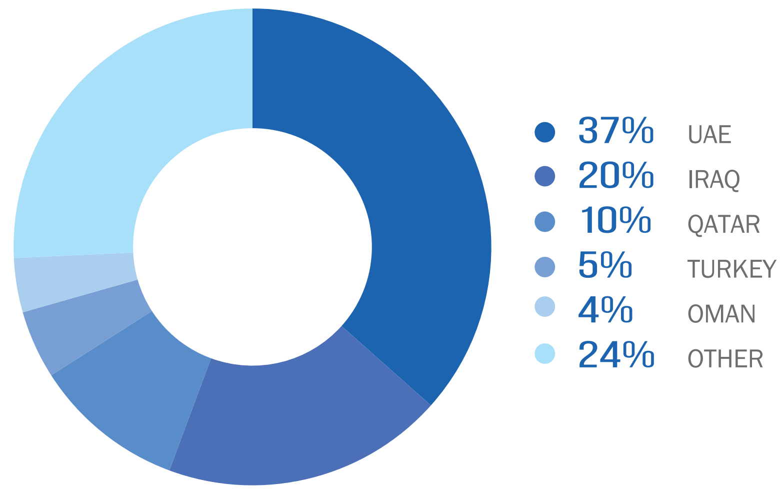
UKRAINE BECOMES NUMBER 1 NON-EU EXPORTER OF EGGS AND EGG PRODUCTS TO EU

EUROPEAN COMMISSION FORMALLY RECOGNISES UKRAINE AS EU'S LARGEST THIRD-COUNTRY EXPORTER OF SHELL EGGS AND EGG PRODUCTS

Ukraine is particularly proud to have been recognised as the largest third-country supplier of shell eggs and egg products to the European Union. Ukrainian exporters of shell eggs and egg products have worked hard to win in the tough competitive battle with such strong rivals as the United States and Argentina for the largest piece of the pie in one of the world's largest and wealthiest markets being the European Union. According to the European Commission, Ukraine claimed an impressive 51.4% share of the EU's total imports of shell eggs and egg products from non-EU countries in 2018, which inspires Ukrainian exporters to promote exports further within the European Union and beyond.

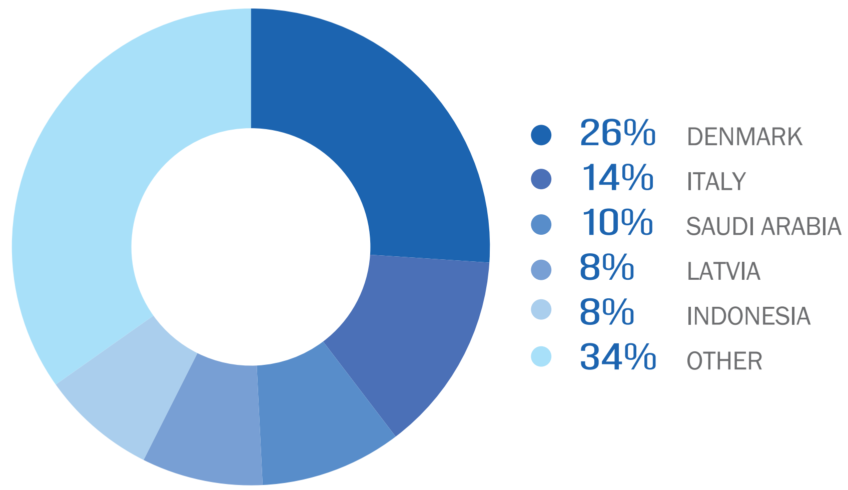
AVANGARDCO HOLDS **66%** OF THE DRY EGG PRODUCT MARKET IN UKRAINE

KEY IMPORTERS OF UKRAINIAN SHELL EGGS BY VALUE IN 2018, %



Source: State Statistics Service of Ukraine, Pro-Consulting

KEY IMPORTERS OF UKRAINIAN EGG PRODUCTS BY VALUE IN 2018,%



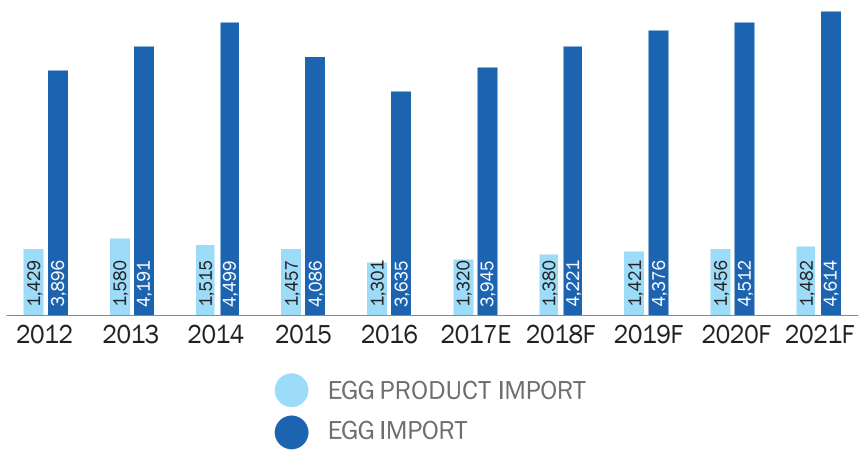
Source: State Statistics Service of Ukraine, Pro-Consulting

WORLD MARKET OVERVIEW

WORLD MARKET FOR SHELL EGGS AND EGG PRODUCTS

In 2018, the global market environment for shell eggs and egg products remained broadly favourable. The global import of shell eggs in value terms rose by 7.0% YoY to USD 4.2 billion, whilst the global import of egg products grew by 4.5% YoY to USD 1.4 billion.

WORLD IMPORT OF EGGS AND EGG PRODUCTS, USD MN

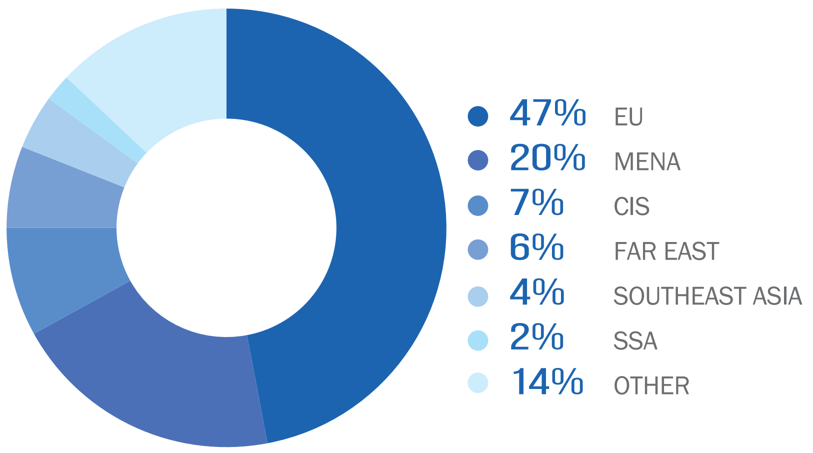


Source: ITC, Pro-Consulting

KEY SHELL EGG IMPORTERS

The EU, MENA, CIS and SSA remain the key regions importing Ukrainian shell eggs. Currently, Ukraine is one of the world's leading exporters of shell eggs and in 2018 it ranked 12th among the largest shell egg exporters globally with a share of 2.1% of world egg exports in value terms.

GLOBAL IMPORT OF SHELL EGGS BY REGION IN VALUE TERMS IN 2018, %



Source: ITC, Pro-Consulting

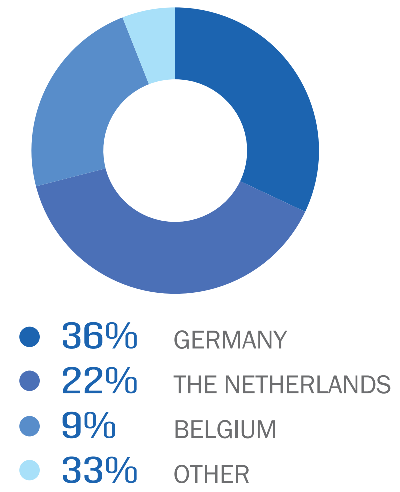
KEY SHELL EGG IMPORTERS | CONT.

EU

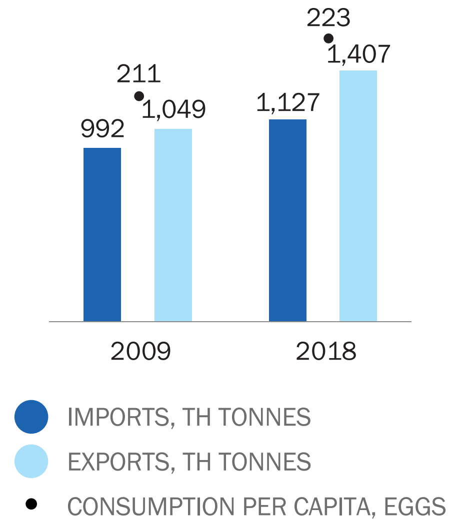
Share of global imports - **47 %**

Production - **7.7 mn tonnes**

KEY IMPORTERS IN THE REGION BY VOLUME IN 2018, %:



KEY METRICS:



- High levels of economic development, flat population growth, high incomes and urbanization rates.
- EU egg demand almost fully satisfied by local production.
- EU egg market fairly balanced with steady production volume.
- Most of the trade conducted intra-EU with relatively low volumes from beyond its borders (1.8% in value terms in 2018).
- Import demand largely driven by demand for eggs for further processing.
- In 2018, the region's import of shell eggs increased by 3.2% YoY to 1,127 thousand tonnes. This growth was the result of increased imports from Belgium (+14.1% YoY) and the Netherlands (+7.7% YoY).
- Ukrainian producers made their first export deliveries to the EU in 2017.
- In 2018, sales of shell eggs to the EU generated 3% of Ukraine's shell egg export revenue. Sales were made to Latvia and Germany.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

WORLD MARKET OVERVIEW | CONT.

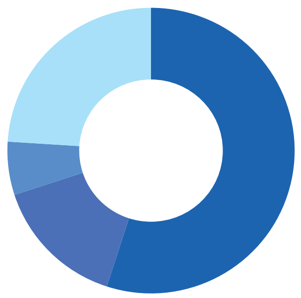
KEY SHELL EGG IMPORTERS | CONT.

MENA

Share of global imports - **20 %**

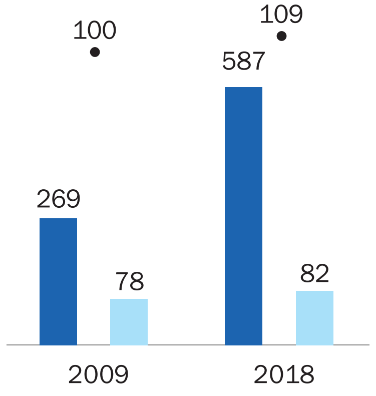
Production - **4.1 mn tonnes**

KEY IMPORTERS IN THE REGION BY VOLUME IN 2018, %:



- 60% IRAQ
- 15% UAE
- 7% QATAR
- 18% OTHER

KEY METRICS:



- IMPORTS, TH TONNES
- EXPORTS, TH TONNES*
- CONSUMPTION PER CAPITA, EGGS

*Excluding Turkey

- MENA has huge oil reserves generating most income.
- High population growth; some countries have doubled population in the past 20 years.
- Middle class set to grow boosting purchasing power.
- MENA has changed dramatically in the past fifty years. Caloric intake has increased by 54% and protein intake by 57%. Protein intake stil lower than in developed countries.
- Lack of water resources constraining local agriculture and encouraging imports.
- Imports growing consistently with Turkey traditionally in first place among exporters to the region and expanding in recent years within increased imports from the European Union and Ukraine.
- A military conflict and political instability in 2015-2016 led to a partial closure of borders and significant complications of import procedures. However, in 2017 the geopolitical situation in the region started to gradually stabilise.
- In 2018, the region's import of shell eggs increased by 6.5% YoY to 587 thousand tonnes. This growth was the result of increased imports from Iraq (+ 4.1% YoY) and Israel (+135.5% YoY).
- In 2018, sales of shell eggs to MENA generated 82% of Ukraine's shell egg export revenue. Sales were made to UAE (37% of Ukraine's total shell egg exports), Iraq (20%), Qatar (10%), Turkey (5%), Oman (4%) and other countries.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

4 COUNTRIES IN THE MENA REGION, NAMELY IRAQ, THE UAE, QATAR AND TURKEY, ARE AMONG AVANGARDCO'S TOP-5 SHELL EGG EXPORT MARKETS.

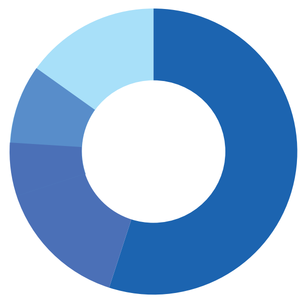
IRAQ

Sales to Iraq generated **27%** of AVANGARDCO's shell egg export revenue

Share of region's imports - **60 %**

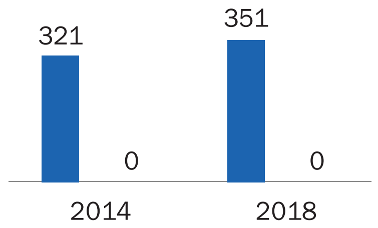
Production - **36.5 th tonnes**

KEY EXPORTERS BY VALUE IN 2018, %:



- 78% TURKEY
- 10% BELGIUM
- 5% UKRAINE
- 7% OTHER

KEY METRICS:



- IMPORTS, TH TONNES
- EXPORTS, TH TONNES

Iraq is the largest importer of shell eggs in MENA and ranks 2nd largest importer of shell eggs globally. However, social and political unrest and military conflict in recent years stand in the way of sustainable import supplies to the region.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

WORLD MARKET OVERVIEW | CONT.

KEY SHELL EGG IMPORTERS | CONT.

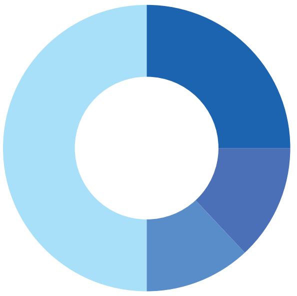
THE UAE

Sales to the UAE generated **26%** of AVANGARDCO's shell egg export revenue

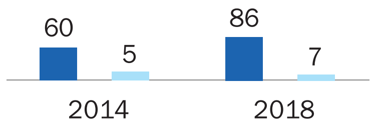
Share of region's imports - **15 %**

Production - **56 th tonnes**

KEY EXPORTERS BY VALUE IN 2018, %:



KEY METRICS:



Domestic production of shell eggs covers about 50% of the country's demand for shell eggs. The other half is imported.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

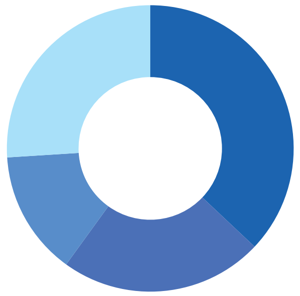
QATAR

Sales to Qatar generated **10%** of AVANGARDCO's shell egg export revenue

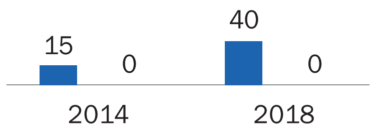
Share of region's imports - **7 %**

Production - **4.5 th tonnes**

KEY EXPORTERS BY VALUE IN 2018, %:



KEY METRICS:



Qatar is one of the richest countries in the region. However, Qatar has complex social, political and diplomatic relations with the region's traditional egg suppliers (Saudi Arabia and Kuwait). This enables other suppliers including Ukraine to increase their presence.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

WORLD MARKET OVERVIEW | CONT.

KEY SHELL EGG IMPORTERS | CONT.

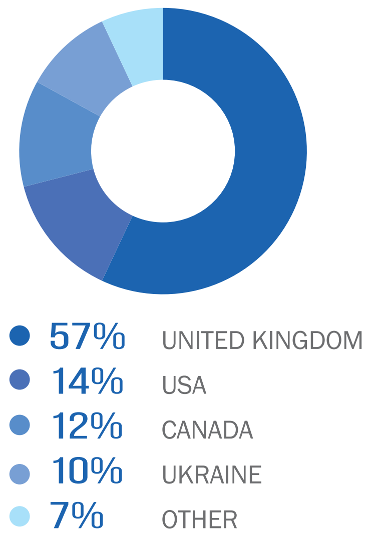
TURKEY

Sales to Turkey generated **6%** of AVANGARDCO's shell egg export revenue

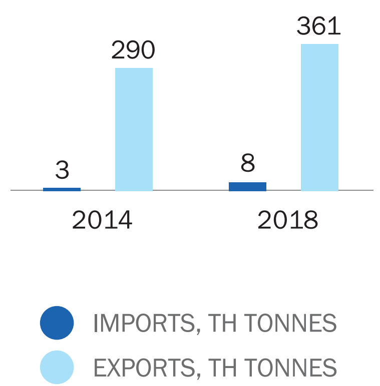
Share of region's imports - **1 %**

Production - **1,205 th tonnes**

KEY EXPORTERS BY VALUE IN 2018, %:



KEY METRICS:



Turkey is not only one of the world's largest shell egg producers but also the largest exporter of shell eggs to the MENA region ranking 3rd globally in terms of shell egg exports.

Turkey imports small volumes of shell eggs for further re-export.

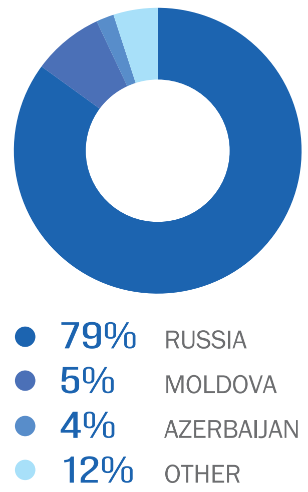
Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

CIS

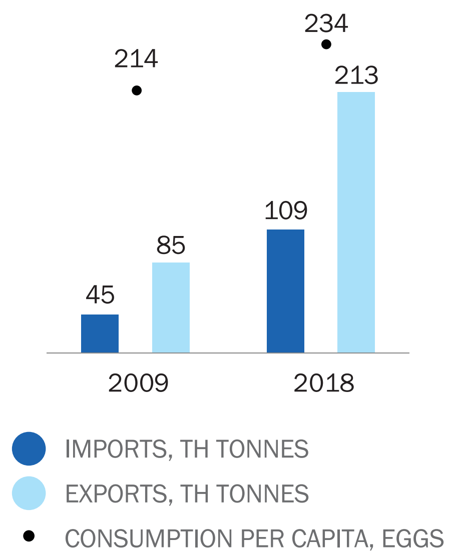
Share of global imports - **7 %**

Production - **5.0 mn tonnes**

KEY IMPORTERS IN THE REGION BY VOLUME IN 2018, %:



KEY METRICS:



- Largest egg producers include Russia, Ukraine and Belarus.
- Traditionally high egg consumption encouraging growth of egg farming industry.
- Hatching eggs making up most of the egg imports as the poultry sector grows.
- Except for Ukraine and Belarus, all CIS countries are net importers of eggs.
- In 2018, the region's import of shell eggs increased by 0.6% YoY to 109 thousand tonnes. This growth was the result of increased imports from Russia (+5.7% YoY).
- In 2018, sales of shell eggs to the CIS generated 5% of Ukraine's shell egg export revenue. Sales were made to Azerbaijan, Georgia and Moldova.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

WORLD MARKET OVERVIEW | CONT.

KEY SHELL EGG IMPORTERS | CONT.

1 COUNTRY IN THE CIS REGION, NAMELY MOLDOVA, IS AMONG AVANGARDCO'S TOP-5 SHELL EGG EXPORT MARKETS.

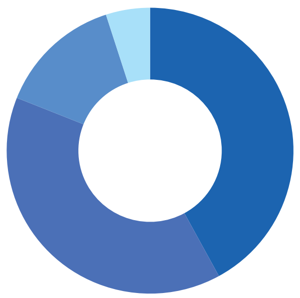
MOLDOVA

Sales to Moldova generated **6%** of AVANGARDCO's shell egg export revenue

Share of region's imports - **5 %**

Production - **38.5 th tonnes**

KEY EXPORTERS BY VALUE IN 2018, %:



- 42% GERMANY
- 39% UKRAINE
- 14% POLAND
- 5% OTHER

KEY METRICS:

- IMPORTS, TH TONNES
- EXPORTS, TH TONNES

Moldova imports insignificant volumes of shell eggs and almost completely satisfies its demand for shell eggs with its domestic production. The country mainly imports hatching eggs. Ukraine is the only external supplier of shell eggs to Moldova.

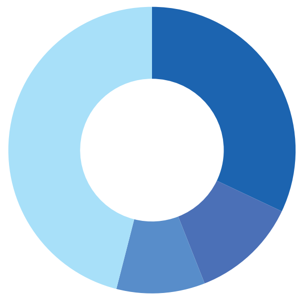
Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

SUB-SAHARAN AFRICA

Share of global imports - **2 %**

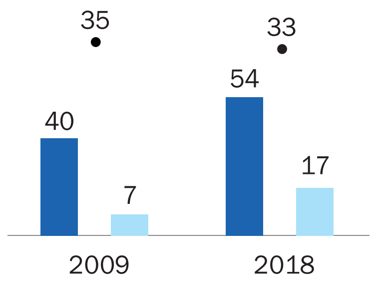
Production - **2.0 mn tonnes**

KEY IMPORTERS IN THE REGION BY VOLUME IN 2018, %:



- 31% ANGOLA
- 10% SIERRA LEONE
- 10% GAMBIA
- 49% OTHER

KEY METRICS:



- IMPORTS, TH TONNES
- EXPORTS, TH TONNES
- CONSUMPTION PER CAPITA, EGGS

- Rapid population growth over the past 30 years (1980s – 483 million people, now –over 1 billion).
- High poverty levels keeping food consumption low.
- High dependency on grain imports constraining growth of local egg production.
- Reserves of natural resources (oil, metals, precious stones, etc.) attracting interest from BRICS investors, economic growth to encourage protein consumption, in particular eggs.
- Growth in the region expected to significantly outpace global economic growth according to the World Bank.
- Growing consumer demand to encourage food imports including eggs.
- In 2018, the region's import of shell eggs fell by 3.3% YoY to 54.4 thousand tonnes resulting from decreased purchases from Angola (-12.0% YoY). At the same time, the Gambia increased its imports of shell eggs by 50% YoY.
- In 2018, sales of shell eggs to SSA generated 9% of Ukraine's shell egg export revenue. Sales were made to Gambia, Equatorial Guinea, Liberia, Sierra Leone and other countries.

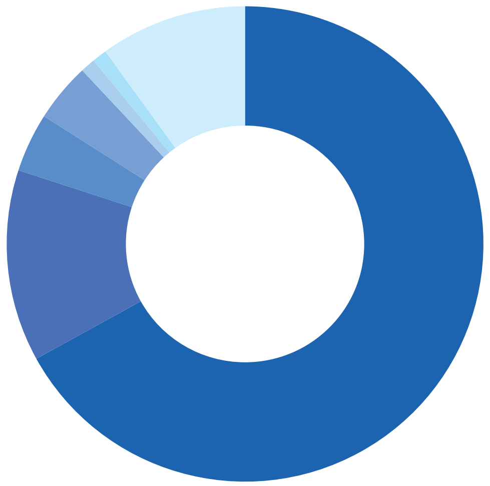
Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

WORLD MARKET OVERVIEW | CONT.

KEY EGG PRODUCT IMPORTERS

In 2018, Ukraine remained one of the world's leading exporters of egg products ranking 11th among the largest egg product exporters globally with a share of 2.2% of the world's egg product exports in value terms.

GLOBAL IMPORT OF EGG PRODUCTS BY REGION IN VALUE TERMS IN 2018, %

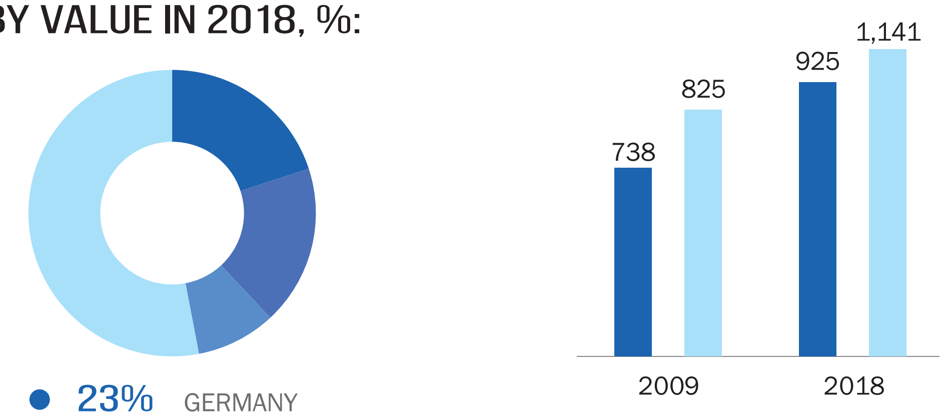


Source: ITC, Pro-Consulting

EU

Share of global imports - **67 %**

KEY IMPORTERS IN THE REGION BY VALUE IN 2018, %:



- EU member states are among the world's largest producers and consumers of egg products.
- In some EU countries more than half of all eggs produced are converted into egg products.
- Most of the trade is intra-EU.
- Liquid egg products dominate imports as most of the trade takes place between individual EU member states.
- In the past several years, the EU has increased its exports of dry egg products to non-EU countries.
- In 2018, the region's import of egg products increased by 3.6% YoY to USD 925 million. This growth was the result of increased imports from Germany (+16% YoY), France (+14% YoY) and Denmark (+23% YoY).
- In 2018, sales of egg products to the EU generated 47% of Ukraine's egg product export revenue. Sales were made to Denmark, Italy, Germany and Poland.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

WORLD MARKET OVERVIEW | CONT.

KEY EGG PRODUCT IMPORTERS | CONT.

2 COUNTRIES IN THE EU, NAMELY DENMARK AND ITALY, ARE AMONG AVANGARDCO'S TOP-5 EGG PRODUCT EXPORT MARKETS.

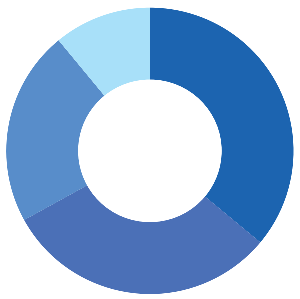
DENMARK

Sales to Denmark generated **36%** of AVANGARDCO's egg product export revenue

Share of region's imports - **6 %**

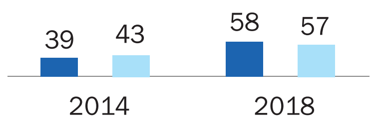
Dry egg product import, % of total - **47 %**

KEY EXPORTERS BY VALUE IN 2018, %:



- 36% POLAND
- 31% UKRAINE
- 22% GERMANY
- 11% OTHER

KEY METRICS:



- IMPORTS, USD MN
- EXPORTS, USD MN

Denmark was the first EU country to begin importing egg products from Ukraine. Denmark is also a large trader of egg products that buys egg products from outside the EU and exports them further. In 2018, 17% of Denmark's import of dry egg products came from non-EU countries.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

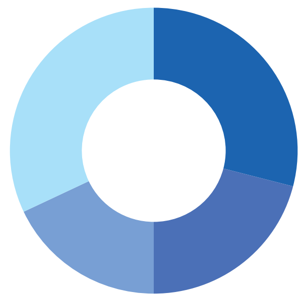
ITALY

Sales to Italy generated **19%** of AVANGARDCO's egg product export revenue

Share of region's imports - **5 %**

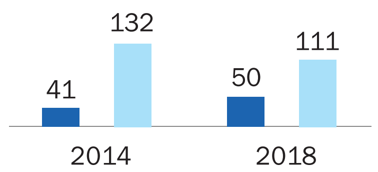
Dry egg product import, % of total - **24 %**

KEY EXPORTERS BY VALUE IN 2018, %:



- 29% POLAND
- 21% UKRAINE
- 18% FRANCE
- 32% OTHER

KEY METRICS:



- IMPORTS, USD MN
- EXPORTS, USD MN

Italy is a large exporter of egg products. The country imports mainly liquid egg products and exports dry egg products. In 2018, 30% of the country's total imports of dry egg products came from Avangardco IPL.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

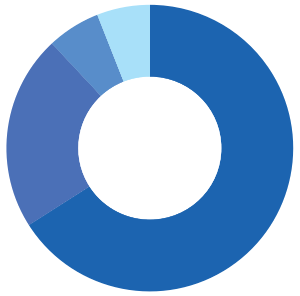
WORLD MARKET OVERVIEW | CONT.

KEY EGG PRODUCT IMPORTERS | CONT.

FAR EAST

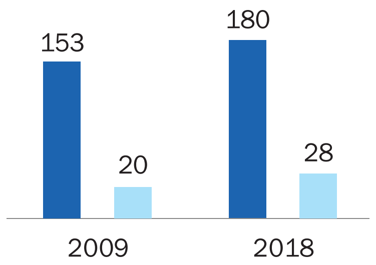
Share of global imports - **13 %**

KEY IMPORTERS IN THE REGION BY VALUE IN 2018, %:



- 77% JAPAN
- 11% SOUTH KOREA
- 6% TAIWAN
- 6% OTHER

KEY METRICS:



- IMPORTS, USD MN
- EXPORTS, USD MN

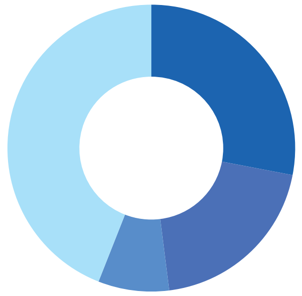
- A large population and high rates of economic growth.
- Japan, a global and regional leader in egg product imports with a highly developed egg processing industry. Japan consumes more than 50% of all eggs produced in the country in the form of egg products. However, in 2016-2017 Japan reduced its imports of egg products by 42%. In 2018, Japan increased its imports of egg products by 22% YoY. This growth was a key driver behind the region's growing imports.
- The Far East region as a whole is a net importer of egg products with some countries more dependent on imports than others.
- Up to 60% of imported egg products are dried egg products.
- Consumer demand is expanding steadily encouraging import growth as the food-processing industry evolves.
- In 2018, sales of egg products to the Far East generated 5% of Ukraine's egg product export revenue. Sales were made to Hong Kong, South Korea and Taiwan.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

MENA

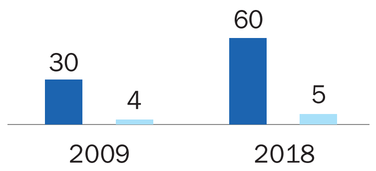
Share of global imports - **4 %**

KEY IMPORTERS IN THE REGION BY VALUE IN 2018, %:



- 28% SAUDI ARABIA
- 20% UAE
- 8% QATAR
- 44% OTHER

KEY METRICS:



- IMPORTS, USD MN
- EXPORTS, USD MN

- MENA has the highest dependency on imported egg products in the world.
- Egg processing as an industry is beginning to develop.
- Dry egg products account for nearly 50-60% of total egg product imports.
- A military conflict and unstable political situation in 2015-2016 negatively affected imports to the region. However, in 2017 the geopolitical situation in the region started to gradually stabilise.
- In 2018, the region's import of egg products increased by 6.9% YoY to USD 60 million. This growth was the result of increased imports from Qatar (+126% YoY) and Saudi Arabia (+28% YoY).
- In 2018, sales of egg products to MENA generated 27% of Ukraine's egg product export revenue. Sales were made to Saudi Arabia, Egypt, Jordan, UAE, Israel and other countries.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

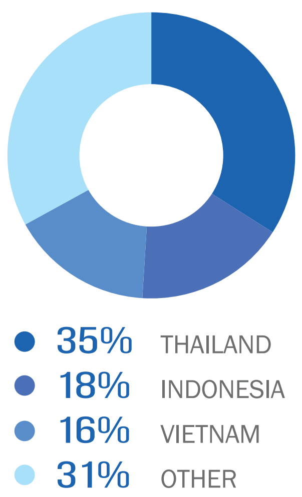
WORLD MARKET OVERVIEW | CONT.

KEY EGG PRODUCT IMPORTERS | CONT.

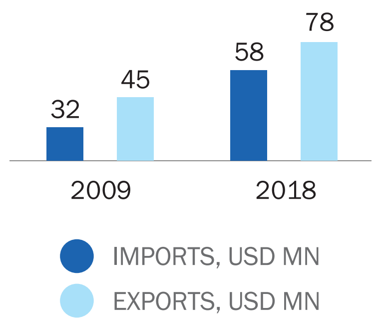
SOUTHEAST ASIA

Share of global imports - **4 %**

KEY IMPORTERS IN THE REGION BY VALUE IN 2018, %:



KEY METRICS:



- One of the world's highest population densities (nearly 29% of world population).
- Rapid economic growth over the past 30 years.
- Income growth encourages protein consumption growth.
- Egg processing practically non- existent (except India and Thailand).
- All countries of the region are net importers of egg products except for India and Thailand.
- In 2018, the region's import of egg products increased by 21.4% YoY to USD 57.8 million. This growth was the result of increased imports from Indonesia (+38% YoY) and Thailand (+16% YoY).
- In 2018, sales of egg products to Southeast Asia generated 14% of Ukraine's egg product export revenue. Sales were made to Indonesia, Thailand, Vietnam, the Philippines and other countries.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

2 COUNTRIES IN SOUTHEAST ASIA, NAMELY INDONESIA AND THAILAND, ARE AMONG AVANGARDCO'S TOP-5 EGG PRODUCT EXPORT MARKETS.

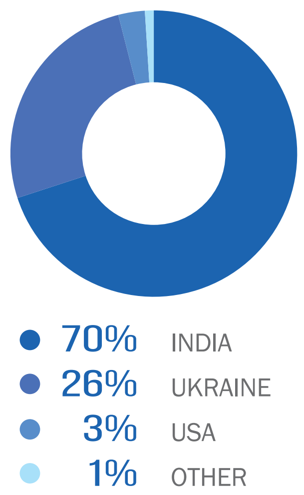
INDONESIA

Sales to Indonesia generated **10%** of AVANGARDCO's egg product export revenue

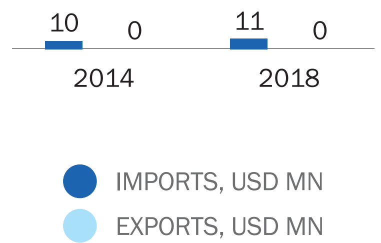
Share of region's imports - **18 %**

Dry egg product import, % of total - **97 %**

KEY EXPORTERS BY VALUE IN 2018, %:



KEY METRICS:



Although Indonesia ranks 8th largest egg producer globally, the country has low shell egg and egg product consumption levels. Indonesia imports mostly dry egg products.

Ukrainian producers have to compete with India, which is much closer to Indonesia and supplies the country with about 70% of its total dry egg product imports.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

WORLD MARKET OVERVIEW | CONT.

KEY EGG PRODUCT IMPORTERS | CONT.

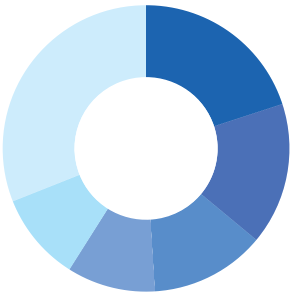
THAILAND

Sales to Thailand generated **7%** of AVANGARDCO's egg product export revenue

Share of region's imports - **35 %**

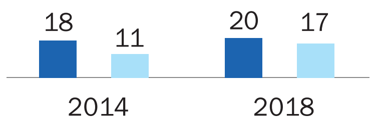
Dry egg product import, % of total - **94 %**

KEY EXPORTERS BY VALUE IN 2018, %:



- 20% ITALY
- 16% THE NETHERLANDS
- 13% GERMANY
- 10% INDIA
- 10% UKRAINE
- 31% OTHER

KEY METRICS:



- IMPORTS, USD MN
- EXPORTS, USD MN

Thailand domestically produces and exports liquid egg products, whilst it imports mainly dry egg products. The EU remains Ukraine's largest competitor for this market.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

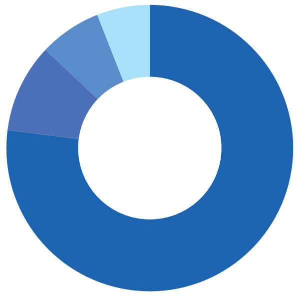
AVANGARDCO IPL ALSO EXPORTS ITS DRY EGG PRODUCTS TO PAKISTAN, WHICH DOESN'T BELONG TO ANY OF THE AFOREMENTIONED REGIONS.

PAKISTAN

Sales to Pakistan generated **8%** of AVANGARDCO's egg product export revenue

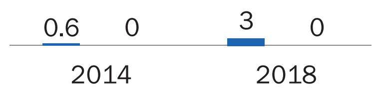
Dry egg product import, % of total - **92 %**

KEY EXPORTERS BY VALUE IN 2018, %:



- 77% UKRAINE
- 10% DENMARK
- 7% FRANCE
- 6% OTHER

KEY METRICS:



- IMPORTS, USD MN
- EXPORTS, USD MN

Rapid development of the food industry in Pakistan along with low levels of shell egg and egg product production and consumption lead to a gradual increase in egg product imports.

The country mainly imports dry egg products with Ukrainian producers claiming the largest share of Pakistani exports.

Source: WTO/UNCTAD International Trade Centre, Pro-Consulting

MISSION, STRATEGIC VISION, GOALS

OUR MISSION IS TO PROMOTE PUBLIC HEALTH BY GIVING CONSUMERS ACCESS TO AFFORDABLE, HEALTHY AND SAFE ANIMAL PROTEINS GLOBALLY

Avangardco IPL focus areas are:

- Improving product quality;
- Doing business in line with global best practices;
- Combining socially and environmentally responsible business practices.

Avangardco IPL strategic vision is to become the world's number 1 producer of eggs and egg products. We aim to maintain leading positions in Ukraine and earn international recognition through high product quality and advanced business practices.

OUR GOALS:

INCREASE PRODUCTION EFFICIENCY

- We strive to optimise the use of production capacity and increase production efficiency by utilising new poultry farms while modernising existing assets and adopting modern agricultural technologies.

DIVERSIFY SALES TO MAXIMISE PROFITS

- Retain leading positions in the domestic market through high product quality and ability to supply large product volumes.
- Continue increasing product sales through higher-margin channels by promoting business with local and national supermarket chains, introducing new client loyalty programmes and establishing contacts with transnational FMCG companies operating in Ukraine.
- Increase the presence of branded products under the Kvochka umbrella brand in supermarket chains and other retail stores throughout Ukraine by implementing brand recognition programmes and balanced pricing policies.
- Develop sales of liquid egg products among Ukrainian food manufacturers and capture a solid market share of the Ukrainian liquid egg products market.

FOCUS EFFORTS ON INCREASING EXPORTS

- Generate 50% of total shell egg sales from exports.
- Diversify export sales by further developing exports to the EU, MENA, Africa, Asia and the CIS.
- Strengthen positions in those markets to become a leading supplier of eggs and egg products.
- Attract new clients in new markets and cooperate with government authorities to have Ukrainian eggs and egg products cleared for export to new country markets. In particular, in the shell eggs segment, we plan to open new markets and begin exporting shell eggs to Singapore, China, Malaysia, Vietnam, Indonesia, the Philippines and new markets in Africa. Resume our sales to Israel. In the egg product segment, we plan on commencing sales to Singapore, open such new markets as China, Malaysia, the Philippines and several countries in Africa.
- Promote export sales of new products including branded shell eggs, slaughtered poultry, liquid egg products and egg products with salt and sugar as additives.

MAINTAIN HIGH PRODUCT QUALITY

- Avangardco has introduced modern technologies at its production facilities in order to maintain high product quality. At the same time, vertical integration implies that we can exercise strict quality controls at all stages of production.
- We continue to adhere to applicable Ukrainian and international quality standards and requirements, including ISO 9001:2015, ISO 22000:2005, FSSC 22000, which are based on international best practices and principles for food quality including HACCP and GMP.

IMPLEMENT INTERNATIONAL BEST PRACTICES

- The company strives to establish and maintain long-term relations with all key stakeholders. In addition to developing production, sales and pricing, this task envisages significant investment in staff training and new methods of creating strategic value for our partners.

ATTRACT, MOTIVATE AND RETAIN SKILLED EMPLOYEES

- Identification and selection of the best candidates both within and outside the organisation.
- Retention of key personnel by offering various incentive programmes and continuing professional development opportunities.

OPERATIONS REVIEW

FLOCK SIZE AND PRODUCTION INCREASED TO MEET NEW DEMAND

GROWTH OF EXPORTS CATALYSES CAPACITY EXPANSION

2018 was a good year for Avangardco IPL in terms of sales growth. Sales of shell eggs grew 13% YoY to 2,106 million eggs, whilst exports increased 47% YOY to 822 million eggs.

Domestic sales of shell eggs, however, fell slightly, by 2% YoY to 1,284 million eggs, constrained by the slow pace of recovery of domestic egg consumption, 0.7% YOY as measured by shell egg consumption per capita per year according to national statistics.

Sales of egg products more than tripled YOY to 11,114 tonnes due to higher both export and domestic sales.

New demand encouraged Avangardco IPL to expand production capacity by increasing its flock. In 2018 alone, the company's total flock grew a solid 41% YOY to 13.4 million hens, while its laying flock expanded by 13% YOY to 10.5 million hens. The fact that the total flock has been growing much more substantially than the laying flock is easily explained, it is a strong evidence of the company's investment in a new generation of layers needed to meet new demand.

	31.12.2017	31.12.2018	%
POULTRY FLOCK			
Total poultry flock, million heads, eop	9.5	**13.4**	41%
Laying hens, million heads, eop	9.3	**10.5**	13%

SEGMENT PERFORMANCE

	2017	2018	%
SHELL EGGS			
Production, million eggs	2,399	**2,625**	9%
Processing, million eggs	542	**560**	3%
Sales, million eggs	1,869	**2,106**	13%
Export, million eggs	558	**822**	47%
Average sales price, UAH/egg	1.17	**1.56**	33%
Average sales price, USD/egg	0.044	**0.057**	30%
DRY EGG PRODUCTS			
Production, tonnes	6,368	**6,482**	2%
Sales, tonnes	3,264	**11,114**	241%
Export, tonnes	2,561	**5,708**	123%
Average sales price, USD/kg	4.30	**3.51**	(18%)

FLOCK STRATEGICALLY REDISTRIBUTED TO ENHANCE REGIONAL PRESENCE AND IMPROVE SALES LOGISTICS

NEW LAYING FLOCK DEPLOYED TO FORMERLY SUSPENDED FARMS AS THEY REOPEN TO MEET NEW DEMAND

Under pressure from the rapidly contracting demand during 2014-2016, Avangardco IPL had to temporarily close down many of its farms. Almost the entire remaining flock was concentrated at the twin poultry complexes of Avis and Chornobaivske during those years.

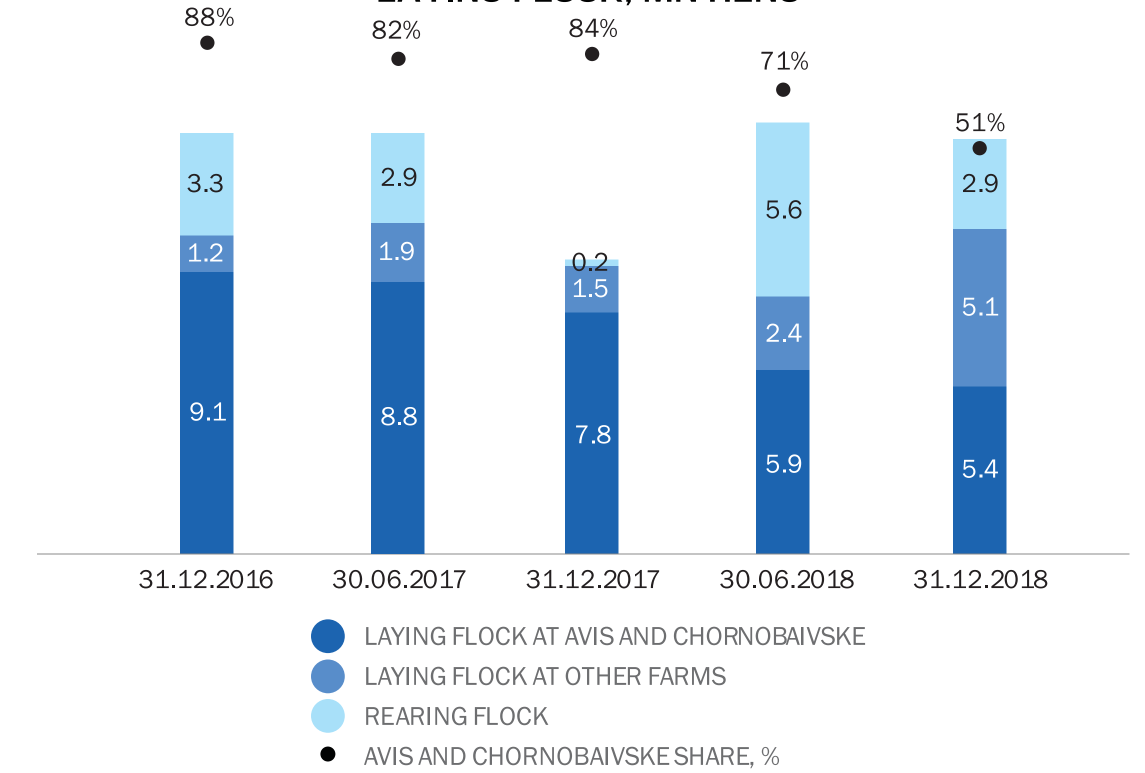
In 2018, as demand began to pick up, the company embarked on a new expansion plan marked by the reopening of several farms that were suspended during the crisis[1].

As a result of the move, the share of Avis and Chorbobaivske in the company's total flock dropped by nearly a third while the size of the total flock grew 41% over the year before.

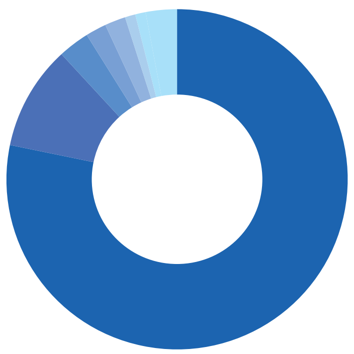
A more even distribution of capacity enhances regional coverage and enables the company to improve sales logistics by being closer to the customer, a crucial advantage for a company selling a product whose essential quality is freshness.

[1] In 2018, AVANGARDCO IPL also resumed operations and reinstated assets of the poultry farm Bakhmutska (Interbusiness) worth USD 1.8 million, which were impaired in 2014 due to the military conflict in Eastern Ukraine. The poultry farm Bakhmutska is located in the village of Berestove in the Ukrainian-controlled parts of Donetsk region. AVANGARDCO's production facilities in the occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and Donetsk and Luhansk regions remain suspended.

LAYING FLOCK, MN HENS

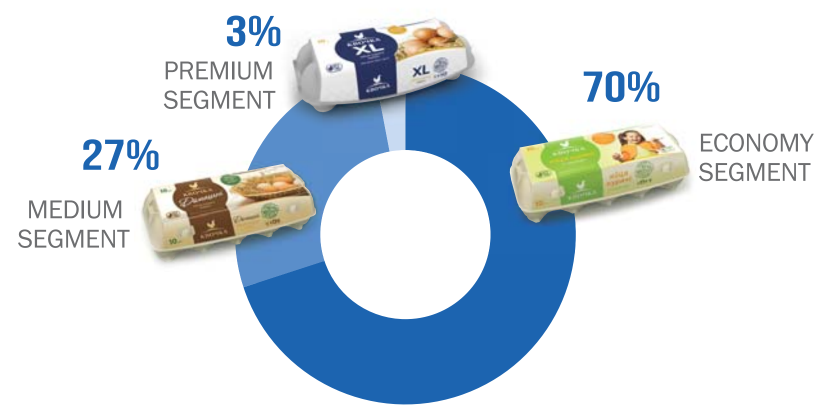


SALES OF KVOCHKA BRAND THROUGH THE KEY SUPERMARKET CHAINS BY VOLUME IN 2018, %



In 2018, the Company sold 241 million eggs under the Kvochka brand, up by 36% YoY

SALES OF KVOCHKA BRAND BY SUB-BRANDS BY VOLUME, %



OPERATIONS REVIEW | CONT.

SALES OF KVOCHKA-BRANDED EGGS EXPAND

BRANDED EGG SALES GROW THROUGH INNOVATIVE MARKETING

Brand awareness of the Kvochka family of egg brands keeps growing among Ukrainian consumers. In 2018, Kvochka sales reached a new record high growing 36% YOY to 241 million eggs.

Avangardco IPL has been making considerable efforts to increase its share of the segment by raising awareness of the high quality and safety of its products among customers, expanding its portfolio of retail egg brands and conducting innovative and effective marketing campaigns to promote sales.

EXPORT SALES SUPPORT RECOVERY

EXPORT-FOCUSED STRATEGY DELIVERS SOLID GROWTH WITH EXPORTS GENERATING 39% OF REVENUES

Under its new strategy adopted since the onset of the recent economic crisis, export sales have become the primary focus of company operations. Unaffected by the severe seasonality of the home market and depressed domestic egg consumption, immune to the volatility of Ukraine's national currency, export markets have played a vital role in keeping both the company and the entire egg-farming sector of Ukraine afloat by sustaining production and mitigating seasonal price fluctuations.

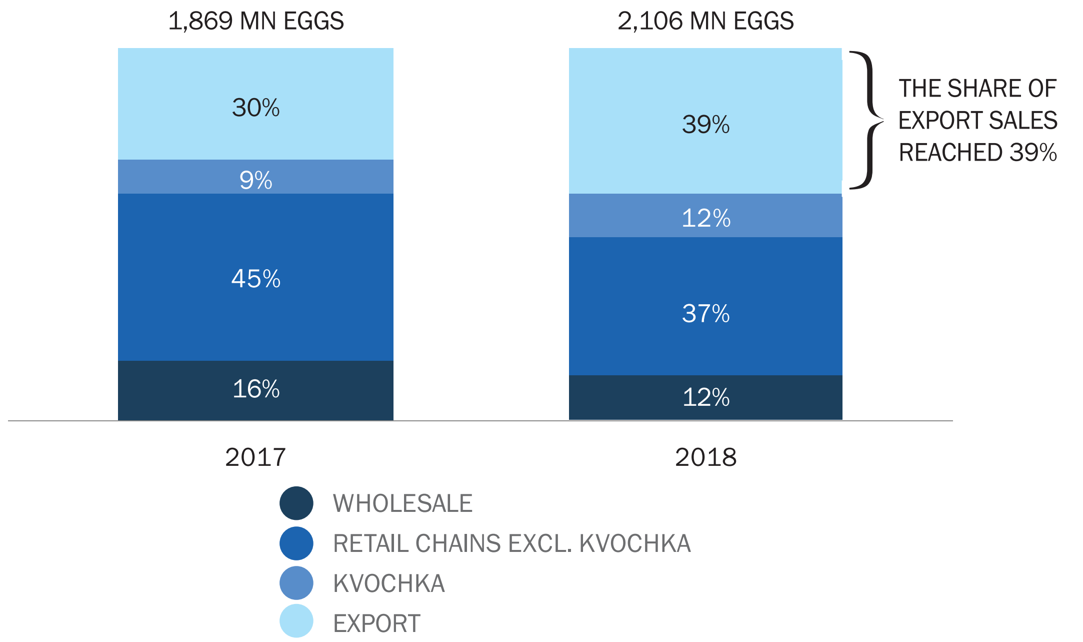
In 2018, the company's export revenues increased 74% YOY to USD 66.1 million, driven by increased export sales of both shell eggs and dry egg products and the higher export price for shell eggs. The share of export revenue in the consolidated revenue reached 39%

Exports of shell eggs grew 47% YOY to 822 million eggs benefiting from the greater diversification of its sales destinations and increased sales to the company's key markets: Iraq, the UAE, Qatar, Liberia, Turkey and Moldova. Another contributing factor is the growing recognition of Ukraine as a large and reliable supplier of high quality and safe shell eggs and egg products globally.

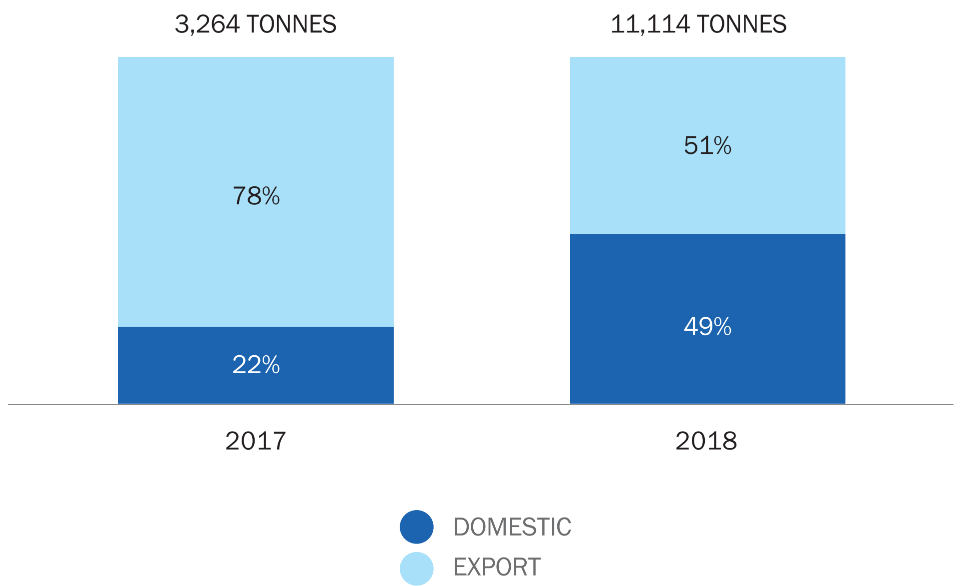
In 2018, export of dry egg products- rose 123% YOY to 5,708 tonnes as a result of resuming sales to the EU, the Far East and Middle East.

In 2018, the Company exported its products to 39 countries with its primary export markets being the Middle East, Africa, Asia, the Far East and the CIS. We also started exporting to the Gabonese Republic and India.

SHELL EGG SALES PROFILE BY VOLUME, %



EGG PRODUCT SALES PROFILE BY VOLUME, %



OPERATIONS REVIEW | CONT.

2018 EXPORT BY REGION, % OF EXPORT REVENUE

MENA[1] 56%

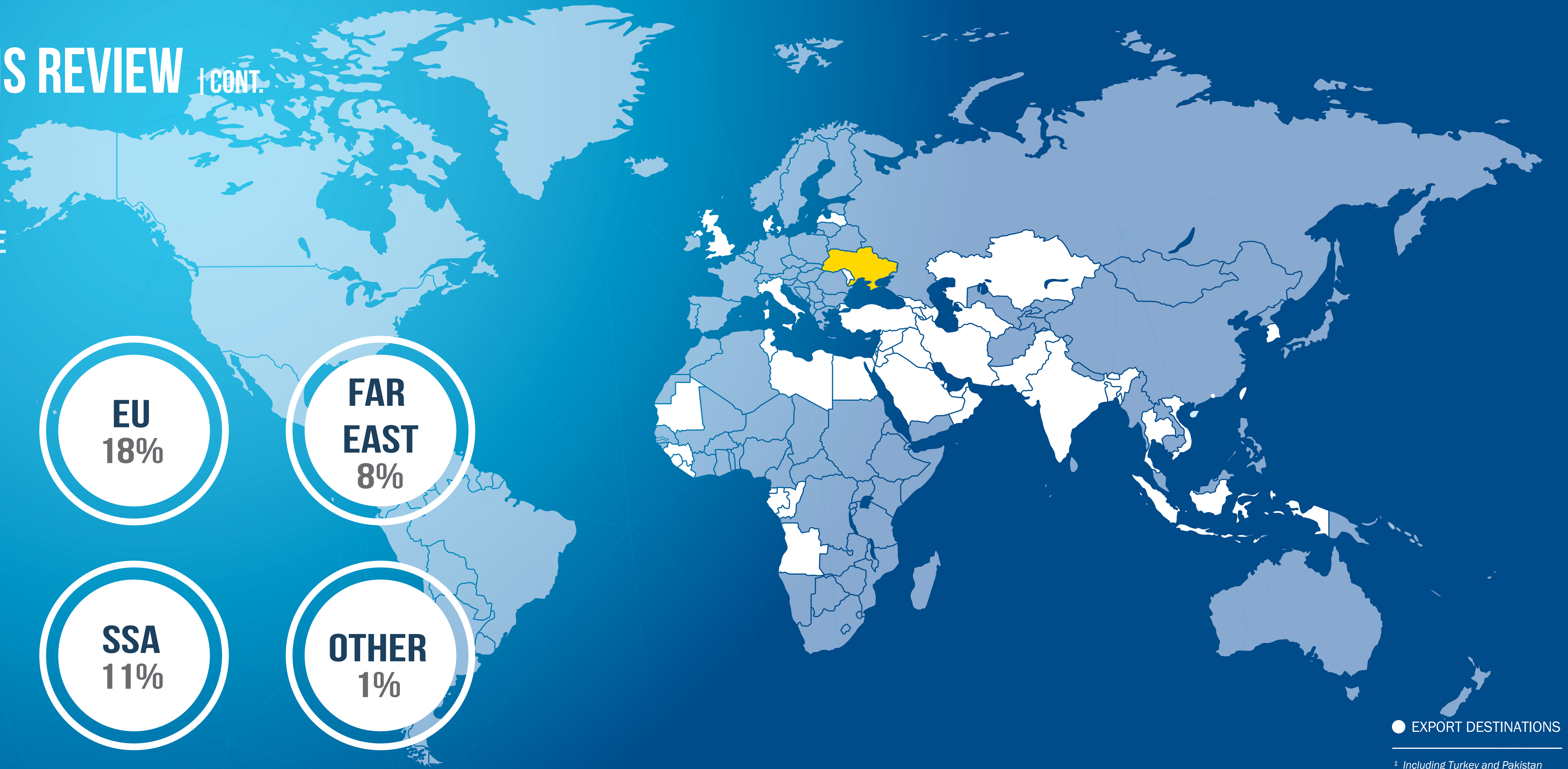
EU 18%

FAR EAST 8%

CIS 6%

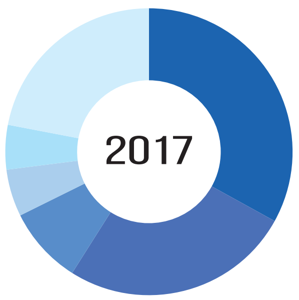
SSA 11%

OTHER 1%

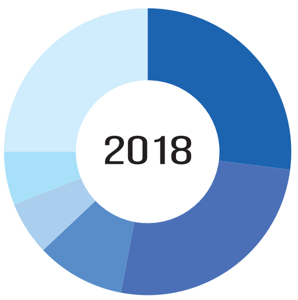


[1] Including Turkey and Pakistan

SHELL EGG EXPORT BY REGION. % OF EGG EXPORT REVENUE

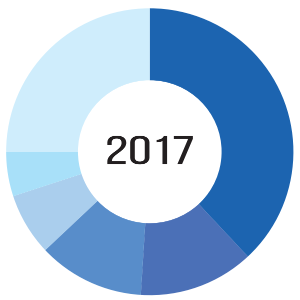


33%	IRAQ
26%	UAE
9%	MOLDOVA
5%	TURKEY
5%	LIBYA
22%	OTHER

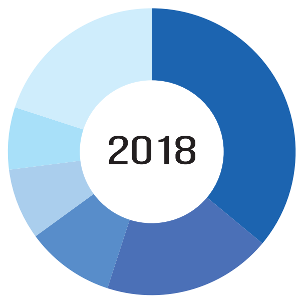


27%	IRAQ
26%	UAE
10%	QATAR
6%	MOLDOVA
6%	TURKEY
25%	OTHER

EGG PRODUCT EXPORT BY REGION. % OF EGG PRODUCT EXPORT REVENUE



38%	DENMARK
13%	PAKISTAN
12%	THAILAND
7%	INDONESIA
5%	EGYPT
25%	OTHER



36%	DENMARK
19%	ITALY
10%	INDONESIA
8%	PAKISTAN
7%	THAILAND
20%	OTHER

OPERATIONS REVIEW | CONT.

EGG PRODUCT SALES TRIPLE AS MARKETS REOPEN

AVANGARDCO IPL REGAINS ITS FOOTING IN EU MARKET BY RESUMING SALES TO DENMARK AND LAUNCHES LIQUID EGGS TO MEET EXPANDING HOME DEMAND

Following a period of decline, egg product sales rebounded with sales tripling in 2018 over the year before to 11,114 tonnes. This growth was driven by the continued acquisition of new markets and customers and resumed sales to key markets that had previously either imposed temporary bans or suspended imports for other reasons.

In 2018, Avangardco IPL introduced its high-quality and competitive dried egg products to a new market India.

After a temporary pause, sales resumed to the company's largest export market for dried egg products being that of the European Union. The company successfully resolved all contractual differences with its largest buyer of egg products, the Danish company Sanovo, a global leader in the processed egg market and a major gateway for our egg products to the markets of individual EU member states and beyond.

In 2018, the company also sold most of its inventories of dry egg products in the domestic market, which also contributed to the sales growth.

In 2018, Avangardco IPL introduced liquid egg products as well as egg products with additives (sugar, salt) to its egg product portfolio in order to acquire new customers. We commenced sales of liquid egg products in 2019.

POULTRY BECOMES AN EXPORTABLE COMMODITY

RETIRED LAYERS NOW SOLD AS MEAT TO FOREIGN MARKETS

The poultry segment has traditionally been more of a supporting segment for Avangardco IPL. The company did not view poultry as an export commodity until 2018, when we started receiving expressions of interest in buying the product from several foreign markets.

In 2018, we started exporting slaughtered layers as meat to several foreign markets, namely Azerbaijan, Liberia, Congo, Guinea, Angola and Ghana. Layer meat is lean, low-fat and has a high protein content.

Demand for layer meat is growing and we have plans to expand this segment into new country markets.

EXPORT DESTINATIONS

AVANGARDCO'S SHELL EGG EXPORT DESTINATIONS IN 2018

822

MN EGGS EXPORTED IN 2018

23

NUMBER OF EXPORT DESTINATIONS IN 2018

EXPORT DESTINATIONS | CONT.

AVANGARDCO'S DRY EGG PRODUCT EXPORT DESTINATIONS IN 2018

5,708

TONNES OF DRY EGG PRODUCTS EXPORTED IN 2018

20

NUMBER OF EXPORT DESTINATIONS IN 2018

FINANCIAL PERFORMANCE

SHELL EGG PRICES GROW ENCOURAGED BY EXPANDING EXPORTS WHILE EGG PRODUCT PRICING PERFORMACE REMAINS WEAK

PRICES OF SHELL EGGS INCREASE AS EXPORTS GROW WITH EGG PRODUCT SALES GROWING IN VOLUME BUT NOT IN PRICE WHILE KEY COST DRIVERS INCREASE CONSIDERABLY

In 2018, the price for shell eggs rose 33% YOY to UAH 1.56 per egg, excluding VAT (USD 0.057 per egg, excluding VAT) driven by favourable domestic market conditions and the absence of trade bans preventing export sales.

The average sales price for dry products decreased 18% YOY to USD 3.51 per kg as the company sold most of its inventories of dry egg products in the domestic market at lower prices.

	2017	2018	CHANGE, YOY%
Average shell egg sales price, UAH/10 eggs	11.7	**15.6**	33%
Cost of egg, UAH/10 eggs	12.5	**14.2**	14%
Average shell egg sales price, USD/10 eggs	0.44	**0.57**	30%
Cost of egg, USD/10 eggs	0.47	**0.52**	11%
Average egg product sales price, USD/kg	4.30	**3.51**	(18%)
Cost of egg product, USD/kg	4.33	**4.62**	7%

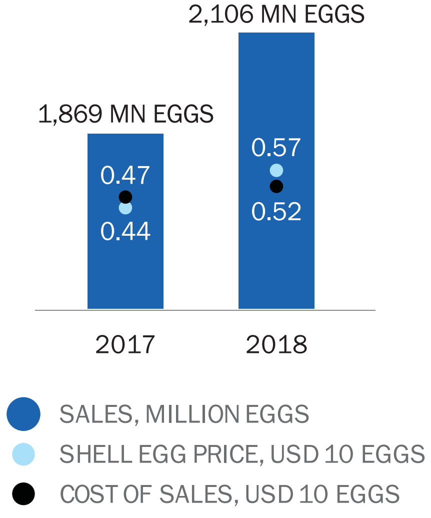
COST INFLATION CONTINUES TO DEPRESS PROFITABILITY

KEY COST DRIVERS INFLATE CONSIDERABLY REDUCING SALES MARGIN POTENTIAL

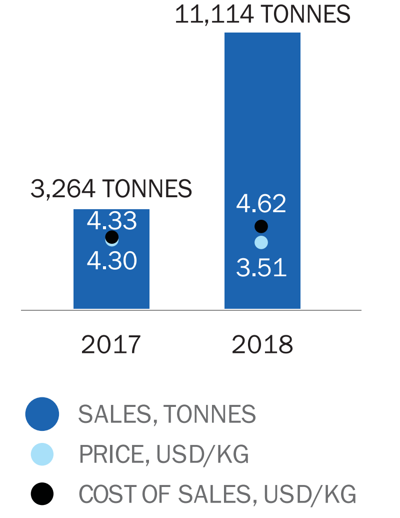
A YOY increase in the cost per egg was related to the increased domestic costs of key feed components (grain and oil crops) as well as increased costs of packaging materials associated with growing export sales and sales of the Kvochka packaged eggs.

In 2018, the cost of feed accounted for 71% of total shell egg cost of sales (2017: 67%). Cost per 1 kg of egg products in US dollar terms rose 7% YOY to USD 4.62 per kg dependent on cost per egg used for processing.

SHELL EGG SALES PRICE AND COST OF SALES DYNAMICS



EGG PRODUCT SALES PRICE AND COST OF SALES DYNAMICS



PRICES OF KEY FEED COMPONENTS IN UKRAINE, UAH TONNE NET OF VAT

FINANCIAL PERFORMANCE | CONT.

INCOME STATEMENT HIGHLIGHTS

GROSS PROFIT TURNS POSITIVE WITH NET EARNINGS STILL WEIGHED DOWN BY OVERHEAD EXPENSES AND INTEREST CHARGES

In 2018, the consolidated revenue increased by 33% YOY to USD 169.9 million.

The cost of sales rose 32% YOY to USD 178.0 million due to the increased sales and the higher costs of its main components (grain and oil crops, packaging materials).

The gross profit amounted to USD 1.7 million. Income from revaluation of biological assets at fair value of USD 9.8 million had a positive impact on the company's financial results.

The loss from operating activities totalled USD 15.9 million. In addition to the factors mentioned above, the loss was a result of the higher general, administrative and distribution expenses due to increased sales as well as no income from government grants and incentives in the reporting period (2017: USD 19.2 million).

Negative EBITDA was USD 0.9 million.

In 2018, the company's net loss amounted to USD 55.8 million.

INCOME STATEMENT HIGHLIGHTS, USD THOUSAND

	2017	2018	%
CONSILIDATED REVENUE	127,887	**169,878**	33%
GROSS PROFIT/(LOSS)	(10,137)	**1,675**	-
GROSS PROFIT MARGIN	-	**1%**	-
OPERATING LOSS	(3,792)	**(15,931)**	-
EBITDA	11,757	**(898)**	-
EBITDA MARGIN	9%	**-**	-
NET LOSS	(7,469)	**(55,794)**	-

REVENUE

CONSOLIDATED REVENUE ROSE 33% YOY TO USD 169.9 MILLION:

POSITIVE INFLUENCE:

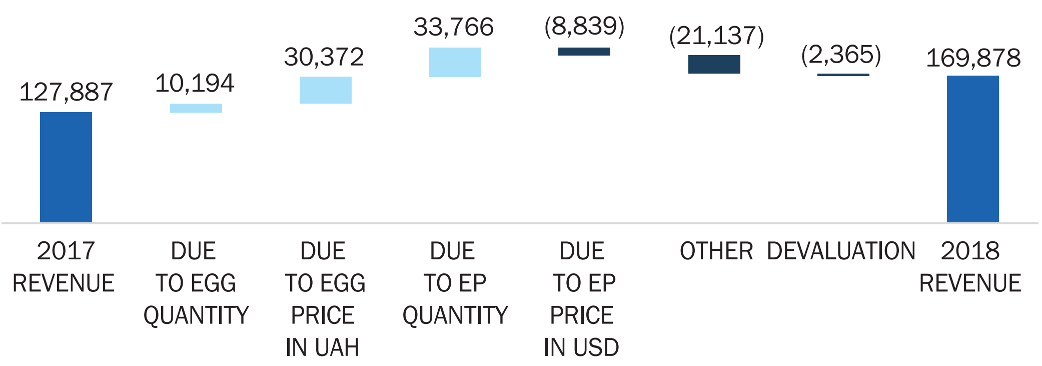
- 13% YOY increase in sales of shell eggs;
- 33% YOY surge in the average sales price for shell eggs in the Ukrainian Hryvnia;
- 241% YOY increase in dry egg product sales.

NEGATIVE INFLUENCE:

- 18% YOY decline in the average sales price of dry egg products in US dollar terms;
- Decreased revenue from the Other Activities Segment due to reduction of grain trading operations;
- 2% YOY* depreciation of the Ukrainian Hryvnia against the US dollar.

*Calculated at weighted average rate for the period.

REVENUE BRIDGE, USD THOUSAND



FINANCIAL PERFORMANCE | CONT.

EBITDA

NEGATIVE EBITDA OF USD 0.9 MILLION RESULTED FROM:

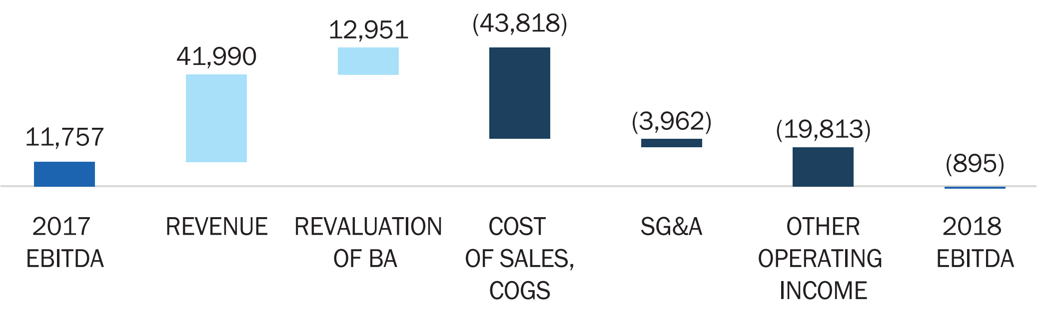
POSITIVE INFLUENCE:

- 33% YOY increase in consolidated revenue;
- Income from revaluation of biological assets at fair value of USD 9.8 million.

NEGATIVE INFLUENCE:

- Increase in the cost of sales by 32% YOY;
- Increase in SG&A expenses by 24% YOY due to higher sales as well as utility tariffs, transportation costs etc;
- Decrease in other operating income due to no income from government grants and incentives in the reporting period (2017: USD 19.2 million).

EBITDA BRIDGE, USD THOUSAND



KEY SEGMENT RESULTS

USD'000 (UNLESS OTHERWISE STATED)	SHELL EGGS			EGG PRODUCTS		
	2017	2018	%	2017	2018	%
REVENUE	82,125	**120,837**	47%	14,042	**38,970**	178%
EXPORT, % OF SALES	30%	**36%**	6 p.p.	88%	**55%**	(33 p.p.)
REVENUE, % OF TOTAL SALES	64%	**71%**	7 p.p.	11%	**23%**	12 p.p.
GROSS PROFIT/(LOSS)	(3,701)	**16,852**	-	(97)	**(12,418)**	-
GROSS PROFIT MARGIN, %	-	**14%**	-	-	**-**	-
OPERATING PROFIT/(LOSS)	6,783	**15,275**	-	2,426	**(22,525)**	-
OPERATING PROFIT MARGIN, %	8%	**13%**	5 p.p.	17%	**-**	-
NET PROFIT/(LOSS)	6,970	**15,177**	118%	914	**(28,738)**	-
NET PROFIT MARGIN, %	8%	**13%**	5 p.p.	7%	**-**	-

- Sales of shell eggs and dry egg products generated 94% of consolidated revenue.

SHELL EGG SEGMENT:

- Shell Egg segment's revenue increased by 47% YOY to USD 120.8 million as a result of the increased export sales and an increase in the average sales price.
- Gross profit amounted to USD 16.9 million.
- The segment's net profit totaled USD 15.2 million.

EGG PRODUCTS SEGMENT:

- The segment's revenue was up by 178% YOY to USD 39.0 million due to the increased sales.
- Gross loss was USD 12.4 million as the average sales price of 1 kg of egg product was lower than the cost of sales.
- The segment's loss amounted to USD 28.7 million.

FINANCIAL PERFORMANCE | CONT.

KEY SEGMENT RESULTS | CONT.

POULTRY SEGMENT:

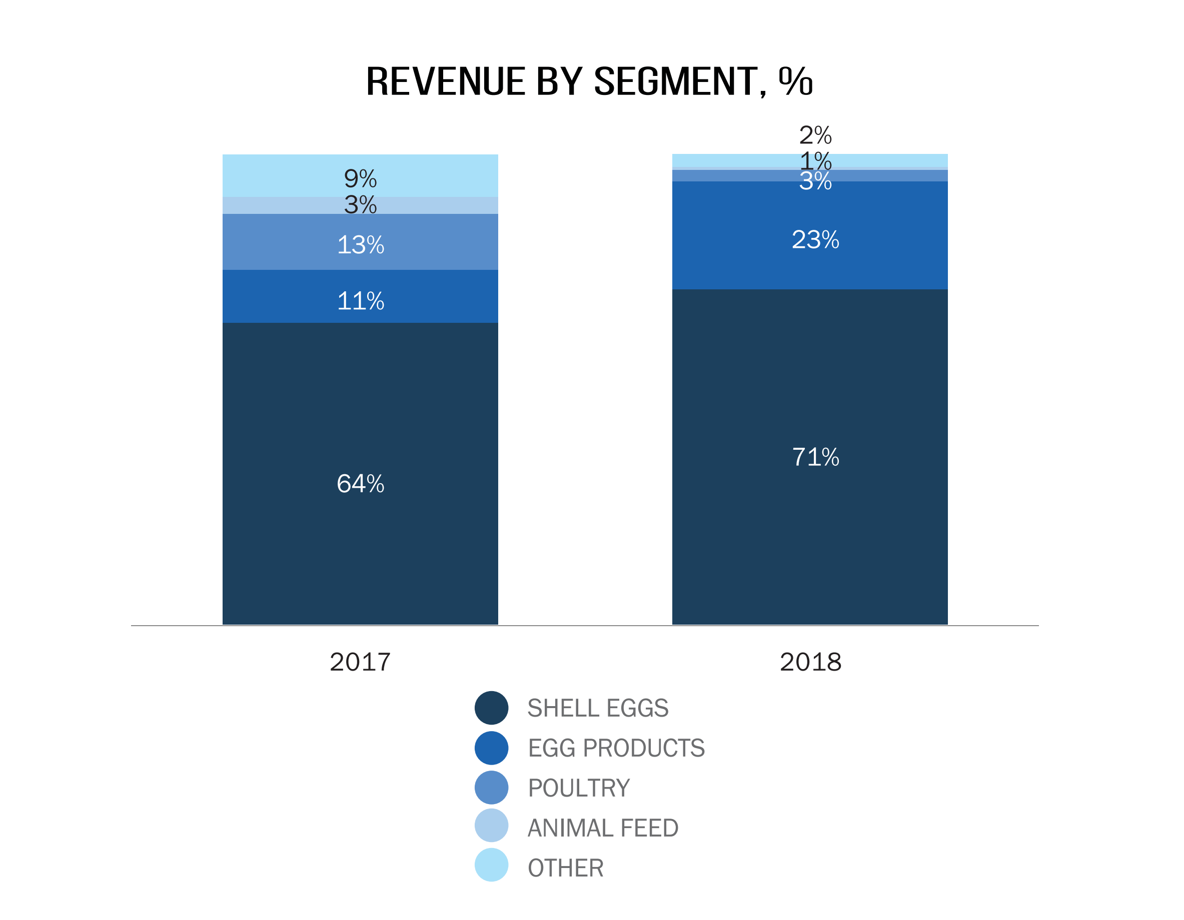
- The segment's revenue fell by 72% YOY to USD 4.8 million. The poultry sales in 2017 were higher due to extensive flock replenishment which was not the case in 2018.
- In 2018, the company started exporting slaughtered laying hens to foreign markets.

ANIMAL FEED SEGMENT:

- The segment's revenue fell by 65% YOY to USD 1.2 million.

OTHER ACTIVITIES SEGMENT:

- The segment's revenue fell by 64% YOY to USD 4.1 million following a reduction in grain trading operations.



FINANCIAL PERFORMANCE | CONT.

WORKING CAPITAL SITUATION IMPROVES AS NET CASH GENERATED IN 2018 TURNS POSITIVE

CASH FLOW STATEMENT HIGHLIGHTS, USD THOUSAND

	2017	2018
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,357	17,443
PURCHASES OF PP&E	(1,585)	(15,022)
INTEREST RECEIVED	1,032	637
NET CASH USED IN INVESTING ACTIVITIES	(553)	(14,385)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,804	3,057
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	18,242	20,304

CASH FROM OPERATIONS IMPROVES WHILE INVESTING CASH OUTFLOWS INCREASE AS MAINTENANCE CAPEX GROWS

As at 31 December 2018, net cash generated from operating activities amounted to USD 17.4 million. Increase in cash generated from operations was largely due to sales of dry egg product inventories.

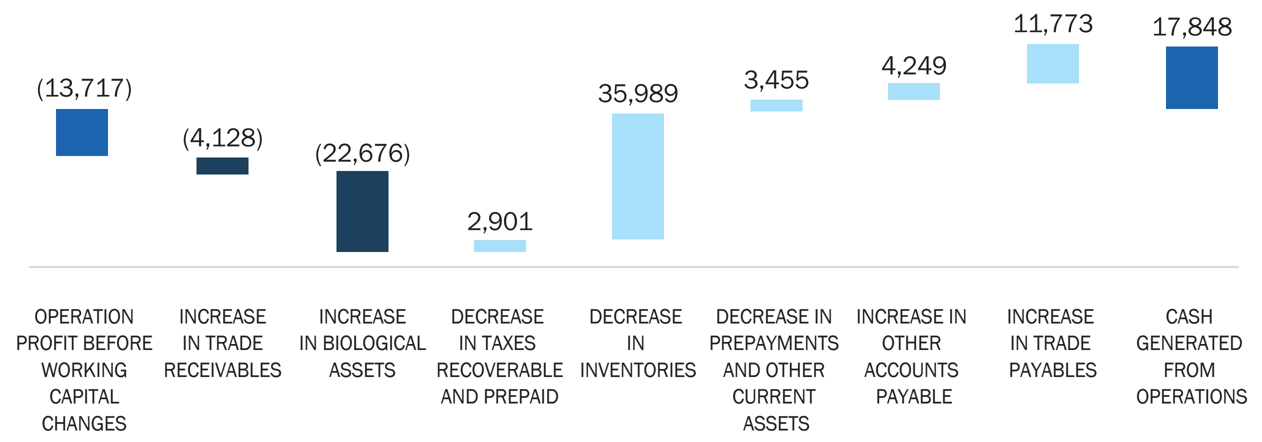
Net cash used in investing activities increased reaching USD 14.4 million driven by the recommissioning of several poultry farms previously suspended due to demand contraction.

In the reporting period, there was no cash used/generated from financing activities.

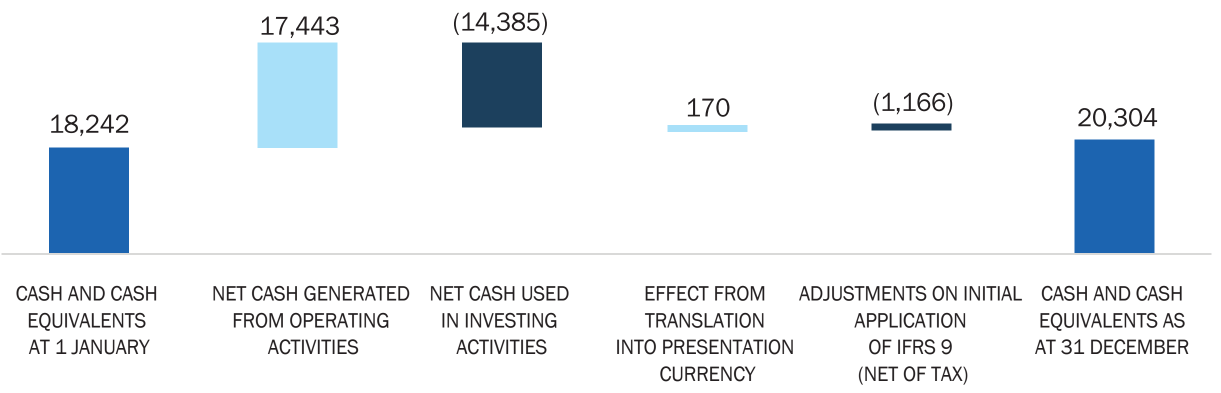
Net cash inflow amounted to USD 3.1 million.

Cash and cash equivalents amounted to USD 20.3 million.

OPERATING PROFIT BEFORE NET WORKING CAPITAL CHANGES, USD THOUSAND



CASH FLOW, USD THOUSAND



FINANCIAL PERFORMANCE | CONT.

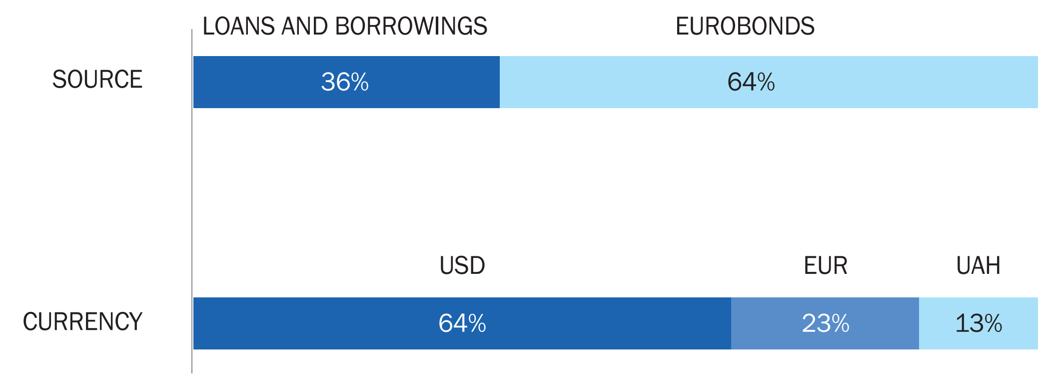
DEBT STRUCTURE

DEBT STRUCTURE, USD THOUSAND

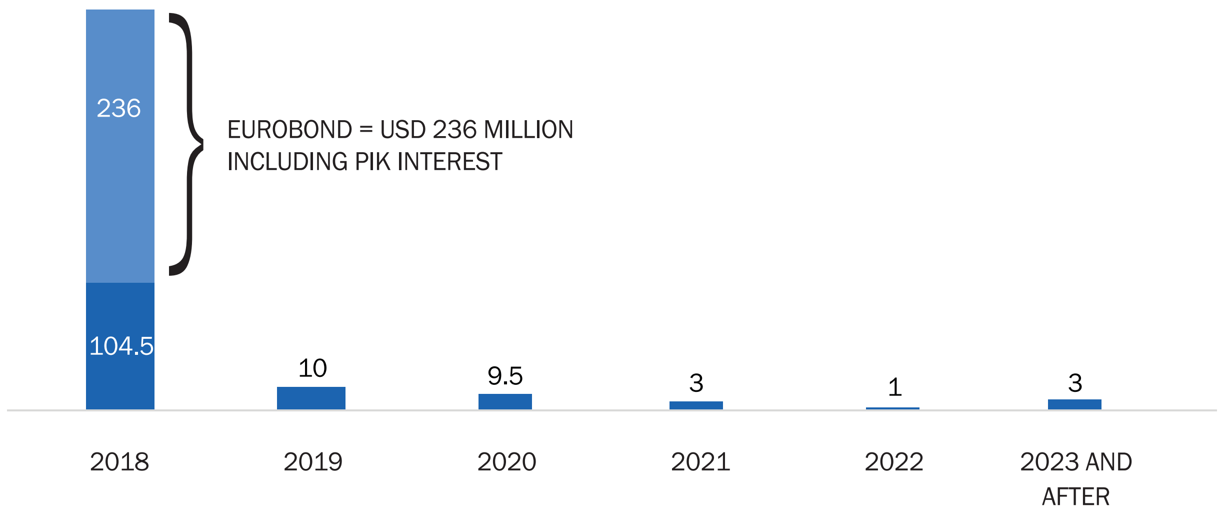
	31.12.2017	31.12.2018
TOTAL DEBT	336,035	**367,427**
LONG-TERM LOANS	42,750	**320**
CURRENT PORTION OF LONG-TERM DEBT	91,673	**131,218**
BOND LIABILITY	231,612	**235,889**
CASH AND CASH EQUIVALENTS	18,242	**20,305**
NET DEBT	347,793	**347,122**

- Total debt was USD 367.4 million as a result of PIK payment accumulation.
- Net debt was USD 347.1 million.
- The debt portfolio mainly consists of Eurobonds that represent 64% of total debt.
- 87% of total debt is USD and EUR denominated.
- In February 2019, AVANGARDCO IPL completed its debt restructuring with Oschadbank, Ukraine's State Savings Bank, following negotiations that had lasted almost a year. As a result of the restructuring deal, debt maturity was extended to 2032. The parties have also agreed to significantly lower interest rate and shift a major part of debt repayment to the second half of repayment period.
- Avangardco IPL continues to be in discussions with various creditor groups, including an ad-hoc committee of bondholders, to agree the terms of a holistic restructuring of its indebtedness.
- Based on the financial analysis performed by the Big 4 firm that advised on the Oschadbank deal, restructuring of other indebtedness should necessarily feature a 70% haircut of the company's initial debt, which appears crucial to maintaining the company's operational and financial stability.

TOTAL DEBT STRUCTURE AS AT THE PERIOD END, %



LOAN PORTFOLIO SERVICING SCHEDULE, USD MN*



** Excluding interest*

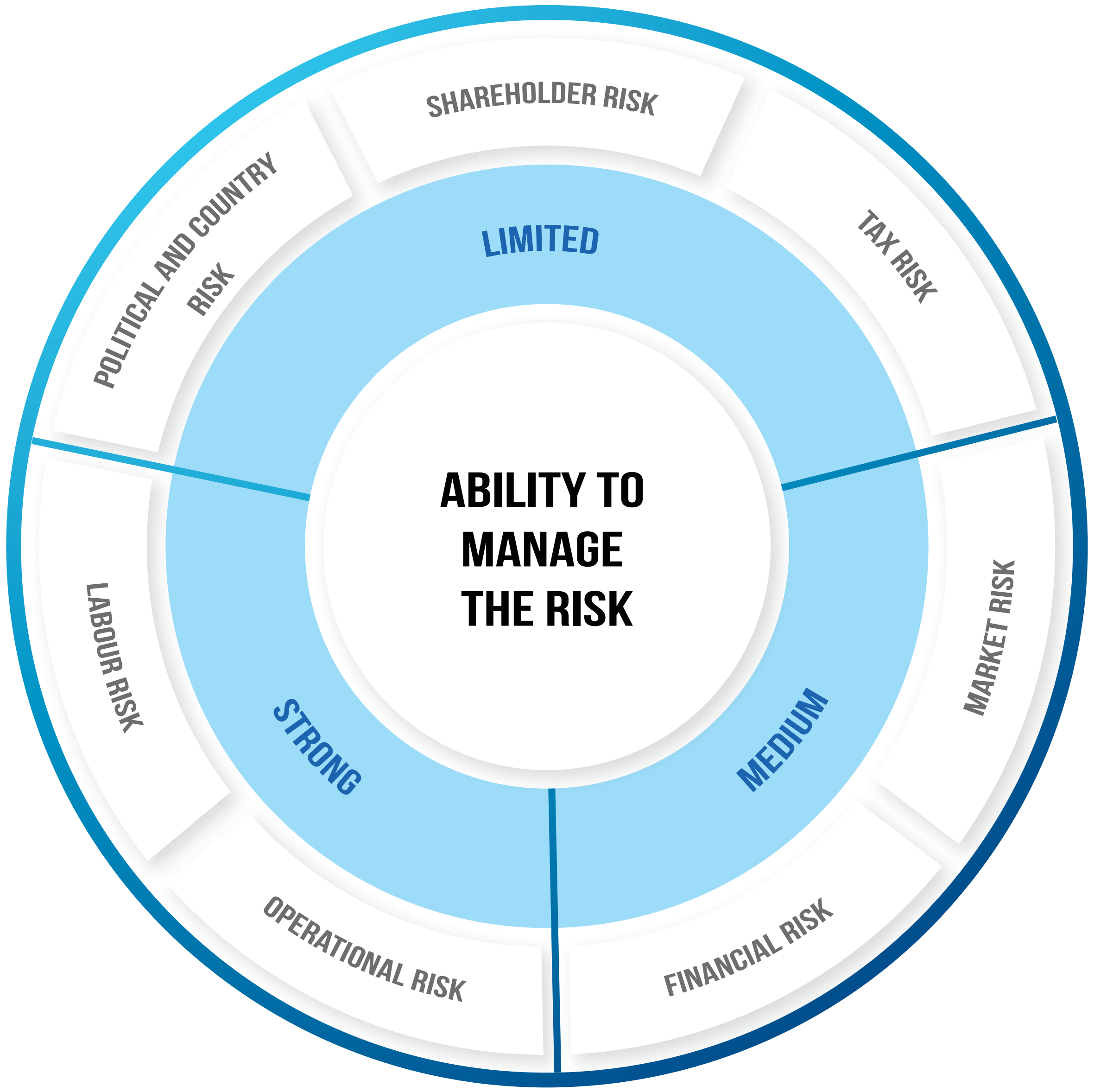
RISK MANAGEMENT

The economic recession triggered by the annexation of Crimea and effective occupation of parts of Donetsk and Lugansk Provinces has significantly increased most of the risks affecting our company's operations.

At the same, by 2018 most risks had already manifested themselves while organisations had largely thought of ways to adapt to the new and riskier environment or come up with strategies to mitigate their risk exposures.

While companies normally cannot control political or sovereign risk they can use mitigants to contain their exposure to market, financial and operational risk. Admittedly, Ukraine is now considered a country with a high level of country risk over the continued military conflict in Eastern Ukraine and annexation of Crimea. And this is a risk we can hardly do much about, apart from doing our best to help our country recover.

Avangardco IPL has put in place a comprehensive risk management framework that enables us to identify, measure and effectively mitigate most risks, except those that are outside our control.



POLITICAL AND COUNTRY RISKS

Ukraine remains a country with high political and economic risks. The deterioration of the political and economic situation and the devaluation of the national currency against other world currencies have impaired the country's ability to honour its external obligations. In the context of the continued political instability, political risk is one of the primary risk types.

The company operates in Ukraine, therefore the company's assets and operational activities are subject to risk in case of unfavourable changes in the political and economic situation in the country. The political crisis that started in 2014 spilt over into 2015 and continued into 2016. Many of its manifestations took shape in 2017 and have continued in place until the present.

Foreign direct investments dropped to an all-time low undermining currency stability further and exposing gross imbalances in Ukraine's balance of payments that FDIs traditionally helped offset in the past. As private capital inflows dried up donor investors remained the only source of foreign currency influx into the country other than the dwindling exports. The IMF and other donors, however, have not been quick to release funds because their programmes require that Ukraine meet certain prerequisites, i.e. implement deep and comprehensive reforms. However, the military conflict in Eastern Ukraine remains a significant destabilizing factor.

MARKET RISK: MANIFESTATION AND MITIGATION

Market risk has hit us hard from all sides:

- Seasonal demand fluctuations have grown more extreme as households faced with income loss increasingly switch to producing eggs within the household during the warm months of the year when homebred hens lay eggs forcing the price below break- even for industrial producers. The 2017 price differential between July and December has been the largest in history (143% vs. a low of just 15% in 2013), which serves as strong evidence that decline in industrial egg production and increase in the collective market share of individual households harms the market as a whole;
- Cost of production has inflated as the price of forage grain being a global exchange-traded commodity adjust for devaluation.

We have responded to it by:

- Increasing export sales to address a weaker demand in the home market and alleviate seasonal price fluctuations. Thus, in 2018, domestic market price rebalanced as increased export sales helped to avoid significant seasonal price drops.
- Reducing costs where possible, in part, by concentrating a considerable proportion of laying hens at our highly efficient and cost-effective poultry complexes of Avis and Chornonaivske.

RISK MANAGEMENT | CONT.

OPERATIONAL RISK: MANIFESTATION AND MITIGATION

In the past five years, the company's risk management system has been put to the test, especially on the operational side. To operate any kind of enterprise in a country affected by foreign military aggression is a challenge for most organisations, let alone one whose business involves farming animals.

Operationally, a modern industrial egg farm is a very complex enterprise with multiple inputs, outputs and processes, most of which pose an operational risk. What is more, most of the inputs, the core manufacturing assets (laying hens) and the outputs are exposed to biological hazards. Feed, hens and eggs are potentially susceptible to disease. The core manufacturing assets are routinely retired upon reaching maximum laying age and replaced with young laying hens.

Eggs are also perishable and must be stored in refrigerated conditions.

All these vulnerabilities need particularly strong defences to prevent the related operational risks from ever materialising.

We strongly rely on our rigorous decontamination practices, regular flock vaccinations and other routine controls for protection against biological hazards by enforcing some of the world's most rigorous biosecurity standards both on our farms, at our hatcheries, feed mills and egg processing plant and in transit as we move inputs, hens and outputs from site to site.

Our biosecurity framework is very finely balanced and fine-tuned to run like clockwork. We know how to operate it in a stable and peaceful environment, we also know how to work it in critical situations.

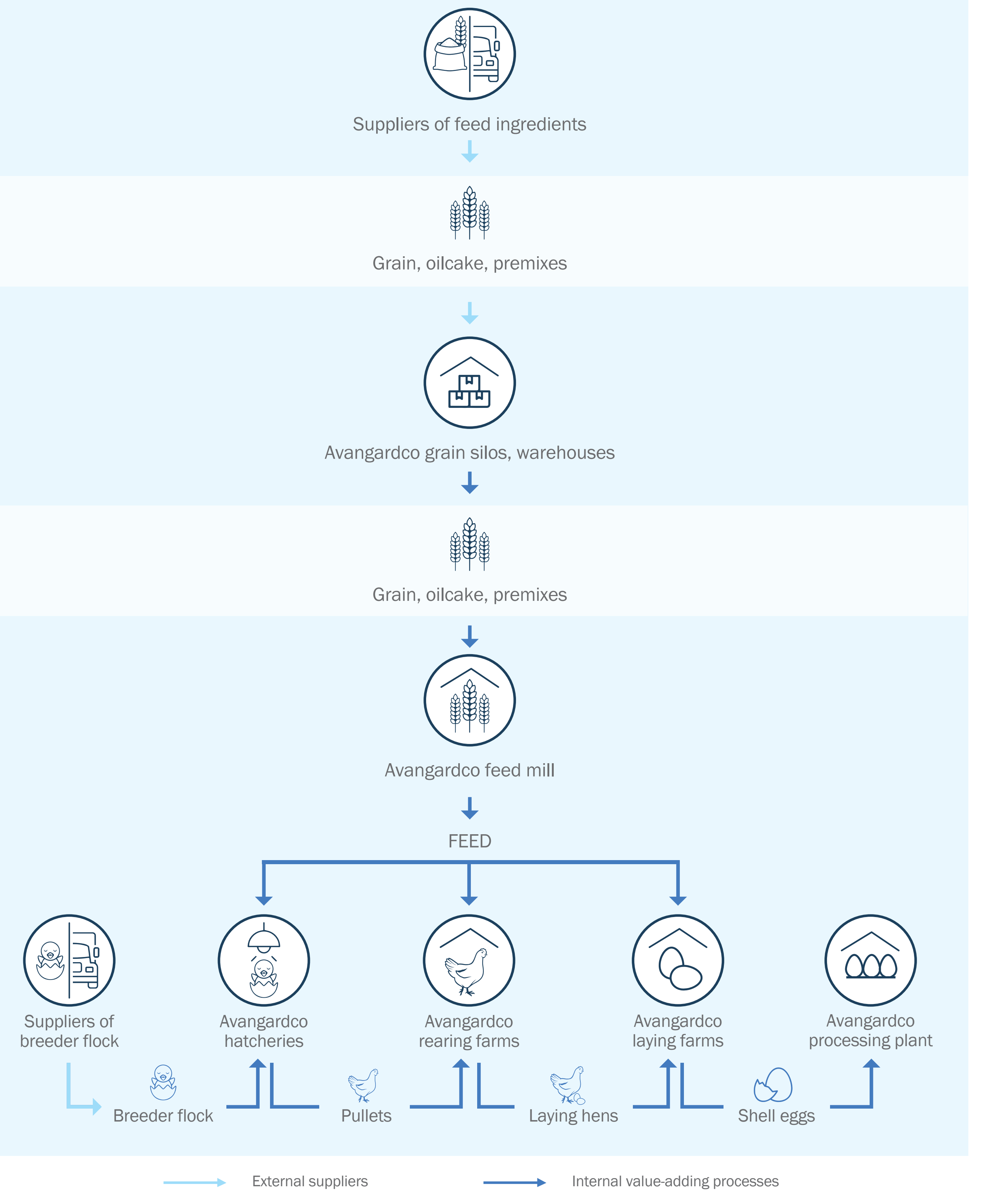
But, unfortunately, when a military conflict erupts in your country, when company assets get raided or taken over by armed terrorists it becomes impossible to operate them, ensure seamless supply of inputs and execute rigorous bio-security controls. It is for this reason that we have had to shut down our assets both in the conflict zone and around it[1].

On top of protecting us from biological hazards our bio-security framework supports a very important characteristic of our quality management system certified to ISO 9001:2015, which is traceability. Traceability is highly valued by our customers, especially EU buyers of our dry egg products.

Our biosecurity defences were put to the real test in 2016 when outbreaks of avian influenza hit several regions of Ukraine including those where some of Avangardco's assets are located causing Ukraine's key importing countries to impose temporary bans on poultry imports from the affected regions of Ukraine or the whole country, including eggs. However, our solid biosecurity defences proved to be strong and none of our facilities was affected with avian influenza.

[1] *In 2018, the company reopened its enterprises located around the conflict zone, whilst all the enterprises in the occupied territories remain suspended.*

AVANGARDCO'S TRACEABILITY OF DRY EGG PRODUCTS



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RISK MANAGEMENT | CONT.

FINANCIAL RISK: MANIFESTATION AND MITIGATION

The company is not a financial institution and it uses financial tools as needed, to finance its operations rather than generate financial gains. Management takes all the necessary steps to ensure the company's stability in the current market conditions.

Manifestations:

- The national currency of Ukraine has devalued three times since the onset of the crisis in 2014. Apart from a substantial translation effect from local currency denominated items the threefold devaluation has resulted in a commensurate hike in the price of animal feed being the company's largest cost component because feed is made from grain and grain is a global exchange traded commodity whose price adjusts to its hard currency value almost immediately regardless of the depth of devaluation of a given national currency;
- Liquidity declined due to loss of assets and sales markets in Crimea and Eastern Ukraine as well as cost inflation constraining the company's ability to service and repay its debt.
- 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.

We have responded to those challenges by:

- Approaching our lenders, including Eurobond holders with a request to restructure the company's indebtedness;
- Bringing our foreign-currency outlays to a minimum, cutting back on any foreign - currency-denominated expenditures and hoarding foreign currency proceeds from exports to naturally hedge our hard- currency obligations.

RISK MANAGEMENT | CONT.

AVANGARDCO'S RISK MANAGEMENT MATRIX

RISK	IMPACT	PREVENTION OR MITIGATION MEASURES
POLITICAL RISK: ABILITY TO MITIGATE - LIMITED		
Loss of the country's territorial integrity	The loss of territories where Avangardco's assets are located may continue to force the company to suspend operations and close its farms, which could lead to significant material losses.	Suspend operations, evacuate movable assets.
Loss of assets	Unlawful seizure of private assets could cause material financial damage.	Pursue legal action and other avenues of asset recovery.
Risk of sovereign default	Sovereign default may limit Avangardco's ability to raise new debt.	Renegotiate debt maturities with lenders.
MARKET RISK: ABILITY TO MITIGATE - MEDIUM		
Seasonal demand fluctuations and egg production by households	Demand for eggs in Ukraine is subject to seasonal fluctuations. Households are active on the market in the spring and summer seasons; consequently, consumption of industrially produced eggs decreases during these periods. As eggs are a perishable product with a shelf life of up to 28 days, a drop in egg sales below production volume may cause losses.	Increase the share of shell egg output processed into egg powder, increase exports, use long-term egg storage facilities.
Decreasing demand for products and a decline in sales	Inability to sell eggs and egg products may lead to financial losses.	Downscale to match new demand level.
Cost increases	Feed prices are volatile; in Ukraine they depend on world market trends.	Reduce costs where possible, concentrate production at the most cost-effective enterprises, search for and lock in the best deals to buy inputs.
Counterparty risks	The instability of company contractors and key clients, including their inability to meet their contractual obligations in a timely manner, may lead to a decrease in sales volumes or financial losses and negatively impact future financial results.	In our case, the best mitigant against counterparty risk is our strategy to promote sales through Ukraine's top retail chains.
OPERATIONAL RISK: ABILITY TO MITIGATE - STRONG		
Disease outbreak among poultry population	Disease may cause material damage to the company's business.	The company has strict biosecurity measures in place and strictly controls access to its facilities.
Product contamination	In case of product contamination, the company may have to face product recalls and demands for compensation payments.	We work proactively to prevent any contamination from ever occurring.

RISK	IMPACT	PREVENTION OR MITIGATION MEASURES
FINANCIAL RISK: ABILITY TO MITIGATE - MEDIUM		
National currency devaluation	Devaluation of the Ukrainian hryvnia against other world currencies has a negative impact on the company's financial results in US dollar terms, and also increases the cost of servicing debts denominated in foreign currency.	Increase exports, convert FX- denominated debt to local currency where possible.
Interest rate changes	Possible fluctuations in the cost of financial instruments as a result of interest rate changes.	In order to minimise the risk of interest rate growth, in current economic conditions the company prefers to borrow at fixed interest rates. The cost of floating-rate loans is tied to EURIBOR. The company regularly analyses the sensitivity of key financial indicators to LIBOR and EURIBOR fluctuations.
Liquidity risk	Liquidity risk lies in the inability of the company to meet financial obligations.	Request longer trade credit from suppliers, offer customers incentives for paying early, renegotiate debt maturities with lenders.
SHAREHOLDER RISK: ABILITY TO MITIGATE - LIMITED		
Risks related to the majority shareholder	The majority shareholder in Avangardco also owns several other companies in the food, transport, real estate and financial industries. Deterioration of performance indicators of these companies may cause a negative perception of the company by external audiences.	Avangardco continues to operate as a separate legal entity with its own treasury. The company follows best disclosure practices and limits transactions with related parties, as confirmed by KPMG audits.
LABOUR RISK: ABILITY TO MITIGATE - STRONG		
Strikes	Suspension of production due to strikes may lead to significant losses.	Avangardco employees are not unionized; all facilities operate under collective labour agreements. Avangardco creates favorable working conditions for its employees; salaries exceed the national average.
Employee turnover	The loss of qualified employees will delay the execution of the company's strategic plans.	Staff turnover among key employees is low. Avangardco offers opportunities for professional development and invests in staff development programmes.
TAX RISK: ABILITY TO MITIGATE - LIMITED		
Changes in the tax system of Ukraine	Non-compliance with laws and regulations may lead to significant fines and penalties. Changes in tax treatment of the industry may increase tax pressure on the company.	Comply with applicable tax regulations, practise legitimate tax avoidance where possible.

CORPORATE SOCIAL RESPONSIBILITY

MATERIALITY STATEMENT

Avangardco IPL is a proud and committed corporate citizen. Our corporate social responsibility is diverse and increasingly important for the company's success. As a large corporation, Avangardco IPL exerts a substantial impact on the environment, which it mitigates effectively using international best practices. The company employs thousands of employees, who all receive decent pay, fringe benefits and extensive development opportunities. The company professes zero tolerance to corruption and discrimination on any grounds whatsoever, be it race, gender, ethnic background or religion. This is best exemplified by the diversity of our Board of Directors and the fact that the company is run and led by one of the country's youngest, ablest and, yes, toughest female chief executives. What follows is Avangarco IPL's Corporate Social Responsibility Report under EU Council Directive 2014/95/EU. It includes all the required topics except Human Rights, which is immaterial and Diversity of Board of Directors disclosed under Human Capital.

CORPORATE SOCIAL RESPONSIBILITY | CONT.

HUMAN CAPITAL

AVANGARDCO IPL: EMPLOYER OF CHOICE

Avangardco IPL considers human capital to be one of its most valuable assets, just as important to its success as are its biological and material assets, if not more important. We are committed to maintaining a safe and comfortable work environment for our employees while providing extensive professional development opportunities and promoting a healthy work-life balance.

MERIT-BASED SELECTION & PROMOTION

When hiring, Avangardco IPL selects the best talent by advertising vacancies to the widest audience of qualified candidates. Selection is solely merit-based, it involves rigorous testing and screening of pre-qualified candidates.

OUR SELECTION PROCESS

STAGE	DESCRIPTION	OUTCOME	RESPONSIBLE DEPARTMENT
Needs assessed	HR assesses personnel needs by surveying key business and supporting departments on a regular basis	Vacancies identified	HR
TORs formulated	HR formulates terms of reference for each vacancy together with responsible business departments	TORs formulated for open vacancies	HR together with responsible business departments
Vacancies advertised	HR places ads independently and/or through job-search websites	Vacancies advertised online on job-search websites	HR
Applications come in from candidates	Applicants file their resumes with HR	CVs from candidates processed	HR together with responsible business departments
Resumes reviewed, candidates short-listed	Resumes thoroughly reviewed, top candidates short-listed	A short list of top candidates	HR, business department, management
Short-listed candidates interviewed	Candidates are interviewed by HR, business department	Best candidates picked for final selection	Responsible departments, management
Candidates screened/ tested additionally	Candidates are screened and/ or tested with background checks conducted where appropriate	Cream of the cream selected, fit and proper, and meeting top requirements	HR, responsible departments, corporate security (background checks), management
Vacancy awarded to the best candidate	Normally, the responsible business department makes the last call	Top candidate hired	Responsible business department, management

After the top candidate has been hired, he or she undergoes adaptation in the workplace, which includes:

- provision of all necessary resources for work (desktop/PC and other equipment, places for document storage, etc.);
- getting familiar with:
  - the company's structure;
  - functions and objectives of the department and interactions between the company's divisions;
  - with official duties;
  - with colleagues.

Promotions are handled with the same rigour as initial appointments and are fully merit-based. Whenever a promotion opportunity opens up, candidates are selected, tested and screened with the same stringency as during initial selection.

Importantly, promotion opportunities may be advertised both within the organisation and publicly. Employees appreciate the unbiased nature of the company's promotion policy, under which career advancement is based on merit and merit only.

PERFORMANCE-DRIVEN COMPENSATION

Avangardco IPL appreciates and rewards high performance. In addition to base salary, personnel are compensated for achieving their key performance indicators (KPIs).

As per the company's compensation policy, employees are additionally compensated for working on national holidays and labour-intensive activities.

The company also uses a very peculiar type of compensation, unique for the egg-farming industry and closely linked to biological security. Farm personnel are banned from keeping poultry at home to prevent any contamination from homebred hens to the company's flock. It is traditional to breed a hen or two at home but our farm operators may not do that, for which they are compensated additionally, usually in kind.

EXAMPLES OF KPIs AT VARIOUS LEVELS

LEVEL OF EMPLOYEE	EXAMPLES OF KPLs
Holdco level (junior, middle, senior)	Sales, earnings, production, exports, etc.
Farm level	Lay, flock survival, biosecurity, waste disposal, compliance, etc.

CORPORATE SOCIAL RESPONSIBILITY | CONT.

HUMAN CAPITAL | CONT.

JOB SECURITY AND FRINGE BENEFITS

The company treats its personnel as family. On top of what's required by law in terms of job security, e.g. sick leaves, maternity leaves, Avangardco IPL is always ready to go the extra mile and support its employees when they need it.

The company is there for its employees in times of joy and in times of sorrow. We have a good tradition of paying small bonuses on such occasions as anniversaries. We also help our employees when they have a bereavement in the family.

Employees receive various fringe benefits depending on their role in the company, which on top of special bonuses and extra leave time, may include a company car, petrol and maintenance, rent, mobile service, transport service for workers who live far from production facilities.

The company provides its employees with the following types of extra leaves:


MATERNITY LEAVE


CHILDCARE LEAVE


ADDITIONAL LEAVE FOR EMPLOYEES WITH CHILDREN


STUDY LEAVE


ADDITIONAL LEAVE FOR VETERANS


OTHER TYPES OF LEAVE BY LAW

STRONGLY COMMITTED TO EQUALITY AND DIVERSITY

As a progressive and socially responsible business corporation, Avangardco IPL has zero tolerance to discrimination on any grounds, be it age, race, gender, religion, political affiliation or whatever it might be. The company embraces diversity and ensures fair and equitable treatment of every individual that works for it and their families.

The company's team is evenly balanced by age and gender. Furthermore, unlike most employers in Ukraine, Avangardco IPL is prepared to hire people with disabilities, people nearing retirement age and most recently – refugees from the conflict zone, aka Internally Displaced Persons (IDPs).

OUR DIVERSE AND BALANCED TEAM

	2017	2018
Age		
Under 30	432	577
30-50	1,139	1,992
Over 50	728	1,284
Gender		
Women	1,133	1,864
Men	1,166	1,989
Level		
Management	256	388
Specialists	371	502
Workers	1,672	2,963
Type		
Full-time	2,299	3,853
Part-time	-	-
Total staff at year-end	2,299	3,583

Without a doubt, the epitome of the company's adherence to gender equality is the composition of its Board of Directors, of which 50% of members are women. To top it all, the company is run by a female Chief Executive Officer, Ms. Nataliya Vasylyuk.

HUMAN CAPITAL DEVELOPMENT

Avangardco IPL adheres to the highest standards of human capital development by providing its employees with extensive and versatile training opportunities. Training modalities vary and may include both on-the-job and off-the-job training options.

The company's human capital development policy includes both induction training and ongoing professional development.

The qualification requirements of the company's employees are stated in their TORs. Heads of departments are further responsible for their employees' development, which is determined by:

- innovations;
- changes in legislation;
- introduction of new IT products;
- the need to improve employees' qualifications.

The company has developed standard training programmes for a broad range of professions used in its core and supporting activities.

CORPORATE SOCIAL RESPONSIBILITY | CONT.

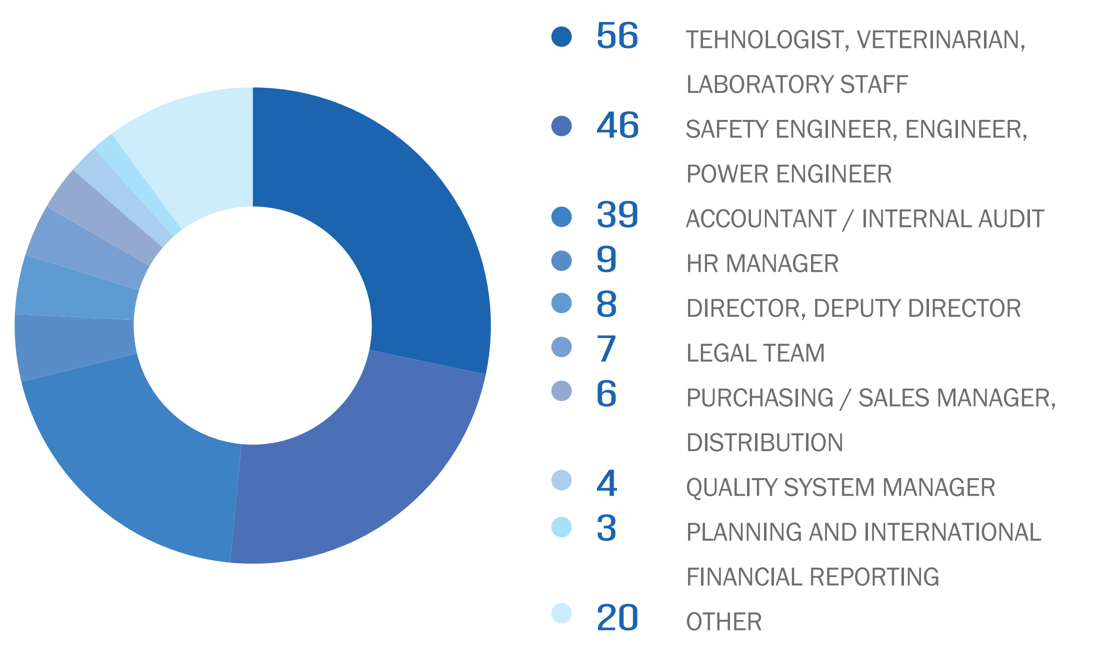
HUMAN CAPITAL | CONT.

EXAMPLES OF TRAINING TOPICS BY PROFESSION DURING 2018

PROFESSION	TOPIC
Chief Technologist, Chief Veterinarian, veterinarians	Practical forum: Poultry Farming -2018
Chief Technologist , Technologists, veterinarians	HACCP requirements and implementation
Chief Technologists, technologists, veterinarians, managers	Food safety management
Chief Veterinarian, veterinarians	Analysis and evaluation of the results of serological studies, vaccination date forecasts
Technologists, veterinarians	Poultry vaccination
Laboratory chief, deputy laboratory chief	Requirements for food testing laboratories
Microbiologists, laboratory assistants	Microbiological studies of eggs and egg products, swabs and air
Deputy laboratory chief, microbiologists, laboratory assistants	Admission of shell eggs, organoleptic studies
Engineers, laboratory assistants	Food safety and consumer protection
Quality system manager	Food Safety Management System (HACCP). Regulatory requirements. Risk identification and analysis
HR manager	How to report on employment quota execution
HR manager	Qualifying period for incapacity payment
IFRS reporting team	Financial modelling, 2 level
IFRS reporting team	Financial modelling, 2 level
IFRS reporting team	IFRS 16
Accounting	Accounting and Tax Changes in 2018
Accounting	Series of lectures on International Accounting Standards
Accounting	Accounting and Audit
Accounting	Vehicle Expenses 2018
Accounting	Salary and tax innovations - 2018
Internal audit department	Accounting and stock count
Legal department	Changes in Limited Liability Company Regulations
Legal department	Land matters in Ukraine
Safety engineers, engineers, power engineers	Occupational health and safety training

Our training activities are becoming increasingly more varied and advanced. HR designs long-term development plans both for individual trainees and entire departments.

NUMBER OF EMPLOYEE-COURSES, 2018



CORPORATE SOCIAL RESPONSIBILITY | CONT.

ENVIRONMENTAL SUSTAINABILITY

AVANGARDCO IPL: COMMITTED TO ENVIRONMENTALLY SUSTAINABLE FARMING PRACTICES

Avangardco IPL operates in an industry that has a substantial impact on the environment. Cognisant of its responsibility to protect the environment, the company has implemented extensive measures to mitigate the environmental impact from its operations while adhering to sustainable egg-farming practices.

CORPORATE SOCIAL RESPONSIBILITY | CONT.

ENVIRONMENTAL SUSTAINABILITY | CONT.

A BRIEF ENVIRONMENTAL IMPACT ASSESSMENT: 3 MAIN SOURCES OF ENVIRONMENTAL RISK

Avangardco IPL can affect the environment in several ways. Or rather, there are several potential impacts that may not necessarily result in any harm done as long as they are mitigated by the company's stringent sustainability safeguards. It is therefore more appropriate to speak about environmental risks resulting from company operations rather than impacts.

Three sources of environmental risk appear material - live birds, manure and dead birds, both fallen and slaughtered.

LIVE BIRDS

The risks associated with the company's laying flock fall under two broad categories:

- **Risk of disease penetrating the flock from the outside.** This risk is relatively low owing to the company's solid biosecurity defences including regular and rigorous flock inspections and vaccinations, and control of flock movements between farms;
- **Risk of disease spreading from company farms to the outside world.** This risk is even lower, both for the reasons described above and due to the company's unique ability to cut off individual farms in the event of an outbreak to prevent contagion from spreading to other company farms and the outside world.

As of the date of this report, Avangardco's facilities have never been affected by outbreaks of bird flu, Newcastle Disease or Marek's Disease.

DEAD BIRDS

Birds dying as part of the company's normal operations may pose environmental risks as well, unless promptly and safely disposed of.

Whenever birds die as a result of natural loss or slaughtered, their disposal follows the applicable regulatory protocols and is conducted at special facilities owned and operated by the competent authorities or businesses. The disposal of birds is conducted with the utmost stringency.

Regular slaughtering is conducted in two situations:

- cockerels are culled and slaughtered at the hatcheries;
- laying hens are slaughtered upon retirement at the facilities of third parties in compliance with applicable regulatory protocols.

In 2017, Avangardco IPL launched a new project at Slovyany, the company's and Europe's largest hatchery, together with Honeybrook Ukraine involving the installation of powerful freezers in order to deep-freeze slaughtered cockerels. Once frozen, the cockerels are then exported.

MANURE

Manure is probably the single most significant source of pollution risk. Manure is a natural by-product of poultry farming. Its amount grows in proportion to flock expansion.

Environmentally sustainable practices of manure disposal are crucial to the company's normal operation. Unless sustainably disposed of, chicken manure poses two major risks:

- **Carbon Footprint.** Unless sustainably disposed of, manure poses a huge risk to the environment as a source of greenhouse gas emissions.

  The main GHGs emitted by manure are methane (CH_4), a product of anaerobic decomposition of organic matter during storage and nitrous oxide (N_2O), which is emitted during storage and application as fertilizer.

  Additional gases emitted from manure include: ammonia (NH_3) and nitrogen oxides (NO_x), which contribute to the characteristic odour and are indirect sources of nitrous oxide.

  The impact on the ecological systems may result from direct release of airborne constituents into the atmosphere, direct runoff to water bodies, leaching to groundwater, or indirect deposition of the airborne constituents into water bodies.

  While a lion's share of the carbon footprint left by the egg-farming industry comes from feed (69%) and is associated with emissions from grain production, which is not part of Avangardco IPL's business model, 20% of the total emissions come from manure[1].

  According to FAO, egg production has the largest carbon footprint within poultry farming. Avangardco IPL fully appreciates its role in reducing its own carbon footprint and helping mitigate harmful environmental impact at the industry level.

- **Risk of Disease.** Manure unless inactivated is a perfect breeding ground for various diseases. Manure should be disposed of not only safely but also promptly to prevent contagion. Manure poses a health risk to the company's own flock, its personnel and to the communities lying close to the farm.

The company's legacy farms dispose of manure by:

- selling it to third-party land farmers as organic fertiliser (subject to decontamination);
- depositing it in special third-party landfills;
- At its megafarm Chornobaivske, Avangardco has implemented a technology that consists in converting manure through biogas capture into clean energy and biologically inactive organic fertilisers.

A biogas installation at the Chornobaivske poultry complex was launched into operation at the end of 2016.

[1] Source: MacLeod, M., Gerber, P., Mottet, A., Tempio, G., Falcucci, A., Opio, C., Vellinga, T., Henderson, B. & Steinfeld, H. 2013. Greenhouse gas emissions from pig and chicken supply chains – A global life cycle assessment. Food and Agriculture Organization of the United Nations (FAO), Rome.

CORPORATE SOCIAL RESPONSIBILITY | CONT.

ENVIRONMENTAL SUSTAINABILITY | CONT.

SUMMARY OF ENVIRONMENTAL RISKS AND THEIR MITIGANTS

SOURCE	RISK	RISK LEVEL	MITIGANT
Manure	Direct release of airborne constituents into the air	Medium	Sustainable manure collection and storage practices, advanced technologies of manure inactivation through anaerobic digestion at Chornobaivske.
	Indirect deposition of airborne constituents into water bodies	Low	Sustainable manure collection and storage practices, advanced technologies of manure inactivation through anaerobic digestion at Chornobaivske.
	Direct runoff into water bodies	Low	Mandatory decontamination prior to the sale of organic fertiliser, being the by-product of biogas production, to third-party land farmers.
	Leaching to groundwater	Low	Mandatory decontamination prior to the sale of organic fertiliser, being the by-product of biogas production, to third-party land farmers.
Live birds	Contagion penetrating company flock	Low	Strong and varied biological security safeguards.
	Contagion spreading from company farms to the outside world	Low	Full traceability of laying hens from hatching to retirement, regular vaccinations and rigorous flock inspections.
Dead birds	Potential impact from fallen and slaughtered laying hens unless sustainably retired and disposed of	Low	Birds disposed of as per regulatory protocols, slaughtering operations consistent with international best practices, deep freezing of slaughtered cockerels at hatcheries.

GREEN ECONOMY: BIOGAS OPERATIONS HELP REDUCE CARBON FOOTPRINT BY CONVERTING MANURE TO CLEAN ENERGY

In November 2016, Avangardco IPL put into operation a biogas plant at Chornobaivske poultry complex that started generating electricity in 2017.

In 2018, the biogas plant processed an impressive 74,787.16 tonnes of manure (2017: 57,365.62 tonnes).

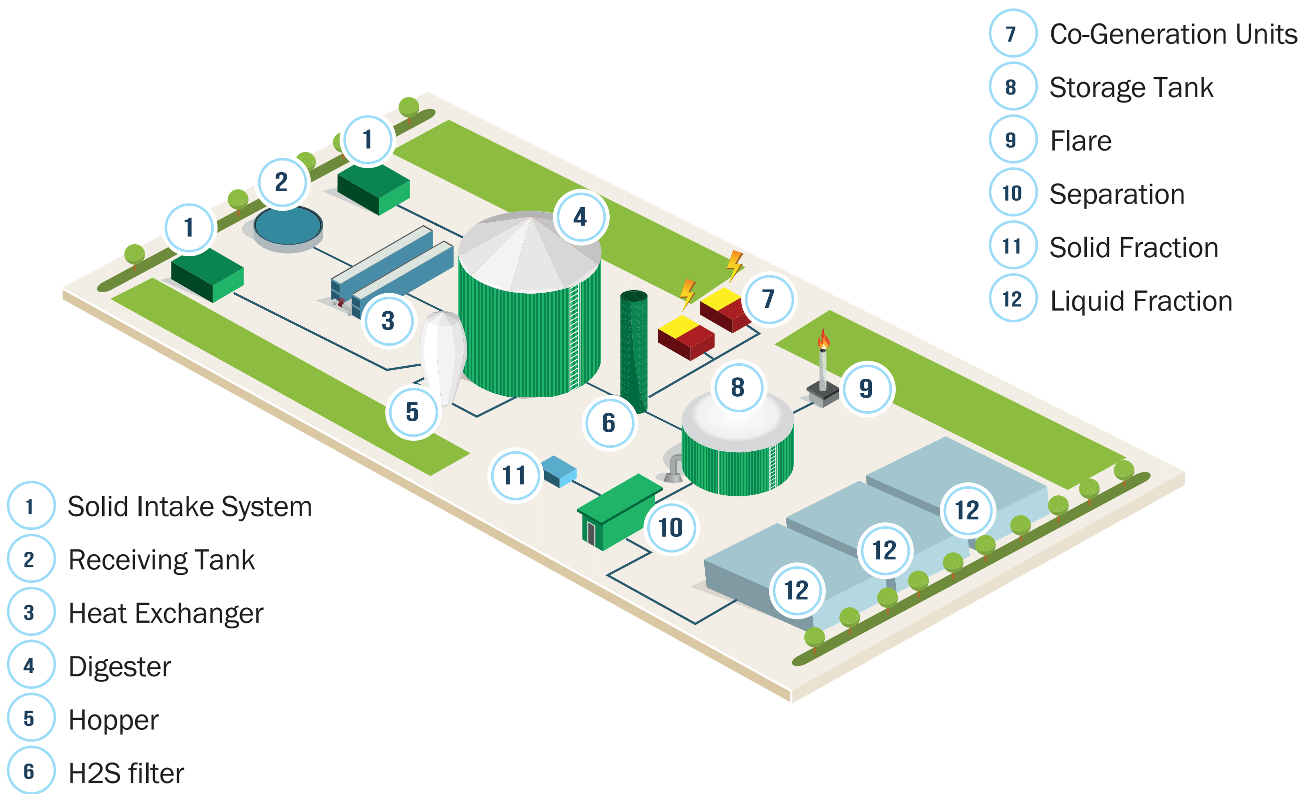
TECHNOLOGY

The biogas plant runs on chicken manure. Biogas is captured from the manure through anaerobic digestion. The share of methane – CH_4 – in the mixture is at least 50%, as confirmed by extensive testing.

The biogas is then combusted in a co-generation chamber to produce electric power and thermal energy.

A unique feature of this biogas technology is that, unlike most other alternatives, it does not require the addition of silage, which dramatically improves the economics because silage would have to be procured, stored and processed. The downside is that the substrate that does not include silage is less stable but the developer of this technology, Bigadan A/S has the knowhow to mitigate such instability. Our plant is the first implementation of this technology on an industrial scale.

BIOGAS TECHNOLOGY MAP, CHORNOBAIVSKE

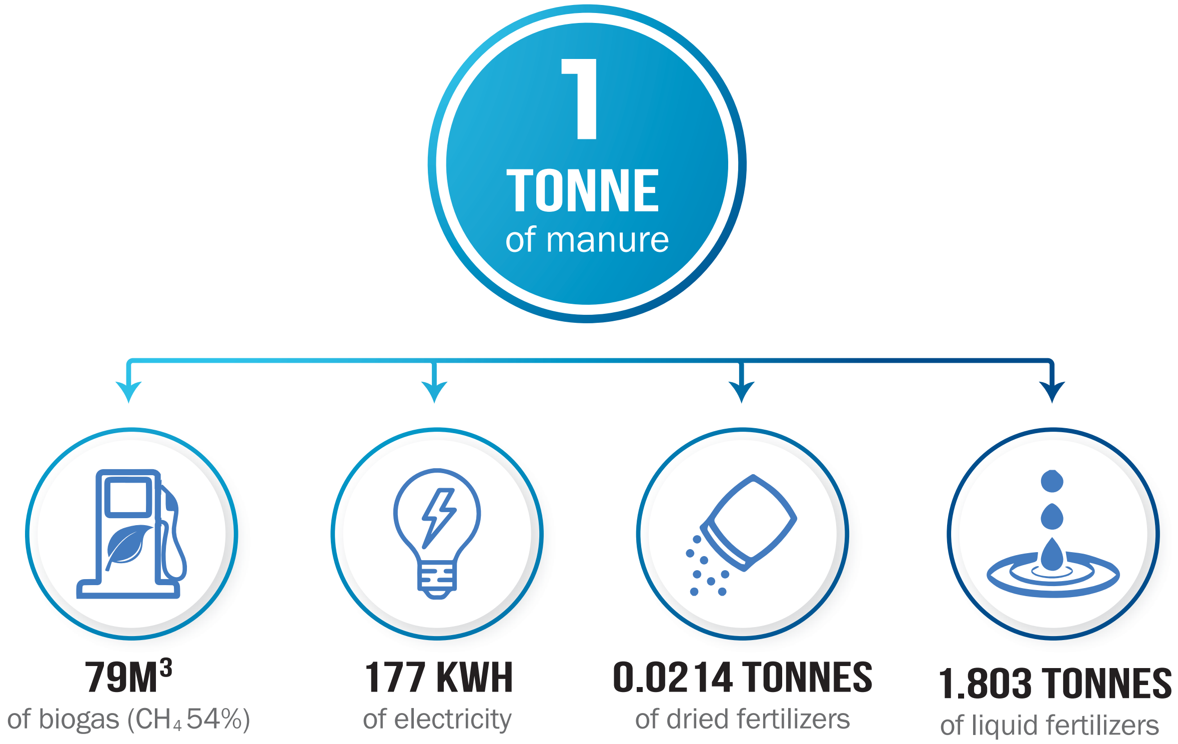


CORPORATE SOCIAL RESPONSIBILITY | CONT.

ENVIRONMENTAL SUSTAINABILITY | CONT.

PERFORMANCE

BALANCE SHEET OF CHORNOBIVSKE



GREEN (FEED-IN) TARIFF

Avangardco IPL fully benefits from the preferential treatment accorded by the Ukrainian government to clean energy producers. A green, aka feed-in, tariff was introduced in Ukraine in 2009. It is aimed at stimulating clean energy production.

When designing its biogas facilities, Avangardco IPL factored in the additional economies that would be derived or gains made by producing surplus electricity that the company would sell to the grid.

As a matter of fact, it our preference to sell not just the surplus, but all our clean electricity to the grid at the green tariff, which is on average two times higher than the price we are paying to buy power from the grid.

In 2018, we produced a total 12,575,109 kWh of electricity, of which 11,133,558 kWh was sold to the grid at the preferential green (feed-in) tariff, the balance of 1,441,551 kWh was used for biogas plant operation and technical losses.

GOOD CORPORATE CITIZENSHIP

AVANGARDCO IPL:
TO SUPPORT AND ENABLE

Avangardco IPL considers itself to be a good corporate citizen, committed to the many communities where the company conducts operations. There's more to good corporate citizenship than charity. The company engages in numerous activities focusing on giving support to those who need it and enabling those who lack opportunities to realise their potential.

CORPORATE SOCIAL RESPONSIBILITY | CONT.

GOOD CORPORATE CITIZENSHIP | CONT.

TO SUPPORT AND ENABLE, SELECTED ACTIVITIES IN 2018

TO SUPPORT:

- Shell egg donations to support battalions in the conflict zone, non-profit organizations for persons with disabilities or the Red Cross, schools, kindergartens, hospitals and monasteries;
- Shell egg donations to the Regional Center of Palliative Care, Ivano-Frankivsk;
- Weekly provision of shell eggs to the Women and Children Crisis Centre, Chernivtsi;
- Sweet gift boxes for employees' children on St. Nicholas Day;
- Purchase of gift boxes on St. Nicholas Day for the pupils of local schools and kindergartens in the areas of the company's communities of operation;
- Purchase of an electric heater for a kindergarten, Borova town;
- Purchase of household equipment for the rural health post of Borova town;
- Donation to the local kindergarten in Horodenka town;
- Eggs sold at a discount at local food fairs.

TO ENABLE:

- Purchase of an artificial ventilator for the State Institute of Pediatrics, Obstetrics and Gynecology of NAMS of Ukraine;
- Sponsorship of the Basketball Federation of Ukraine;
- Repairing a part of the road, Borova town;
- Repairing office equipment (PCs, laptops and printers) for the kindergarten in Borova town;
- School bus service for a schoolboy from Lysytsya village;
- Clearing snow in the company's communities of operation;
- Provision of vehicles for various needs of the local communities.

A HIGH STANDART OF COMPLIANCE

AVANGARDCO IPL: ZERO TOLERANCE TO CORRUPTION

Avangardco IPL holds itself to a high standard of compliance with policies seeking to deter, prevent and punish any bribery or corruption. Such policies rely on the use of fair and transparent mechanisms. Furthermore, the company nourishes a corporate culture of zero tolerance to corruption and rigorously enforces its anti-corruption policies.

STRONG INSTITUTIONAL CAPACITY TO FIGHT CORRUPTION

The company has put in place a solid anti-corruption framework with strong capacity to prevent, detect, investigate and punish any bribery or corruption.

1) Security Service

As part of the company's security service, there is a special department responsible for financial and economic security. It monitors employee compliance with the limitations of their individual roles and assesses the impact of non-compliance on the company's performance and bottom line. The department also monitors any bribery or corruption as may be attempted by employees at all levels and in all divisions of the company including senior executives, managers, consultants, contractors, regardless of their location. Their duties also include the anti-corruption review of organizational and administrative documents.

2) Financial Department

The Financial Department ensures accurate accounting and financial reporting by divisions of the company. Accounts, records and general-use financial statements of the company constitute public information.

3) Internal Audit Department

The Department reports directly to the CEO. The department is responsible for risk assessment, evaluation of the effectiveness of controls and prevention and elimination of errors and deficiencies in company accounts.

4) Purchasing and Planning Department

All procurement is carried out through a tender committee, which ensures an open and competitive procurement process. Procurement is subject to planning, it is conducted expeditiously, competitively and cost-effectively.

5) Contract Management Department

The department controls contract execution, ensures compliance with applicable laws and absence of unacceptable provisions in the document.

We would like to emphasise that the company provides its employees with competitive wages and proper working conditions in full compliance with the Labour Code of Ukraine. Avangardco IPL encourages and promotes career advancement within the company. We believe that our employees are motivated enough to perform their duties in good faith, without resorting to corruption or bribery in pursuit of dishonest gain.

The company's employees are strictly prohibited from accepting undue payments from customers, "kickbacks", compensations in the form of cash, goods or services.

An employee found guilty of embezzlement, abuse of power, bribery or other illegal activities is subject to dismissal, regardless of damage, whether the damage has been restituted or not or their position within the company. This is zero tolerance to corruption in action.

BACKGROUND CHECKS IN HIRING AND PROMOTION

To nip corruption in the bud, Avangardco IPL conducts extensive background checks when hiring and promoting employees. In exceptional cases, polygraph testing may be used in strict compliance with applicable laws and regulations.

COMPETITIVE PROCUREMENT

As part of its cutting-edge ITC environment, Avangardco IPL has deployed an advanced competitive procurement system, APSTender.

The system helps:

- improve the cost-effectiveness of procurement decisions;
- ensure that procurement stays on budget;
- identify and fast-track major or urgent items of procurement without prejudice to transparency or the competitive nature of procurement;
- implement and operate continuous procurement monitoring systems;
- predict, plan and execute procurement plans;
- prevent fraud in procurement and mitigate adverse selection risk.

SUSTAINABLE DEVELOPMENT STRATEGY

Our mission is to promote global public health by giving consumers access to affordable, healthy and safe eggs and egg products. We aim to achieve this by following our vision of becoming a leading global producer of eggs.

We strongly believe that the only way to fulfil our mission and our vision is to create long-term value for our shareholders and other stakeholders through sustainable performance. Our values guide us to a sustainable future.

OUR VALUES:

TRANSPARENCY

We do business in a transparent manner and remain open to our stakeholders both as a public corporation and as a socially and environmentally responsible company.

QUALITY

We focus on product and service quality. While our other competitive advantages can help us attract new clients, high product quality is a key factor for client retention.

SAFETY

We strive to ensure the safety of our operations and products for employees, consumers and the environment.

SUSTAINABILITY

We pursue sustainable development. Innovation, quality, efficiency and safety allow us to continue to create value for both consumers and shareholders.

INNOVATION

We use innovation to be as efficient as possible in today's rapidly changing global business environment.

EFFICIENCY

We do business with maximum efficiency; this gives us a platform for long-term growth and creation of long-term value for both consumers and shareholders.

COMMITMENT

We honour our obligations and maintain our long-term reputation as a reliable partner.

SUSTAINABLE DEVELOPMENT STRATEGY | CONT.

QUALITY AND SAFETY MANAGEMENT SYSTEM

To provide effective quality control, the company has developed and implemented an integrated quality and safety management system. It is based on the key best practice international norms and principles for food quality standards set for food producers, including:

- Hazard Analysis and Critical Control Point approach (HACCP);
- Good Manufacturing Practice (GMP);
- Standards of the International Organisation for Standardisation (ISO);
- Standards of the GLOBALG.A.P. (EurepGAP).

The system ensures quality control and risk management at each stage of food production so our customers can be fully confident of the safety and high quality of products.

ONGOING QUALITY CONTROL

The company applies several levels of quality and safety control for its products:

- Implemented HACCP;
- Internal audits to verify the quality control system;
- External audits by independent certification authorities.

CERTIFICATES

In January 2017, Avangardco's Quality Management System was certified to ISO 9001:2015.

In addition, the company's key production facilities are certified to ISO 22000:2005 for Food Safety Management Systems. This certification ensures that products are strictly compliant with all recommendations and requirements throughout each stage of food production.

Avangardco respects the religious beliefs and traditions of its customers. With this in mind, the company has had its production of shell eggs and egg products certified to Halal requirements.

In addition, our eggs and egg products are eligible for the export to the EU.

BIOSECURITY

In order to minimise the risk of disease and epidemics among the poultry population, the company has implemented a wide range of measures in line with international practices.

Strict control prevents contact between the population and carriers of diseases such as wild birds and vermin.

We contain the birds indoors; every production facility is surrounded by a disinfection barrier and is located at least 300-1,200 meters from the nearest settlements.

The company's laying farms use a separate rearing system for birds of different age in order to prevent transmission of infection from the older population to the younger.

During maintenance breaks in the production process, production sites are thoroughly cleaned and disinfected.

Our farms are located at a large distance from one another to make it possible to enforce an emergency quarantine in case of contagious disease outbreaks.

We control feed delivery, minimise contact between humans and poultry flock, and follow the practice of thorough selection of breeding stock more resistant to disease.

We vaccinate all chickens in our incubators against Newcastle disease, Marek's disease, bronchitis, IBD and other diseases in accordance with Ukrainian legislation. The company's facilities have never registered a case of avian flu, Newcastle disease or Marek's disease.

Laying farm employees are prohibited from keeping birds in their households.

We constantly monitor the health of our employees as well as of the poultry population.

In addition, we have strict biosecurity measures in place at our compound feed mills. This includes limited access, disinfection barriers and disinfection of warehouses, as well as regular spot checks of raw materials and finished feed at local and regional laboratories. The company's structure includes specialised laboratories staffed with highly qualified employees. All employees are required to pass mandatory training before working at the company; we regularly check and update their knowledge of compliance with biosecurity rules.

ISO 9001:2015 CERTIFICATE, AVANGARDCO IPL:

ISO 22000:2005 CERTIFICATE, AVIS:

HACCP SYSTEM CERTIFICATE, AVIS:

ISO 22000:2005 CERTIFICATE, CHORNOBAIVSKE:

ISO 9001:2015 CERTIFICATE, IMPEROVO FOODS:

FSSC 22000 CERTIFICATE, IMPEROVO FOODS:

ISO 22000:2005 CERTIFICATE, IMPEROVO FOODS:

HALAL CERTIFICATE, IMPEROVO FOODS:

HALAL CERTIFICATE, AVIS:

HALAL CERTIFICATE, CHORNOBAIVSKE:

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The company is incorporated in Cyprus but, as its shares are not listed on the Cyprus Stock Exchange, it is not required to comply with the corporate governance regime of Cyprus.

Avangardco IPL shares are traded on the London Stock Exchange in the form of GDRs but, as it does not have a premium listing and as a company incorporated in Cyprus, the company is not subject to the UK Combined Code on Corporate Governance issued by the Financial Reporting Council.

In the absence of any mandatory requirements, Avangardco IPL is in the process of building its own corporate governance system based on international best practice recommendations. It is also guided by key corporate governance principles*.

* AVANGARDCO'S KEY CORPORATE GOVERNANCE PRINCIPLES

- Shareholders are given the opportunity to exercise their rights associated with their shareholdings in the company;
- Equal relations exist for shareholders on a one-share one-vote basis, including minority shareholders;
- The Board of Directors oversees the strategic management of the company's activities and controls the actions of executive bodies within the company;
- Current company activities are managed by its executive bodies in the interests of ensuring long-term stable development and achieving returns for shareholders from these activities; executive bodies are held accountable by the company's Board of Directors and shareholders;
- Timely disclosure of complete and reliable information about the company is made in order to enable shareholders and investors to make informed decisions, in accordance with the Listing Rules and Disclosure and Transparency Rules of the UK Financial Services Authority;
- Effective control over the company's financial and economic activity is ensured in order to protect the rights and legitimate interests of shareholders and other interested parties. In accordance with the company's charter, the highest management body is the shareholders' meeting held at least once a year. The shareholders elect the Board of Directors, and approve the annual report and other reports from the Board of Directors and the company's auditor. The Board manages the company, with the exception of the exclusive authority of the general shareholders' meeting, and recommends dividends, which are then approved by the shareholders' assembly, but cannot be higher than the recommended amount.

AVANGARDCO'S CORPORATE GOVERNANCE SYSTEM

BOARD COMPOSITION AND BALANCE

The company's Board consists of three Executive Directors and one independent Non- Executive Director.

The current Board of Directors is as follows:

- **Oleg Bakhmatyuk** (Chairman of the Board)
- **Nataliya Vasylyuk** (Chief Executive Officer)
- **Oleg Michael Pohotsky** (Independent Non-Executive Director)
- **Iryna Melnyk** (Chief Financial Officer)

The company considers this to be a satisfactory balance of Board members for the purposes of decision making. In addition, this structure follows the recommendation of The UK Corporate Governance Code that the function of the Chairperson of the Board and CEO should be separated.

BOARD COMMITTEES

It is the intention of the Board of Directors to establish Audit, Nomination and Remuneration Committees as described below. The Board may form other Committees as necessary in order to ensure effective governance.

- **The Audit Committee**
  The Audit Committee shall comprise not less than three Directors, at least one of whom will be an independent Non-Executive Director. The Audit Committee's responsibilities include, among other things, reviewing the company's financial statements, accounting policies and internal controls and overseeing its relationship with its external auditors.
- **The Nomination Committee**
  The Nomination Committee shall comprise not less than three Directors, two of whom will be independent non - executive Directors. The Nomination Committee's responsibilities include, among other things, reviewing the composition of the company's Board of Directors and making recommendations to the Board with regard to any changes.
- **The Remuneration Committee**
  The Remuneration Committee shall comprise not less than three Directors, two of whom will be independent non-executive Directors. The Remuneration Committee's responsibilities include, among other things, determining the company's policy on remuneration; however, no Director or manager will be entitled to vote on any decisions regarding his or her own remuneration.

BOARD OF DIRECTORS' RESPONSIBILITIES AND MEETINGS

The Directors are responsible for formulating, reviewing and approving the company's and its subsidiaries' strategies, budgets, certain items of capital expenditure and senior personnel appointments.

The Board of Directors shall meet not less than four times a year and as needed. To enable the Board of Directors to carry out their duties, each Director has full access to all relevant information.

CORPORATE GOVERNANCE | CONT.

CORPORATE GOVERNANCE STRUCTURE:

OLEG BAKHMATYUK
(Chairman of the Board)

BOARD OF DIRECTORS

NATALIYA VASYLYUK,
CEO

OLEG MICHAEL POHOTSKY,
Independent Non-Executive Director

IRYNA MELNYK,
CFO

INDEPENDENT DIRECTOR
To be appointed

AUDIT COMMITTEE
To be appointed

NOMINATION COMMITTEE
To be appointed

REMUNERATION COMMITTEE
To be appointed

EXECUTIVE BOARD

NATALIYA VASYLYUK - Chief Executive Officer

IRYNA MELNYK - Chief Financial Officer

VASYL MARCHUK - Head of Business Development

VOLODYMYR RUDENKO - Chief Operations Officer

STANISLAV POHORILYI - Deputy Chief Financial Officer

BOARD OF DIRECTORS

OLEG BAKHMATYUK
CHAIRMAN OF THE BOARD

Oleg Bakhmatyuk graduated from the Chernivtsi Institute of Economics and Law with a degree in business administration and from the Ivano-Frankivsk National Technical University of Oil and Gas with a degree in engineering, physics and management.

Oleg Bakhmatyuk founded Avangard in 2003 and Ukrlandfarming PLC in 2007.

Between 2010 and 2013 Mr. Bakhmatyuk served as Chairman of the Board of Directors of Avangardco IPL. Since 2013 Mr. Bakhmatyuk has been a member of the Board of Directors of Avangardco IPL. Mr. Bakhmatyuk again took over as Chairman of the Board of Directors of Avangardco IPL in April 2016.

Since 2010 Mr. Bakhmatyuk has also served as Chairman and CEO of Ukrlandfarming PLC. Oleg Bakhmatyuk owns several other companies in the food, transport, real estate and finance sectors.

NATALIYA VASYLYUK
BOARD MEMBER

Nataliya Vasylyuk obtained a Finance and Accounting degree from the Ivano-Frankivsk National Technical University of Oil & Gas in 2005.

She began her career in 2004 as Sales and Marketing Director at LLC Prykarpattya Financial Company, then from 2004 to 2007 she served as CFO at LLC Stanislavska Trade Company.

Nataliya Vasylyuk joined the company in 2007. Between 2007 and 2010 she served as CEO and from April 2010 to January 2013 while staying on as CEO she also became a member of the Board of Directors of Avangardco IPL. Nataliya Vasylyuk served as Chair of the Board from January 2013 to April 2016. She retook the position of CEO in April 2016.

CORPORATE GOVERNANCE | CONT.

BOARD OF DIRECTORS | CONT.

OLEG MICHAEL POHOTSKY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Oleg Pohotsky holds an MBA from the Harvard University Graduate School of Business and a Juris Doctor degree from the University of Miami Law School. He also holds a BSChE degree from Clarkson University.

Mr. Pohotsky has been the Managing Partner of Right Bank Partners, a corporate governance and strategy advisory firm. He serves as Chairman of the Board of the H&Q Healthcare and Life Sciences Funds and as a Director of the New America High Income Fund. All three closed-end funds are NYSE-listed. Mr. Pohotsky also serves on the Board of Advisors of Kaufman & Co., a Boston-based boutique investment banking firm and in the position of Senior Advisor to Governance Metrics International.

Mr. Pohotsky has served as an Independent Non-Executive Director of the company since 2011.

IRYNA MELNYK
BOARD MEMBER

Iryna Melnyk graduated from the Economy Faculty of Stefanyk Prykarpattya National University in 2002 with a degree in business administration.

She was appointed as Financial Director of Stanislavska Trading Company in 2005 and was appointed CEO of Ukrmyaso in 2007.

Ms. Melnyk joined the company in 2010 as Deputy Chief Financial Officer. Iryna Melnyk was promoted to Chief Financial Officer of Avangardco IPL in 2013. Ms. Melnyk became a Member of the Board of Directors of Avangardco IPL in September 2016.

MANAGEMENT BOARD

NATALIYA VASYLYUK
CHIEF EXECUTIVE OFFICER

Nataliya Vasylyuk obtained a Finance and Accounting degree from the Ivano-Frankivsk National Technical University of Oil & Gas in 2005.

She began her career in 2004 as Sales and Marketing Director at LLC Prykarpattya Financial Company, then from 2004 to 2007 she served as CFO at LLC Stanislavska Trade Company.

Nataliya Vasylyuk joined the company in 2007. Between 2007 and 2010 she served as CEO and from April 2010 to January 2013 while staying on as CEO she also became a member of the Board of Directors of Avangardco IPL. Nataliya Vasylyuk served as Chair of the Board from January 2013 to April 2016. She retook the position of CEO in April 2016.

IRYNA MELNYK
CHIEF FINANCIAL OFFICER

Iryna Melnyk graduated from the Economy Faculty of Stefanyk Prykarpattya National University in 2002 with a degree in business administration.

She was appointed as Financial Director of Stanislavska Trading Company in 2005 and was appointed CEO of Ukrmyaso in 2007.

Ms. Melnyk joined the company in 2010 as Deputy Chief Financial Officer. Iryna Melnyk was promoted to Chief Financial Officer of Avangardco IPL in 2013. Ms. Melnyk became a Member of the Board of Directors of Avangardco IPL in September 2016.

CORPORATE GOVERNANCE | CONT.

MANAGEMENT BOARD | CONT.

VASYL MARCHUK
HEAD OF BUSINESS DEVELOPMENT

Vasyl Marchuk graduated from the Ivano-Frankivsk National Technical University of Oil & Gas in 1994 with degrees in mechanical engineering and accountancy.

He held management posts in various companies from 1995. In 1997 he was appointed CFO of Prykarpattyaoblenergo. In 2001 he was appointed Deputy Chairman for Financial and Economic Matters at Ivano-Frankivskgas. In 2004 he became Chairman of Lvivgas. He became Head of the Ukrainian Association of Regional Gas Distribution Companies in 2010.

Mr. Marchuk joined the company in 2010.

VOLODYMYR RUDENKO
CHIEF OPERATIONS OFFICER

Volodymyr Rudenko graduated from the Kyiv National University with a degree in economic cybernetics in 2005.

After graduation Mr. Rudenko worked for Ukrainian Gas and Finance Consulting Group as an Economic Analyst and later for System Technology Company Investments as Head of the Payment Transactions Control Division. In 2008, he was promoted to the position of Head of Financial Reporting and Control.

Mr. Rudenko joined the company in 2011 as Chief Analysis Officer. Since November 2016, Mr. Rudenko has served as Chief Operations Officer.

STANISLAV POHORILYI
DEPUTY CHIEF FINANCIAL OFFICER

Mr. Pohorilyi graduated from the Kyiv National Economic University named after Vadym Hetman with a degree in tax and taxation in 2001.

He started his career as Assistant Auditor in Ukrproduct Group in 2003. In 2007, Mr. Pohorilyi served as Head of Internal Audit of Ukrmyaso.

Mr. Pohorilyi joined Avangard in 2010 as Head of Internal Audit and was promoted to Deputy Chief Financial Officer the same year.

CONSOLIDATED FINANCIAL STATEMENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:

Oleg Bakhmatyuk
(Chairman of the Board)

Nataliya Vasylyuk
(Chief Executive Officer)

Oleg Michael Pohotsky
(Non Executive Director)

Iryna Melnyk
(Member of the Board)

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

LEGAL ADVISORS:

Freshfields Bruckhaus Deringer LLP
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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

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of AvangardCo Investments Public Limited (the "Company") for the year ended 31 December 2018, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated 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 consolidated financial statements for the year ended 31 December 2018:

Stanislav Pohorilyi (Deputy CFO)

28 March 2019

MANAGEMENT REPORT

The Board of Directors of AvangardCo Investments Public Limited (the "Company") presents to the members its annual report together with the audited consolidated financial statements of the Company and of its subsidiaries (together with the Company referred to as "the Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group which remained the same as in the previous year are:

- keeping of technical laying hen, production and selling of eggs,
- incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry,
- production and selling of mixed fodder and
- processing of eggs and selling of egg products.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 12* to the consolidated financial statements.

The loss for the year attributable to the owners of the Company amounted to USD 54 536 thousand (2017: loss USD 6 734 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 55 794 thousand compared to a loss of USD 7 469 thousand in the previous year.

The loss is mainly the result of a decrease in the income from government grants and incentives and with the loss on exchange which is mainly a result of the retranslation of long-term bond liabilities.

The Group's total assets increased to USD 516 345 thousand from USD 512 781 thousand.

FUTURE DEVELOPMENT

The Management of the Group is focused on implementing its targets and strategy despite the challenging conditions in the domestic and export markets. A recent positive development is the EU approval to start exporting shell eggs in that region.

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

DIVIDENDS

Based on the results, the Board of Directors does not recommend the payment of a dividend for the year (2017: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are disclosed in notes 37 and 39 to the consolidated financial statements.

The economic situation in Ukraine has significantly deteriorated since 2014 after the annexation of Crimean peninsula by the Russian Federation (further – the RF), the event that was recognized by neither Ukraine nor the World community. This development has lead to substantial deterioration of relations between Ukraine and the RF. The Crimea annexation has spread the pressure throughout the Eastern regions of Ukraine (mostly Donetsk Oblast' and Lugansk Oblast'). In May 2014, the social unrest fueled by the RF, has grown into a military conflict between self-proclaimed Donetsk and Lugansk People's Republics and Ukrainian troops. The military conflict has not been resolved yet. The Donetsk Oblast' and Lugansk Oblast' are partly controlled by self-proclaimed Donetsk and Lugansk People's Republics. Ukrainian authorities are incapable of enforcing the law on these territories.

* Page 149 of this Report

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

MANAGEMENT REPORT | CONT.

These events have led to the disappearance of economic links between Ukraine and the RF, the key export destination for many Ukrainian industries. Ukraine has lost control over large mining companies concentrated in the East of the country, which significantly decreased the inflow of foreign currency. Eventually, the national GDP has dropped, public finances have eroded, the national currency has suffered severe devaluation and the credit rating of the sovereign debt has continued to deteriorate. The newly elected Government of Ukraine had no financial power to avoid the economic downfall in years 2014-2015. Minimal international reserves and exhausted government accounts have forced the government to introduce administrative anti-crisis tools. The National Bank of Ukraine introduced currency restrictions: conversion limits, the requirement to convert 70% of foreign currency revenue into national currency, abroad dividend payment ban, ban on early repayment of foreign loans, cash withdrawal limitations. Such restrictions have limited the abilities of Ukrainian companies and banks to lend and borrow money on domestic and international markets.

It is hard to foresee the eventual outcome of the conflict with the RF and the Ukrainian economic crisis. In case of resumption of hostilities in the East of Ukraine, the government will be forced to increase military spending and face another period of economic turbulence. To date, we can conclude the Ukrainian government has managed to stabilize the economy. In years 2016-2017 the GDP growth was 2,3% and 2% respectively (the best growth indicator since 2012). The administrative restrictions are being gradually lifted. The law on currency regulation entered into force in 2018; it is designed to liberalize the currency market and stimulate foreign economic activities. Despite the floating exchange rate introduced on the IMF's demand, national currency is rather stable. There are signs of recovery from deep economic crisis of years 2014-2015.

The management of the Group takes all the necessary steps to support the financial stability of the Group in current circumstances. Despite the first signs of economic recovery, we are still suffering from significant devaluation of the national currency. The value of UAH has decreased by 3,5 times since the beginning of the military conflict in early 2014. This was followed by the drop in the demand on domestic market ignited by the deterioration of purchasing power of Ukrainians.

That is why we look to the future with cautious optimism. We understand that it will take several years to recover from crisis. This consolidated financial report reflects current Management's view on the influence of the Ukrainian business environment on the financial standing of the Group. The future developments in Ukrainian economy can differ from the Management's expectations. This financial report was not adjusted for any events after the reporting period.

SHARE CAPITAL

There was no change in the share capital of the Company during the year.

BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1.

There is no requirement in the Company's Articles of Association for the retirement of directors by rotation, thus all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

The Directors are responsible for formulating, reviewing and approving the Company's and its subsidiaries' strategies, budgets, certain items of capital expenditures and senior personnel appointments. Although the Company is listed on the London Stock Exchange, it is not subject to the UK Corporate Governance Code issued by the Financial Reporting Council because it is a Cyprus incorporated company. Following the EU Directive in 2017 the Company is reguired to establish an audit committee. The Directors also intend to establish nomination and remuneration committees and may form other committees as necessary in order to improve corporate governance.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are presented in note 40 to the consolidated financial statements.

BRANCHES

The Group did not operate through any registered branches during the year.

RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 32 to the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to reappoint them and fix their remuneration will be proposed at the next Annual General Meeting of the Company.

By Order of the Board of Directors,

Nataliya Vasylyuk
Chief Executive Officer

Nicosia, 28 March 2019

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVANGARDCO INVESTMENTS PUBLIC LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of AvangardCo Investments Public Limited (the "Company"), and its subsidiaries (the "Group"), whith are presented on pages 12 to 90* and comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year that ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors responsibilities for the audit of the consilidated financial statements "* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to notes 2.4, 14, 15 and 20 in the consolidated financial statements, which indicate that the Group is in default of the repayment of its bonds which matured in October 2018 and in breach of covenants pursuant to debt agreements with several financial institutions triggering restructuring negotiations with the bondholders and financial institutions whose outcome cannot be determined. We further draw attention to notes 4.13, 35 and 39 in the consolidated financial statements which discuss the political and economic environment in Ukraine and to the fact that the Group incurred a loss for the year amounting to USD56m and its current liabilities as at 31 December 2018 exceeded its current assets by USD297m. As stated in note 2.4, these events or conditions, along with other matters as set forth in note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment were of most significance in our audit of the consolidated financial statements of the current period. There matters were addressed in the context of our audit of the consolidated financial statementes, as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

* *Pages 147-233 of this Report*

VALUATION OF BIOLOGICAL ASSETS

Refer to Note 6 (biological assets) and to note 38 (fair values) to the consolidated financial statements.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The Group's biological assets consist of poultry, which is measured at fair value less costs to sell. As at 31 December 2018 the total fair value of biological assets was USD52m. Estimating the fair value is a complex process as and required the use of valuation models which employed discounted cash flow techniques. The inputs to the aforementioned valuation model required a number of significant judgments and estimates and uses a number of inputs from mostly internal sources. Such estimates and judments are subject to an inherent risk of error. Consequently, we have determined the valuation of biological assets to be a key audit matter.	Our audit procedures in this area included, among others: ▶ considering the appropriateness of the valuation methodology used by the Group and agreeing its consistency with IFRS; ▶ evaluating the operating effectiveness of controls and procedures over the estimation of the number of poultry; ▶ evaluating the Group's inputs used in calculating the estimated cash flows such as egg prices and inflation rate, through observation to internal supporting documentation and their reasonableness against external data; ▶ evaluating the appropriateness of the discount rate used, whith included observing market data from market sources such as bond yields, risk premiums and inflation rates; ▶ testing the mathematical accuracy of the discounted cash flow model by reviewing the formulas used; ▶ evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgments and sensitivities.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditors' report, and the corporate governance statement and corporate social responsibility statement, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to the management report, our report is presented in the "*Report on other legal and regulatory requirements*" section.

When we read the corporate governance statement, we are required to report if, in light of the knowledge and understanding of the

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

Group and its environment obtained in the course of the audit, we have identified material misstatements in relation to the information disclosed for items (iv) and (v) of the subparagraph 2(a) of Article 151 of the Companies Law, Cap. 113 and if we have identified material misstatements in relation to the information referred to in subparagraph (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113. When we read corporate social responsibility statement, we are required to report if we conclude that there is a material misstatement therein.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraund or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throghout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher that for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectivenses of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

REPORT ON OTHER LEGAL REQUIREMENTS

OTHER REGULATORY REQUIREMENTS

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of appointment and period of engagement

We were first appointed auditors of the Group by the General Meeting of the Company's members on 29 August 2011. Our total uninterrupted period of engagement is 8 years covering the periods ending 31 December 2011 to 31 December 2018 inclusive.

Consistency of auditors' report to the additional report to the Audit Committee

Although there is a legal requirement to have an Audit Committee, by the date of our report the Group did not manage to establish one. The additional report was presented to those charged with governance on the 1st of March 2019 and our audit opinion is consistent with it.

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as appliied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

For the period to which our statutory audit relates, in addition to the audit, we provided Tax Services amounting to EUR 600 to the Group which are not disclosed in the management report or in the consolidated financial statements.

Other legal requirements

Pursuant to the additional requirements of law L.53(I)2017, and based on the work undertaken in the course of our audit, we report the following:

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements. In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

OTHER MATTERS

REPORTING RESPONSIBILITIES

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L53(I)/2017, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

AUDIT COMMITTEE

The Company has not established an audit committee as required by Article78 of Law L.53(I)/2017.

The engagement partner on the audit resulting in this independent auditors' report is Demetris S. Vakis.

Demetris S. Vakis, FCA
Certified Public Accountant and
Registered Auditor
for and on behalf of

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

28 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (IN USD THOUSAND, UNLESS OTHERWISE STATED)

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
ASSETS			
Property, plant and equipment	5	325 805	334 640
Non-current biological assets	6	30 316	3 732
Deferred tax assets	18	8 259	8 662
Investments measured at amortized cost	7	-	2 840
Other non-current assets		97	5
Non-current assets		**364 477**	**349 879**
Inventories	9	19 697	56 301
Current biological assets	6	21 796	16 160
Trade accounts receivable, net	10	54 484	45 376
Prepaid income tax		55	35
Prepayments and other current assets, net	11	16 731	8 939
Taxes recoverable and prepaid	8	18 800	17 849
Cash and cash equivalents	12	20 305	18 242
Current assets		**151 868**	**162 902**
TOTAL ASSETS		**516 345**	**512 781**
EQUITY			
Share capital	13	836	836
Share premium	13	201 164	201 164
Reserve capital	13	115 858	115 858
Retained earnings		799 717	857 723
Effect of translation into presentation currency		(1 082 335)	(1 099 825)
Equity attributable to owners of the Company		**35 240**	**75 756**
Non-controlling interests		7 932	8 765
TOTAL EQUITY		**43 172**	**84 521**
LIABILITIES			
Long-term loans	14	320	42 750
Deferred tax liabilities	18	295	308
Deferred income		928	1 002
Dividends payable		22 894	29 542
Non-current liabilities		**24 437**	**73 602**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONT.) (IN USD THOUSAND, UNLESS OTHERWISE STATED)

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Short-term bond liabilities	15	235 889	231 612
Current portion of non-current liabilities	17	137 990	91 760
Trade payables	19	13 795	2 298
Other accounts payable	20	61 062	28 988
Current liabilities		**448 736**	**354 658**
TOTAL LIABILITIES		**473 173**	**428 260**
TOTAL EQUITY AND LIABILITIES		**516 345**	**512 781**

On 28 March 2019 the Board of Directors of AvangardCo Investments Public Limited approved and authorised these consolidated financial statements for issue.

Nataliya Vasylyuk
Director, CEO

Iryna Melnyk
Director, CFO

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 (IN USD THOUSAND, UNLESS OTHERWISE STATED)

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Revenue	22	169 878	127 887
Income/(loss) from revaluation of biological assets at fair value	6	9 843	(3 108)
Cost of sales	23	(178 046)	(134 916)
GROSS PROFIT/(LOSS)		**1 675**	**(10 137)**
General administrative expenses	25	(10 429)	(8 955)
Distribution expenses	26	(10 215)	(7 746)
Income from government grants and incentives	30	89	19 242
Impairment loss on trade and other receivables, net	37	(9 185)	4 488
Gain on derecognition of financial assets measured at amortised cost		11 929	-
Other operating income/(expenses)	27	205	(684)
LOSS FROM OPERATING ACTIVITIES		**(15 931)**	**(3 792)**
Finance income	29	1 199	1 982
Finance costs	28	(31 275)	(33 699)
(Losses)/income on exchange		(9 209)	24 729
NET FINANCE COSTS		**(39 285)**	**(6 988)**
LOSS BEFORE TAX		**(55 216)**	**(10 780)**
Income tax credit	18	(578)	3 311
LOSS FOR THE YEAR		**(55 794)**	**(7 469)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that are or may be reclassified subsequently to profit or loss			
Effect from translation into presentation currency		17 914	(46 820)
TOTAL COMPREHENSIVE INCOME		**(37 880)**	**(54 289)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(54 536)	(6 734)
Non-controlling interests		(1 258)	(735)
		(55 794)	**(7 469)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(37 046)	(52 636)
Non-controlling interests		(833)	(1 653)
		(37 880)	**(54 289)**
Loss per share			
Basic and diluted (USD)	34	**(9)**	**(1)**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (IN USD THOUSAND, UNLESS OTHERWISE STATED)

	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	CAPITAL CONTRIBUTION RESERVE	SHARE PREMIUM	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL		
Balance at 1 January 2017	836	115 858	201 164	864 457	(1 053 923)	128 392	10 418	138 810
Comprehensive income								
Loss for the year	-	-	-	(6 734)	-	(6 734)	(735)	(7 469)
Effect from translation into presentation currency	-	-	-	-	(45 902)	(45 902)	(918)	(46 820)
Total comprehensive income	-	-	-	(6 734)	(45 902)	(52 636)	(1 653)	(54 289)
Balance at 31 December 2017	836	115 858	201 164	857 723	(1 099 825)	75 756	8 765	84 521
Balance at 1 January 2018	836	115 858	201 164	857 723	(1 099 825)	75 756	8 765	84 521
Adjustments on initial application of IFRS 9 (net of tax)	-	-	-	(3 470)	-	(3 470)	-	(3 470)
Adjusted balance at 1 January 2018	836	115 858	201 164	854 253	(1 099 825)	72 286	8 765	81 051
Comprehensive income								
Loss for the year	-	-	-	(54 536)	-	(54 536)	(1 258)	(55 794)
Effect from translation into presentation currency	-	-	-	-	17 490	17 490	424	17 914
Total comprehensive income	-	-	-	(54 536)	17 490	(37 046)	(833)	(37 880)
Balance at 31 December 2018	836	115 858	201 164	799 717	(1 082 335)	35 240	7 932	43 172

(1) In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

(2) Companies incorporated in Cyprus which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the year after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% for the tax year 2014 and thereafter will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 (IN USD THOUSAND, UNLESS OTHERWISE STATED)

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(55 216)	(10 780)
Adjustments for:			
Depreciation of property, plant and equipment	5	14 703	15 411
Change in allowance for irrecoverable amounts		9 185	(4 488)
Loss/(gain) on disposal of current assets	27	1 724	(31)
Loss on disposal of non current assets	27	63	30
Impairment of current assets	27	330	138
Effect of fair value adjustments on biological assets	6	(9 843)	3 108
Gains realised from accounts payable written-off	27	(102)	(400)
Amortization of deferred income on government grants		(89)	(91)
Discount bonds amortization		2 349	2 304
Discount on VAT government bonds amortization		(689)	(1 088)
Interest income		(510)	(894)
Interest payable on loans and bonds		28 865	31 327
Income from received government grants VAT		-	(19 151)
Gain on derecognition of financial assets measured at amortised cost		(11 929)	-
Recovery of previously impaired assets		(1 767)	-
Losses/(income) on exchange		9 209	(14 537)
Operating profit before working capital changes		**(13 717)**	**858**
Increase in trade receivables		(4 128)	(4 023)
Decrease in prepayments and other current assets		3 455	8 843
Decrease/(increase) in taxes recoverable and prepaid		2 901	(6 250)
Decrease in inventories		35 989	4 026
Decrease in deferred income		-	(1)
Increase/(decrease) in trade payables		11 773	(306)
Increase in biological assets		(22 676)	(1 579)
Decrease in finance leases		-	(3)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT.) (IN USD THOUSAND, UNLESS OTHERWISE STATED)

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Increase in other accounts payable		4 249	6 316
Cash generated from operations		**17 848**	**7 881**
Interest paid		(332)	(3 504)
Income tax paid		(73)	(19)
Net cash generated from operating activities		**17 443**	**4 357**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(15 022)	(1 585)
Proceeds from sale of non-current assets		-	-
Interest received		637	1 032
Net cash used in investing activities		**(14 385)**	**(553)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		-	-
Interest paid for bonds issued		-	-
Net cash used in financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		**3 057**	**3 804**
Cash and cash equivalents at 1 January		18 242	12 570
Adjustments on initial application of IFRS 9 (net of tax)		(1 166)	-
Effect from translation into presentation currency		170	1 868
Cash and cash equivalents as at 31 December	12	**20 304**	**18 242**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (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.

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

The ultimate parent which prepares consolidated financial statements is UkrlandFarming PLC whose registered office is the same as the Company's.

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 31 December 2018 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 37% 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 38 to the consolidated financial statements.

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

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

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

COMPANY NAME	PRINCIPAL ACTIVITY	COUNTRY OF REGISTRATION	OWNERSHIP INTEREST (%) 31 DECEMBER 2018	OWNERSHIP INTEREST (%) 31 DECEMBER 2017
PJSC Agroholding Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	98,00%	98,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
PPB LLC Ptytsecompleks		Ukraine	100,00%	100,00%
PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Avangard-Agro of PJSC Agroholding Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale	Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Donetske of PSPC Interbusiness		Ukraine	100,00%	100,00%
LLC Slovyany		Ukraine	90,00%	90,00%
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
SC Zorya of PJSC Agroholding Avangard		Ukraine	98,00%	98,00%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo Chervoniy Prapor		Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Agroholding Avangard		Ukraine	98,00%	98,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	100,00%	100,00%
PJSC Trade Avangard Agro (PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod)		Ukraine	100,00%	100,00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	99,00%	99,00%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	98,00%	98,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	98,00%	98,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	96,00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

COMPANY NAME	PRINCIPAL ACTIVITY	COUNTRY OF REGISTRATION	OWNERSHIP INTEREST (%) 31 DECEMBER 2018	OWNERSHIP INTEREST (%) 31 DECEMBER 2017
LLC Torgivenlniy Dim Avangard	Rental services	Ukraine	99,00%	99,00%
LLC "GENERAL KONSTRAKSHYN"	Assets holding companies	Ukraine	98,00%	98,00%
LLC "LOHISTYK AGROTRADE"		Ukraine	100,00%	100,00%
LLC "REMTREYDSTANDART"		Ukraine	98,00%	98,00%
LLC "COMPANY NEW REGION"		Ukraine	98,00%	98,00%
LLS "PRIME LEADER"		Ukraine	98,00%	98,00%
LLC "CITY REGION"		Ukraine	98,00%	98,00%
LLC "FORVARDTRANS"		Ukraine	98,00%	98,00%
LLC "UNITED LOHISTYK"		Ukraine	98,00%	98,00%
LLC "AGROTRADE BUSINESS"		Ukraine	98,00%	98,00%
LLC "KOMERTSBUDPLAST"		Ukraine	98,00%	98,00%
LLC "AGROMASH-ZAHID"		Ukraine	98,00%	98,00%
LLC "STC-INVESTMENTS"		Ukraine	98,00%	98,00%
LLC "TRANSMAGISTRAL"		Ukraine	93,00%	93,00%

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 31 December 2018 with nominal value of € 0,10 per share.

The shares were distributed as follows:

OWNER	31 DECEMBER 2018		31 DECEMBER 2017	
	NUMBER OF SHARES	OWNERSHIP INTEREST (%)	NUMBER OF SHARES	OWNERSHIP INTEREST (%)
Omtron Limited	1 848 575	28,9%	1 848 575	28,9%
Tanchem Limited	926 280	14,5%	926 280	14,5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22,5%	1 437 500	22,5%
UkrLandFarming Plc	2 174 825	34,1%	2 174 825	34,1%
Other	4	-	4	-
	6 387 185	100,0%	6 387 185	100,0%

As at 31 December 2018 and 31 December 2017 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	OWNERSHIP INTEREST (%) AS AT 31 DECEMBER 2018	OWNERSHIP INTEREST (%) AS AT 31 DECEMBER 2017
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 31 December 2018 and 31 December 2017 the direct interests in Mobco Limited and UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	OWNERSHIP INTEREST (%) AS AT 31 DECEMBER 2018	OWNERSHIP INTEREST (%) AS AT 31 DECEMBER 2017
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	95%

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. and are for the year ended 31 December 2018.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3.1.

2.2 BASIS OF MEASUREMENT

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

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.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

2. BASIS OF PREPARATION | CONT.

2.4 GOING CONCERN BASIS

These consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management of the Group are making every effort to implement their targets and strategy despite the challenging conditions in the domestic and export markets. Additionally they are closely monitoring the Group's cash flows and capital base position and have reviewed the current situation and environment of the Group as described in note 38 to the consolidated financial statements.

As at 31 December 2018 the Group had overdue principal and interest payments and breached covenants of debt agreements with most banks and the Eurobonds. Also on 29 October 2018 the Eurobonds matured and the Group did not proceed to repay any amounts. The Group continue its constructive negotiations with banks and representatives from the Eurobond holders with a positive intent to reach an agreement with acceptable terms for both parties that will ensure the strengthening of the financial position of the Group maximising its potential for strong returns in a world economy that is returning to a more positive growth potential compared with a rather stagnant past few years. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

2.5 STANDARDS AND INTERPRETATIONS

As from 1 January 2018, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by the EU which are relevant to its operations. This adoption did not have a material effect on the condensed consolidated financial statements of the Group except for the adoption of IFRS 9 Financial Instruments (see note 3.1 (b)).

The following Standards, Amendments to Standards and Interpretations have been issued by the International Accounting Standards Board ("IASB") but are not yet effective for annual periods beginning on 1 January 2018. 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

- IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019)

  The amendments clarify that an entity applies IFRS 9 "Financial Instruments", including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The Group is currently evaluating the expected impact of adopting these amendments on its financial statements.

- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).

  IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The key test is whether it is probable that the tax authority will accept the chosen tax treatment, on the assumption that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty being either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in relation to judgements made, assumptions and estimates used, and the potential impact of uncertainties that are not reflected.

- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019)

  In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". The amendments address the issue that under pre-amended IFRS 9, financial assets with such features would probably not meet the SPPI criterion and as such would be measured at fair value through profit or loss. The IASB believes that this would not be appropriate because measuring them at amortised cost provides useful information about the amount, timing and uncertainty of their future cash flows. Financial assets with these prepayment features can therefore be measured at amortised cost or fair value through other comprehensive income provided that they meet the other relevant requirements of IFRS 9. The final amendments also contain a clarification in the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. Based on the clarification, an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange.

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

  IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet lease accounting model for lessees. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The previous distinction between operating and finance leases is removed for lessees. Instead, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

  The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

2. BASIS OF PREPARATION | CONT.

period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Thus far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of buildings, equipment for biological assets and vehicles. As at 31 Decdember 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to USD 1 128 thousand, on an undiscounted basis.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

(II) STANDARDS AND INTERPRETATIONS NOT ADOPTED BY THE EU

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).

  In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019)

  In December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, containing the following amendments to IFRSs:

  - IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest in that business at fair value. The amendments to IFRS 11 clarify that when an entity maintains (or obtains) joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - IAS 12 "Income Taxes": the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
  - IAS 23 "Borrowing Costs": the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019)

  In February 2018, the IASB issued amendments to the guidance in IAS 19 "Employee Benefits", in connection with accounting for planned amendments, curtailments and settlements.

- "Amendments to References to the Conceptual Framework in IFRS Standards" (effective for annual periods beginning on or after 1 January 2020)

  In March 2018 the IASB issued a comprehensive set of concepts for financial reporting, the revised "Conceptual Framework for Financial Reporting" (Conceptual Framework), replacing the previous version issued in 2010. The main changes to the frame work's principles have implica tions for how and when assets and liabilities are recognised and derecognized in the financial statements, while some of the concepts in the revised Framework are entirely new (such as the "practical ability" approach to liabilities". To assist companies with the transition, the IASB issued a separate accompanying document "Amendments to References to the Conceptual Framework in IFRS Standards". This document updates some references to previous versions of the Conceptual Framework in IFRS Standards, their accompanying documents and IFRS Practice Statements.

- IFRS 3 "Business Combinations" (amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2020)

  The amendments narrow and clarify the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance. Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

- IAS 1 and IAS 8 (amendments): Definition of Material (effective for annual periods beginning on or after 1 January 2020)

  The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendments include definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

  - Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).
  - New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

2. BASIS OF PREPARATION | CONT.

- IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely)

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (as defined in IFRS 3). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

3. SIGNIFICANT ACCOUNTING POLICIES.

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements, exept changes in accounting policies which are described in Note 3.1. The accounting policies have been consistently applied by all companies of the Group.

3.1 CHANGES IN SIGNIFICANT

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (see (a)) and IFRS 9 *Financial Instruments* (see (b)) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

The effect of initially applying these standards is mainly attributed to increase in impairment losses recognised on financial assets (see (b) ii) below).

(A) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Group's adoption of IFRS 15 does not have any impact on the Group's consolidated financial statements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

(B) IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the balance of retained earnings:

RETAINED EARNINGS	USD'000
Adjustments on initial application of IFRS 9 (net of tax):	
Trade and other receivables recognition of expected credit losses	1 030
Cash and cash equivalents recognition of expected credit losses	1 190
Provision on guarantees	1 250
Impact at 1 January 2018	**3 470**

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

- *Financial assets at FVTPL:* these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- *Financial assets at amortised cost:* these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see ii) below), interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- *Debt investments at FVOCI:* these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- *Equity investments at FVOCI:* these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

FINANCIAL ASSETS	NOTE	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9	ORIGINAL CARRYING AMOUNT UNDER IAS 39	REMEASUREMENT	NEW CARRYING AMOUNT UNDER IFRS 9
VAT government bonds	1)	Held-to-maturity	Amortised cost	2 840	-	2 840
Trade and other receivables	2)	Loans and receivables	Amortised cost	54 315	(1 030)	53 285
Cash and cash equivalents		Loans and receivables	Amortised cost	18 242	(1 190)	17 052
Total financial assets				**75 397**	**(2 220)**	**73 177**

1) VAT government bonds that were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

2) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of 1 030 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial liabilities as at 1 January 2018.

ii) Impairment of financial assets in USD thousands

FINANCIAL LIABILITIES	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9	ORIGINAL CARRYING AMOUNT UNDER IAS 39	NEW CARRYING AMOUNT UNDER IFRS 9
Long-term loans	Other financial liabilities	Other financial liabilities	134 107	134 107
Short-term bond liabilities	Amortised cost	Amortised cost	231 612	231 612
Trade payables	Other financial liabilities	Other financial liabilities	2 298	2 298
Total financial assets			**368 017**	**368 017**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and VAT government bonds.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs; these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs by bollowing the simplified approach of IFRS 9.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period which the Group is exposed to credit risk.

Measurement of ECLs

Reference to note 4.6

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss and OCI. As a result, the Group reclassified impairment loss amounting to USD 9 185 thousand, recognised under IAS 39, from 'other operating expenses' to 'impairment loss on trade and other receivables, net' in the statement of profit or loss and OCI for the year ended 31 December 2018.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group applied the simplified approach of impairment. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

in USD thousands	
Loss allowance at 31 December 2017 under IAS 39	**48 548**
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables as at 31 December 2017	1 030
Cash and cash equivalents as at 31 December 2017	1 190
Loss allowance at 1 January 2018 under IFRS 9	**50 768**

Trade receivables

The following analysis provides further detail about the calculation of ECLs related to trade receivables on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECL as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past year. The Group performed the calculation of ECL rates separately for supermarkets and for other customers (note 37).

Changes during the period to the Group's exposure to credit risk are described in note 37.

iii) Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held was assessed on the basis of the facts and circumstances that existed at the date of initial application.

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company AvangardCo Investments Public Limited and the financial statements of the companies controlled by the Company as at 31 December 2018.

Transactions under common control

Consolidation of companies including organisations and entities under common control requires that all the organisations and enterprises being consolidated are controlled by one and the same party or parties, both before consolidation and after it, and this control is not transitory.

Subsidiaries

A subsidiary is an entity which is controlled by another entity. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previously owned subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Combinations of businesses under common control

A business combination in which the combining entities are ultimately controlled by the same individual both before and after the combination and the control is not transitory is accounted for using the pooling of interests accounting principles (otherwise known as "carry over accounting" or "predecessor accounting"). The principles of predecessor accounting are:

- The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.
- No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.
- The consolidated financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined from the date that common control was achieved. Consequently, the consolidated financial statements reflect both entities' full periods results, even though the business combination may have occurred part of the way through the period. In addition, the corresponding amounts for the previous period also reflect the combined results of both entities, even though the transaction did not occur until the current period.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

Acquisitions of business not under common control

The purchase method is applied for the consolidation of subsidiaries being acquired. On acquisition, the identifiable assets and liabilities of the subsidiary are measured at fair value on the acquisition date, irrespective of the extent of any non controlling interest. Non-controlling interests are reflected proportionally to fair value of cost of recognised assets and liabilities.

If necessary, adjustments are entered into the financial statements of subsidiaries to bring the accounting policies used into compliance with the accounting policies used by other companies of the Group.

Transactions eliminated on consolidation

Intra-Group transactions and balances are eliminated from the consolidated financial statements. Unrealised profits and losses, from transactions between the Group's Companies are also subject to elimination.

Non-controlling interests (NCI)

NCI is represented by interest in the subsidiaries not owned by the Group. NCI in subsidiaries as at the reporting period is the proportion of fair value of the relevant subsidiaries' identified assets and liabilities attributable to those non-controlling interests as at the date of acquisition, together with their share of changes in their equity after the date of acquisition. Equity attributable to owners of non-controlling interest is reported as a separate item in the consolidated statement of financial position.

Business combinations and goodwill

Business combinations (other than those of businesses under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration is measured at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying value of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in such case is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

CURRENCY	31 DECEMBER 2018	WEIGHTED AVERAGE FOR THE YEAR ENDED 31 DECEMBER 2018	31 DECEMBER 2017	WEIGHTED AVERAGE FOR THE YEAR ENDED 31 DECEMBER 2017
US dollar to Ukrainian Hryvnia	27,6883	27,2016	28,0672	26,5947
Euro	0,8331	0,8465	0,8379	0,8861

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 date of financial statements all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine at that reporting date;

(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.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

3.4 PROPERTY, PLANT AND EQUIPMENT

Initial recognition of property, plant and equipment ("PPE")

PPE is recognised by the Group as an asset only in a case, when:

- it is probable that the Group will receive certain future economic benefits;
- the historical cost can be assessed in a reliable way;
- it is intended for use during more than one operating cycle (usually more than 12 months).

After completion, PPE previously under construction is transferred to the relevant category of PPE.

Expenses after the initial recognition of property, plant and equipment

Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses as expenses of the period, in which they have been incurred. The Group divides all expenses related to the property, plant and equipment, into the following types:

- current repairs and expenses for maintenance and technical service;
- capital refurbishment, including modernisation.

Subsequent measurement of property, plant and equipment

After initial recognition as an asset, the Group applies the model of accounting for the property, plant and equipment at historical cost, net of accumulated depreciation and any accumulated losses from impairment, taking into account estimated residual values of such assets at the end of their useful lives. Such cost includes the cost of replacing significant parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced from time to time, the Group recognises such parts as individual assets with specific estimated useful lives and depreciation, respectively.

Likewise, when a major inspection is performed, its cost is recognised in the carrying value of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives agreed upon with the technical personnel of the Group.

The estimated useful lives for the property, plant and equipment are as follows:

Land	Not depreciated
Buildings and constructions	10-70 years
Machinery and equipment	5-25 years
Equipment for biological assets	5-30 years
Vehicles	5-15 years
Other equipment	3-10 years
Construction in progress	Not depreciated

Depreciation methods, residual values and useful lives of assets are reviewed at each reporting period and adjusted if appropriate.

An asset is not depreciated during the first month of its availability for use. The acquired asset is depreciated starting from the following month of the date it is available for use and depreciation is fully accumulated when useful life terminates.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss when the asset is derecognised.

Impairment

At each reporting period the Group evaluates whether any indicators of possible impairment of an asset exist. If the recoverable value of an asset or a group of assets within PPE is lower than their carrying (residual) value, the Group recognises such asset or group of assets as impaired, and accrues a provision for impairment of the amount of excess of the carrying value over the recoverable value of the asset. Impairment losses are recognised immediately in profit or loss.

Assets under construction and unistalled equipment

Assets under construction comprise costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the Management.

3.3 FINANCIAL INSTRUMENTS

POLICY APPLICABLE FROM 1 JANUARY 2018

(I) RECOGNITION AND INITIAL MEASUREMENT

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(II) CLASSIFICATION AND SUBSEQUENT MEASUREMENT:

Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI:

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI:

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held–for-trading, it is a derivative or it is

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(III) DERECOGNITION

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(IV) OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

POLICY APPLICABLE BEFORE 1 JANUARY 2018

(I)NON-DERIVATIVE FINANCIAL ASSETS

The Group classifies its non-derivative financial assets as loans and accounts receivable, available-for-sale financial assets and held-to-maturity investments. The classification depends on the purposes for which the financial assets were acquired. Management takes decision concerning the classification at initial recognition and reviews such classification for reliability at each reporting period.

(A) LOANS AND ACCOUNTS RECEIVABLE

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Such assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents and trade and other accounts receivable.

Loans issued by the Group are financial assets resulting from delivering cash to the borrower. Loans issued are accounted for at amortised cost using the effective interest method, less any impairment losses.

(B) AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets, are non-derivative financial assets that are designated as available for sale or are not classified into any other category of financial assets. Available for sale financial assets are recognised at fair value plus directly attributable transaction costs.

Investments which Management plans to hold for an indefinite period of time, and which may be sold to improve liquidity or due to changes in interest rates, are classified as available for sale financial assets. These assets are included into non-current assets unless the Group has an obvious intention to hold these assets for a period less than twelve months from the reporting period, and if selling these assets will not result from the need of increasing the working capital, in which case they will be included into current assets. Subsequent to initial recognition available for sale financial assets are recorded at fair value through equity and changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments that are recognised in other comprehensive income.

Impairment loss on available for sale financial assets is recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayments and amortization and the current fair value, less impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to the application of the effective interest method are reflected as a component of interest income. If in a subsequent period the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized then the impairment loss is reversed, with the amount of reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

(C) HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost.
If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years. Held-to-maturity investments are measured at amortised cost.

Initial recognition

All financial assets and liabilities are recognised at fair value plus transaction costs. The best confirmation of fair value at initial recognition is transaction price. Gains or losses on initial recognition are reflected only if the difference between fair value and transaction price is confirmed by other actual

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

and regular market transactions carried out with the same instruments or with such estimation of which the valuation technique is based on open market data.

All acquisitions and sales of financial instruments which are to be carried out on a regular basis, set by regulations or marketing agreements (acquisitions and sales carried out under regular transaction procedures) are recognised at the date of transaction.

Change in value of an asset which is measured at fair value between one date of committing to purchase the assets and settlement date, is recognised either in profit or loss (for assets classified at fair value through profit or loss), or in equity (for assets classified as available-for-sale).

Principles of fair value measurement

Fair value of financial instruments is based on their market price prevailing at the reporting period without deduction of transaction costs.

In case the market price is not available, the fair value of an instrument is determined using pricing or discounted cash flow models.

When using a discounted cash flow model, the determination of future cash flows is based on the best estimates of management, and the discount rate is represented by the market interest rate for similar instruments prevailing at the reporting period. When using pricing models, the inputs are based on average market data prevailing at the reporting period.

Subsequent measurement

After the initial recognition all available for sale investments, are measured at fair value except for any instruments which are not traded on an active market and for which fair value cannot be measured reliably; such instruments are measured at cost plus transactions costs less impairment losses.

Loans and accounts receivable and held-to-maturity investments, are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest method. Premium and discount, including initial transaction costs, are included in the carrying amount of the corresponding instrument and amortised using the effective interest method.

Impairment of financial assets

At each reporting period the Group measures whether there is any objective evidence of impairment of financial assets or group of financial assets. A financial asset or group of financial assets is considered to be impaired if and only if there is objective evidence of impairment as a result of one or more events which occurred after initial recognition of the asset and that loss event, had an impact on the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

Impairment evidence may comprise indicators that a debtor or group of debtors is in significant financial difficulties, is unable to repay the debt or makes inaccurate payments of interest or principal amount of debt, and also the probability of bankruptcy or any other financial reorganisation. In addition, such evidence includes other observable data indicating a decrease in expected cash flows from the financial asset which is subject to reliable measurement, for example, an overdue debt. For an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for a financial asset measured at amortised cost at both a specific asset and collective level. All individually significant assets are measured for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risks characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted using the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Derecognition

The financial assets are derecognised if the term of contractual rights for cash flows from financial assets expires, or the Group transfers all the significant risks and benefits from asset ownership.

(II) NON-DERIVATIVE FINANCIAL LIABILITIES

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date which is the date that the Group becomes a party to the contractual provision for the instrument. The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs using the effective interest method.

Other financial liabilities comprise loans and borrowings, bonds liabilities, bank overdrafts and trade and other payables.

(A) LOANS AND BORROWINGS

Loans and borrowings are financial liabilities of the Group resulting from raising borrowings. Loans and borrowings are classified as short-term liabilities except for cases when the Group has vested right to defer the liabilities at least by 12 months from the reporting period.

Initial recognition

Financial liabilities are initially recognised at fair value adjusted for directly related transaction costs in case of loans and borrowings.

Subsequent measurement

Trade and other accounts payable initially recognised at fair value are subsequently accounted for at amortized value using the effective interest method.

Borrowings initially recognised at fair value of liability net of transaction costs are subsequently reported at amortised cost; any difference between the amount of received funds and amount of repayment is reported within interest expenses during the period in which borrowings were received under the effective interest method.

Derecognition

The financial liabilities are derecognised if the term of contractual obligations expires, contractual obligations fulfilled or agreement cancelled.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

3.6 BONDS

Initial recognition

Financial liabilities are initially recognized at fair value adjusted for transaction costs that are directly attributable to the issue of the bond.

Subsequent measurement

After initial recognition bonds are measured at amortised cost using the effective interest rate method.

Derecognition

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, the difference in the respective carrying amounts is recognised in profit or loss.

3.7 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined as the estimated selling price less estimated costs of completion and preliminary estimated distribution and selling costs. The cost of inventories is based on the first-in-first-out (FIFO) principle.

The cost of inventories comprises all expenses for acquisition, processing and other expenses incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes the cost of raw materials, direct labour and other production costs, and also corresponding part of production overheads.

The Group regularly reviews inventories to determine whether there are any indicators of damage, obsolescence, slow movement, or a decrease in net realisable price. When such events take place, the amount by which inventories are impaired, is recognised in profit or loss.

Impairment of inventories

At each reporting period, the Group assesses the necessity to impair obsolete and surplus inventory and supplies.

Cost of inventories may be irrecoverable if the realisable value for such inventories has decreased due to their damage, whole or partial obsolescence or resulting from changes in market prices. Cost of inventories may be irrecoverable if possible costs for completion or sale have increased.

Raw and other materials in inventories are not written-off below cost, if finished goods, in which they will be included, will be sold at cost or above. However, when decrease in price for raw materials indicates that cost of finished goods will exceed the net realisable value, raw materials are written-off to net realisation values.

3.8 BIOLOGICAL ASSETS

The following groups of biological assets are distinguished by the Group:

- replacement poultry (non-current asset);
- commercial poultry (current asset);
- other biological assets (current asset);

(a) Non current assets - assets with useful life of more than a year. Age of livestock poultry is between 1 – 194 days old.

(b) Current assets - assets with useful life within one year. Age of livestock poultry is between 195 – 560 days old.

The Group performs a biological asset measurement at initial recognition and as at each reporting period, at fair value less any estimated expenses for sale, except in the cases, were fair value cannot be determined reliably. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

The difference between the fair value less estimated costs to sell is recognised in profit or loss.

The Group includes the following elements into cost of laying hens in the process of growing:

- Animal feed
- Depreciation of property, plant and equipment related to the process of growing
- Wages and salaries of personnel related to the process of growing
- Other expenses directly related to the process of growing.

Determination of the fair value of biological assets

Due to an absence of an active market for laying hens in Ukraine, to determine the fair value of biological assets, the Group uses the discounted value of the asset's expected net cash flows.

Determination of the fair value of agricultural produce

Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the profit or loss in the period in which it arises.

3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at banks, cash in hand, cash in transit and issued letters of credit. The bank deposits are held without a specific maturity, are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

3.10 IMPAIRMENT OF NON-CURRENT ASSETS

The Group assesses at each reporting period the carrying value of its non-current assets to determine whether there is any objective evidence that non-current assets are impaired. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The expected recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs to sell and its value in use. In estimating value in use, the future cash flows are discounted to present value using a pre-tax discount that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

If the expected recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) shall be reduced to its recoverable amount. That reduction is an impairment loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease. If the impairment loss is reversed subsequently, the carrying value of an asset (or cash-generating unit) increases to the revised and estimated amount of its recoverable amount, where increased carrying

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

value does not exceed the carrying value which could be determined only in the case where no impairment loss for an asset (or cash-generating unit) was recognised in the previous years. Reversal of the impairment loss is recognised as profit immediately.

3.11 VALUE ADDED TAX (VAT)

There are two rates of value added taxes: 20% – on import and sales of goods and services in the territory of Ukraine and 0% - on export of goods and rendering of services and works outside Ukraine.

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.

VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods by the company.

For goods and services supplied at the 20% tax rate, revenue, expenses and assets are recognised net of VAT amount, unless:

- the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables that are stated including the value added tax.

The Group classifies VAT recoverable arising from its operating activities and its capital expenditures. The balance of VAT recoverable may be realised by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.12 INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting period. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income.

3.13 REVENUE RECOGNITION

POLICY APPLICABLE FROM 1 JANUARY 2018

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or services to a customer.

Contracts with customers are easily identifiable as they are formalized in a written form, with all provisions for rights/responsibilities of the parties to it being clearly stated. Contracts are based on templates approved by our legal team to ensure their enforceability. Contracts have fixed duration. Modifications to the existing contracts may only be in a written form and are approved by our legal team. Modifications are applied prospectively. Contractual terms and conditions used are standard for our industry.

Our performance obligations under the sales contracts include the delivery of goods (eggs and egg powder) which are distinct and clearly stated in contracts. Sales contracts do not include post-sale service, guaranty elements or post-sale discounts used. Our performance obligation is completed when goods are delivered to a customer. Once goods are accepted by a customer we have no further control of the goods. No consignment or similar arrangements are used. Payments for goods are not contingent on any further events following the goods delivery.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

POLICY APPLICABLE BEFORE 1 JANUARY 2018

Revenue includes the amount of compensation received or to be received for realisation of products and services in the course of the ordinary activities of the Group. Revenue is recognised net of value added tax, returns, trade discounts and intragroup transactions.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards have been transferred to the customer, recovery of the consideration is probable, the associated cost and possible return of goods and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting period. The stage of completion is assessed by reference to surveys of work performed.

3.14 FINANCE INCOME/ EXPENSE

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying value of the financial asset or liability. Interest income is included in finance income to the statement of profit and loss and other comprehensive income. Foreign currencies gains and losses are reported on a net basis as either a finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.15 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A lease is classified as finance lease, when, according to lease terms, the lessee assumes all the significant risks and benefits associated with ownership of the relevant assets. All other leases are classified as operating leases.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss and other comprehensive income on a straight line basis over the lease term.

Group as a lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.16 DISTRIBUTION OF DIVIDENDS

The amount payable to the owners of the Company in the form of dividends is recognised as a liability in the financial statements of the Group in the period in which the dividends were approved by the owners of the Company.

3.17 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily requires significant time to be prepared for use in accordance with the group's intentions or for sale, are capitalised as part of the initial value of such asset. All other borrowing costs are expensed in profit or loss in the period in which they were incurred. Borrowing costs include interest payments and other expenses incurred by the Group related to borrowings.

3.18 GOVERNMENT GRANTS

Recognition of government grants

The Group recognises government grants when received.

The Group recognises the government grants as other operating income in the same periods as the corresponding expenses, which they compensate, on a systematic basis:

- All grants, compensating the expenses of the preceding periods, shall be recognised by the Group in full in the period of their receipt as other operating income;
- All grants, related to assets not depreciated, such as a land site, shall be correlated by the Group with the expenses to fulfill the obligations. Where a grant in the form of provision of a land site is conditional on construction of a building on the site, the Group divides the recognition of the grant as other operating income over the whole useful life of the building;
- All grants, related to the amortised assets, shall be recognised by the Group as a decrease in the expenses for amortisation during the periods, when the amortisation of these assets is accrued.

Accounting for government grants for agricultural activities

The Group recognises unconditional state grants related to biological activities as income only in cases when such government grants are receivable. A contingent government grant, is recognised by the Group as income only after the fulfilment of respective conditions.

Return of the government grants

If subsidies are returned partially or completely, the amount to be returned shall be deducted from the remaining unused amount of the government subsidies. If an amount, exceeding the unused part of the government subsidies, is to be returned, the Group shall immediately reflect the amount of such excess as an expense in the reporting period.

3.19 CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recognised in the consolidated financial statements. Such liabilities are disclosed in the notes to the consolidated financial statements, with the exception of when the probability of an outflow of resources embodying economic benefits is remote.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

3. SIGNIFICANT ACCOUNTING POLICIES | CONT.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed in the notes in such cases when there is a possibility of receiving economic benefits.

3.20 PROVISIONS

A provision is a liability of uncertain amount or timing. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.21 SHARE CAPITAL

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of share capital issued is transfered to share premium. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

3.22 OPERATING SEGMENTS

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Group is organised by reportable segments and this is the primary format for segmental reporting. Each segment provides products or services which are subject to risks and rewards that are different from those of other reportable segments.

3.23 EVENTS AFTER THE REPORTING PERIOD

The Group adjusts the consolidated financial statements amounts if events after the reporting period demand adjustments. Events after the reporting period requiring adjustments of the consolidated financial statements amounts relate to the confirmation or contradiction of the circumstances prevailing at the reporting period, as well as estimates and judgments of management, which are made under conditions of uncertainty and incompleteness of information at the reporting period.

If non-adjusting events that occurred after the reporting period are significant, non-disclosure of information about them may affect the economic decisions of users which are made on the basis of these financial statements. Accordingly, the Group discloses the nature of such events and estimates of their financial effect or states the impossibility of such estimate for each material category of non-adjusting events that occurred after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are disclosed below:

4.1 BASIS OF CONSOLIDATION (TRANSACTIONS UNDER COMMON CONTROL)

Control is the ability to govern an entity's financial and operating policies with the aim of receiving benefits from its activities. Where control over subsidiaries and the parent company belongs to the ultimate beneficial owner, these transactions are considered to be combinations of business under common control, which are outside the scope of IFRS3: "Business combinations".

4.2 FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average production of eggs over lifecycle of poultry
- Average productive life of livestock poultry
- Estimated future sales price
- Projected production costs and costs to sell
- Discount rate
- Mortality rate.

4.3 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group estimates the remaining useful life of property, plant and equipment at least once a year at the end of the fiscal year. Should the expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors". These estimates may have a significant effect on the carrying value of property, plant and equipment and depreciation recognised in profit or loss.

4.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is the most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

inflows and the growth rate used for extrapolation purposes.

4.5 VAT RECOVERABLE

Management classified VAT recoverable balance as current based on expectations that it will be realised within twelve months from the reporting period. In addition, management assessed whether the allowance for irrecoverable VAT needs to be created.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT input over VAT output in the normal course of business.

4.6 IMPAIRMENT OF FINANCIAL ASSETS

Trade and other receivables

The Group reviews its trade and other receivables for evidence of their recoverability.

POLICY APPLICABLE FROM 1 JANUARY 2018

The Group recognizes a loss allowance based on the expected credit loss using the simplified approach.

Life time ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. ECLs are a probability-weighted estimate of credit losses. Credit losses are calculated based on Probability of Defaults (PD) and Loss Given Defaults (LGD).

The receivables are grouped into four categories: trade receivables from supermarkets; other trade and other accounts receivables, trade export receivables, and receivables from related parties.

The trade receivables from supermarkets ECL's are calculated using rating-based approach to calculate the ECL. The rating is assigned to each counterparty based on its scoreboard. The rating is updated on an annual basis.

Other trade and other accounts receivables ECL's are calculated based on a provision matrix with the ageing of receivables as a basis, which is calculated with the flow rate method using the historical balances.

The trade export receivables uses 0% ECL approach as based on historical data they are repaid within the 180 days period according to the Procedure of foreign currency settlements, Act of Ukraine 185/94.

Related parties receivables are impaired at 0,02% rate as receivables with minimum credit loss risk.

POLICY APPLICABLE BEFORE 1 JANUARY 2018

The Group provides for doubtful debts to cover potential losses when a customer may be unable to make necessary payments. In assessing the adequacy of provision for doubtful debts, Management considers the current economic conditions in general, the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of provision for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

Group approach is used in calculating the impairment of receivables:

Group approach - receivables are grouped, and turnover is analysed for the group as a whole, rather than on each individual debt separately. Based on the analysis of accounts receivable according to the previous reporting period data for the share of uncollectible receivables, interest is calculated for calculation of reserve for doubtful debt of current reporting period. Subsequently, to calculate the provision of doubtful debt of current reporting period, interest is applied to outstanding balance for the current period, less the amount of accounts receivable, provision for which is calculated on an individual basis.

The amount of impairment in respect of doubtful debts is reported in the statement of comprehensive income in other operating expenses.

Bad debts which are recovered are written-off from the consolidated statement of financial position along with a corresponding adjustment to the provision for doubtful debts, and the recovered amount is recognised in profit or loss.

The Group does not accrue provisions for doubtful debts on balances with intragroup parties regardless of the origin date of current debt, as these would be eliminated on consolidation.

Cash and cash equivalents

POLICY APPLICABLE FROM 1 JANUARY 2018

The Group accrues provisions for cash and cash equivalents by calculating the ECL using a PD based on rating per Moody's agency to the banks and in the case where a bank has no rating, it uses the rating for the country, and LGD on the senior unsecured government bond.

POLICY APPLICABLE BEFORE 1 JANUARY 2018

The Group did not accrue provisions in respect of cash and cash equivalents before 1 January 2018.

4.7 PROVISION ON GUARANTEES

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

4.8 LEGAL PROCEEDINGS

The Group's management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have a significant effect on the future results of operating activity.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

4.9 IMPAIRMENT OF OBSOLETE AND SURPLUS INVENTORY

At each reporting period, the Group assesses the necessity to impair obsolete and surplus inventory. If such necessity exists, the reserve is calculated and necessary adjustments are made.

Estimation of the amount of impairment against obsolete and surplus inventory is based on the type of inventory, inventory turnover, the date of balance origination and estimated shelf life of particular type of inventory.

4.10 DEFERRED TAX ASSETS

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective regions in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets are reviewed at each reporting period and reduced to the extent where no longer exists any probability for sufficient taxable profit to be received, which enables realising the whole number of or a part of deferred tax assets. Estimate of probability includes judgments, which are based on expected characteristics of activity. To estimate the probability of utilising deferred tax assets in future, various factors are used, including previous years' results, operating plans, expiry of tax losses recovery, strategies of tax planning. Should actual results differ from the estimates, and should such estimates need to be reviewed in future periods, this can negatively influence the financial position, financial results and cash flows. Should the estimated utilisation of deferred tax assets be reduced, such reduction is to be recognised in profit or loss.

4.11 CONTINGENT LIABILITIES

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is based on Management's judgments and estimates of the outcomes of such future events. In particular, the tax laws in Ukraine are complex and significant management judgement is required to interpret those laws in connection with the tax affairs of the Group, which is open to challenge by the tax authorities. Additionally, the impact on the Group of the economic and political situation in Ukraine (note 39).

4.12 MEASUREMENT OF FAIR VALUES

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

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

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that 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.

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

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

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

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

4.13 UKRAINIAN BUSINESS ENVIRONMENT

The economic situation in Ukraine has significantly deteriorated since 2014 after the annexation of Crimean peninsula by the Russian Federation (further – the RF), the event that was recognized by neither Ukraine nor the World community. This development has lead to substantial deterioration of relations between Ukraine and the RF. The Crimea annexation has spread the pressure throughout the Eastern regions of Ukraine (mostly Donetsk Oblast' and Lugansk Oblast'). In May 2014, the social unrest fueled by the RF, has grown into a military conflict between self-proclaimed Donetsk and Lugansk People's Republics and Ukrainian troops. The military conflict has not been resolved yet. The Donetsk Oblast' and Lugansk Oblast' are partly controlled by self-proclaimed Donetsk and Lugansk People's Republics. Ukrainian authorities are incapable of enforcing the law on these territories.

These events have led to the disappearance of economic links between Ukraine and the RF, the key export destination for many Ukrainian industries. Ukraine has lost control over large mining companies concentrated in the East of the country, which significantly decreased the inflow of foreign currency. Eventually, the national GDP has dropped, public finances have eroded, the national currency has suffered severe devaluation and the credit rating of the sovereign debt has continued to deteriorate. The newly elected Government of Ukraine had no financial power to avoid the economic downfall in years

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

2014-2015. Minimal international reserves and exhausted government accounts have forced the government to introduce administrative anti-crisis tools. The National Bank of Ukraine has introduced currency restrictions: conversion limits, the requirement to convert 70% of foreign currency revenue into national currency, abroad dividend payment ban, ban on early repayment of foreign loans, cash withdrawal limitations. Such restrictions have limited the abilities of Ukrainian companies and banks to lend and borrow money on domestic and international markets.

It is hard to foresee the eventual outcome of the conflict with the RF and the Ukrainian economic crisis. In case of resumption of hostilities in the East of Ukraine, the government will be forced to increase military spending and face another period of economic turbulence. To date, we can conclude the Ukrainian government has managed to stabilize the economy. In years 2016-2017 the GDP growth was 2,3% and 2% respectively (the best growth indicator since 2012). The administrative restrictions are being gradually lifted. The law on currency regulation entered into force in 2018; it is designed to liberalize the currency market and stimulate foreign economic activities. Despite the floating exchange rate introduced on the IMF's demand, national currency is rather stable. There are signs of recovery from deep economic crisis of years 2014-2015.

The management of the Group takes all the necessary steps to support the financial stability of the Group in current circumstances. Despite the first signs of economic recovery, we are still suffering from significant devaluation of the national currency. The value of UAH has decreased by 3,5 times since the beginning of the military conflict in early 2014. This was followed by the drop in the demand on domestic market ignited by the deterioration of purchasing power of Ukrainians.

That is why we look to the future with cautious optimism. We understand that it will take several years to recover from crisis. This consolidated financial report reflects current Management's view on the influence of the Ukrainian business environment on the financial standing of the Group. The future developments in Ukrainian economy can differ from the Management's expectations. This financial report was not adjusted for any events after the reporting period.

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 2018	**1 003**	**210 105**	**36 206**	**100 739**	**2 304**	**1 219**	**56 752**	**408 328**
Acquisitions	-	12 406	709	863	135	126	707	**14 946**
Disposals	-	(39)	(73)	(19)	(15)	(20)	(14 801)	**(14 968)**
Recovery of priviously impaired assets	-	1 323	193	1 295	11	5	4	**2 830**
Internal transfers	-	22 336	356	242	4	7	(22 945)	**0**
Foreign currency translation	14	2 243	474	1 336	29	15	734	**4 846**
Reclassification	-	(56)	27	37	0	(9)	-	**0**
Balance at 31 December 2018	**1 017**	**248 318**	**37 893**	**104 493**	**2 469**	**1 342**	**20 451**	**415 981**
Accumulated depreciation								
Balance at 1 January 2018	-	**31 589**	**9 159**	**30 445**	**1 522**	**973**	-	**73 688**
Depreciation charge	-	6 756	2 309	5 404	146	88	-	**14 703**
Depreciation eliminated on disposal	-	(8)	(52)	(12)	(13)	(20)	-	**(104)**
Recovery of priviously impaired assets	-	659	84	399	11	4	-	**1 157**
Foreign currency translation	-	302	85	313	21	12	-	**733**
Reclassification	-	(6)	(9)	24	0	(9)	-	**(0)**
Balance at 31 December 2018	-	**39 292**	**11 576**	**36 574**	**1 686**	**1 049**	-	**90 177**
Net book value								
Balance at 31 December 2018	**1 017**	**209 026**	**26 317**	**67 920**	**782**	**293**	**20 451**	**325 805**
Cost								
Balance at 1 January 2017	**1 037**	**211 247**	**38 780**	**102 745**	**2 422**	**1 198**	**61 475**	**418 904**
Acquisitions	-	647	269	492	7	47	33	**1 495**
Disposals	(2)	(17)	(40)	(7)	(52)	(8)	(1 394)	**(1 520)**
Internal transfers	-	3 746	114	389	-	24	(4 273)	**-**
Foreign currency translation	(32)	(6 904)	(1 137)	(3 274)	(73)	(42)	911	**(10 551)**
Reclassification	-	1 386	(1 780)	394	-	-	-	**-**
Balance at 31 December 2017	**1 003**	**210 105**	**36 206**	**100 739**	**2 304**	**1 219**	**56 752**	**408 328**
Accumulated depreciation								
Balance at 1 January 2017	-	**26 367**	**7 287**	**25 079**	**1 459**	**891**	-	**61 083**
Depreciation charge	-	6 213	2 414	6 493	170	121	-	**15 411**
Depreciation eliminated on disposal	-	(6)	(24)	(4)	(52)	(7)	-	**(93)**
Foreign currency translation	-	(1 158)	(345)	(1 123)	(55)	(32)	-	**(2 713)**
Reclassification	-	173	(173)	-	-	-	-	**-**
Balance at 31 December 2017	-	**31 589**	**9 159**	**30 445**	**1 522**	**973**	-	**73 688**
Net book value								
Balance at 31 December 2017	**1 003**	**178 516**	**27 047**	**70 294**	**782**	**246**	**56 752**	**334 640**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

5.PROPERTY, PLANT AND EQUIPMENT | CONT.

As at 31 December 2018 and 31 December 2017 the property, plant and equipment that was used as security for long-term and short-term loans was as follows:

	CARRYING VALUE OF SECURITY AS AT	
	31 DECEMBER 2018	31 DECEMBER 2017
Buildings and structures	41 101	32 566
Machinery and equipment	784	945
Equipment for biological	21 470	22 079
assets	1 000	986
Land	**64 354**	**56 576**

6. BIOLOGICAL ASSETS

	31 DECEMBER 2018	31 DECEMBER 2017
Non-current biological assets		
Replacement poultry	30 316	3 732
	30 316	**3 732**
Current biological assets		
Commercial poultry	21 796	16 160
	21 796	**16 160**
Total	**52 112**	**19 892**

a) Commercial poultry and replacement poultry were as follows:

	31 DECEMBER 2018		31 DECEMBER 2017	
	NUMBER, THOUSAND HEAD	FAIR VALUE	NUMBER, THOUSAND HEAD	FAIR VALUE
Loman	6 862	6 862	9 430	18 605
Novogen	4 974	4 974	99	1 287
Decalb	907	907	-	-
Tetra	688	688	-	-
	13 431	**13 431**	**9 529**	**19 892**

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

Balance at 1 January 2017	**22 028**
Acquisitions	40 926
Increase in value as a result of increase in weight/number	111 170
Net change in fair value	(3 108)
Decrease in value resulting from assets disposal	(36 754)
Effect from translation into presentation currency	(607)
Decrease in value resulting from hens slaughtering	(113 535)
Other changes	(228)
Balance at 31 December 2017	**19 892**
Balance at 1 January 2018	**19 892**
Acquisitions	30 358
Increase in value as a result of increase in weight/number	102 417
Net change in fair value	9 843
Decrease in value resulting from assets disposal	(17 264)
Effect from translation into presentation currency	(299)
Decrease in value resulting from hens slaughtering	(92 650)
Other changes	(185)
Balance at 31 December 2018	**52 112**

Due to the absence of an active market for laying hen in Ukraine to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 20,54% prevailing as at 31 December 2018 was applied (for the year ended 31 December 2017: 24,66%).

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

Regulatory and environmental risk

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

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

7. INVESTMENTS MEASURED AT AMORTIZED COST

Investments measured at amortized cost as at 31 December 2018 and 31 December 2017 were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
VAT government bonds	-	3 712
Discount VAT government bonds	-	(872)
	-	**2 840**

	31 DECEMBER 2018	31 DECEMBER 2017
Coupon receivable	131	260

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. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as at 31 December 2018 and 31 December 2017 were as follows:

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
VAT settlements	a)	18 761	17 807
Other taxes prepaid		39	42
		18 800	**17 849**

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

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

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

9. INVENTORIES

Inventories as at 31 December 2018 and 31 December 2017 were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Raw and basic materials	7 506	13 952
Work-in-progress	90	361
Agricultural produce	1 116	2 292
Finished goods	3 948	30 126
Package and packing materials	3 570	5 366
Goods for resale	213	1 357
Other inventories	3 254	2 847
	19 697	**56 301**

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

The Group produced shell eggs in the quantity of 2 625 490 692 (2017: 2 399 489 108 items) which have fair value amounted to USD 150 571 thousand (2017: USD 105 562 thousand).

10. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts reveivable as at 31 December 2018 and 31 December 2017 were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Trade receivables-gross	64 198	92 113
Provision for doubtful debts	(9 714)	(46 737)
	54 484	**45 376**

As at 31 December 2018 an amount of USD 19 826 thousand or 36,4% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2017–see note 36).

The fair values of trade accounts receivable due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade accounts receivable is reported in note 37 to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

11. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets as at 31 December 2018 and 31 December 2017 were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Prepayments	10 776	2 689
Provision for doubtful debts	(1 763)	(1 812)
Other non-trade accounts receivable	4 162	4 349
Current portion of VAT bonds	3 556	3 713
	16 731	**8 939**

The exposure of the Group to credit risk and impairment losses in relation to prepayments and other current assets is reported in note 37 to the consolidated financial statements.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2018 and 31 December 2017 were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Cash at banks	20 306	18 241
Cash in hand	1	1
Provision for cash and cash equivalents	(3)	-
Cash and cash equivalents represented in consolidated statement of cash flows	**20 304**	**18 242**

The exposure of the Group to credit risk and impairment losses and to liquidity risk in relation to cash and cash equivalents is reported in note 37 to the consolidated financial statements.

13. SHARE CAPITAL

	31 DECEMBER 2018		31 DECEMBER 2017	
	NUMBER OF SHARES	SHARE CAPITAL, USD THS	NUMBER OF SHARES	SHARE CAPITAL, USD THS
Authorised				
Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
Issued and fully paid				
Balance at 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.

14. LONG-TERM LOANS

Long-term loans as at 31 December 2018 and 31 December 2017 were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Long-term bank loans in national currency	47 114	46 479
Long-term bank loans in foreign currency	84 104	87 628
Total loans	**131 218**	**134 107**
Commodity credit	320	316
	131 538	**134 423**
Current portion of non-current liabilities for bank loans in national currency	(47 114)	(4 045)
Current portion of non-current liabilities for bank loans in foreign currency	(84 104)	(87 628)
	320	**42 750**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

14. LONG-TERM LOANS | CONT.

a) As at 31 December 2018 and 31 December 2017 the long-term bank loans by maturities were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Less than one year	131 218	91 673
From 1 to 2 years	-	6 528
From 2 to 3 years	-	6 528
From 3 to 4 years	-	6 528
From 4 to 5 years	-	22 848
Over 5 years	-	-
	131 218	**134 106**

b) As at 31 December 2018 and 31 December 2017 the long-term bank loans by currencies were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Long-term bank loans in UAH	47 114	46 478
Long-term bank loans in EUR	84 104	87 628
	131 218	**134 106**

c) As at 31 December 2018 and 31 December 2017 the interest rates for long-term bank loans were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
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

As at the end of the reporting period the Group had overdue payments for almost all of the long-term borrowings (including interest: see note 20) and was not in compliance with certain covenants. As a result, the relevant portion was classified as current until finalisation of the Group's Management negotiations with the banks with the expectation to agree on the restructuring of debt with favourable conditions for both parties.

d) Commodity credit in the amount of USD 320 thousand (2017: USD 316 thousand) is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboprodiktiv" and OJSC "Ptakhohospodarstvo Chervonyi Prapor" for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. In case of default after the maturity of the loan the Group's companies are subject to fine and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine, applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments. The commodity credit does not have a maturity date. The exposure of the Group to interest rate risk and liquidity risk in relation to loans and borrowings is reported in note 37 to the consolidated financial statements.

15. 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 was 29 October 2015 and the placement price was 98,093% of the principal amount of the Notes.

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

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 would 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 would be payable semi-annually in arrears on 29 April and 29 October of each year, commencing 29 April 2016, but subject to the following PIK and cash payment provisions:

INTEREST PAYMENT DATE	PIK INTEREST %	CASH INTEREST %
29.04.16	75	25
29.10.16	75	25
29.04.17	50	50
29.10.17	50	50
29.04.18	25	75
29.10.18	0	100

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

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

In March 2017 the Management of the Company has decided to commence a new 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;

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

15. BOND LIABILITIES | CONT.

- challenging conditions for exports as a result of continuing military/political disruption in certain of the Group's key export markets in the Middle East; and
- its inability to refinance existing indebtedness as a result of the continued weakness of the Ukrainian banking system and the unavailability of international capital markets to Ukrainian borrowers.

Currently the Company defaulted in paying the interest due under the Note (see note 20). Also on 29 October 2018 the Eurobonds matured and the Group did not proceed to repay any amounts.

The rectructuring process will help the Company continue to maintain its assets and operations. Going forward the Company is planning to concentrate on operations while prudently managing liquidity and servicing it's existing debt portfolio. The Company continues to be in discussions with various creditor groups.

The exposure of the Group to interest rate risk and liquidity risk in relation to bond liabilities is reported in note 37 to the consolidated financial statements.

16. SECURITIES

Long-term loans (Note 14) as at 31 December 2018 and 31 December 2017 were secured on assets as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Buildings and structures	41 101	32 566
Machinery and equipment	784	945
Equipment for biological assets	21 470	22 079
Land	1 000	986
Total	**64 355**	**56 576**

As at 31 December 2018 and 31 December 2017 surety providers of the liabilities of UkrLandFarming Plc were as follows: LLC Imperovo Foods, PSPC Interbusiness, PJSC Agroholding Avangard (PJSC Ptakhohospodarstvo Chervonyi Prapor), LLC Slovyany.

17. CURRENT PORTION OF NON-CURRENT FINANCIAL LIABILITIES

The current portion of non-current financial liabilities as at 31 December 2018 and 31 December 2017 was as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Trade and other payables		
Deferred income (current portion)	88	87
Financial liabilities		
Current portion of non-current liabilities for bank loans in foreign currency	84 104	87 628
Current portion of non-current liabilities for bank loans in national currency	47 114	4 045
Dividends payable (current portion)	6 684	-
	137 990	**91 760**

The exposure of the Group to liquidity risk in relation to non-current financial liability is reported in note 37 to the consolidated financial statements.

18. DEFERRED TAX ASSETS AND LIABILITIES, INCOME TAX EXPENSE

The principal components of deferred tax assets and liabilities before netting off on a company basis as at 31 December 2018 and 31 December 2017 were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Influence of temporary differences on deferred tax assets		
Property, plant and equipment, non-current assets	6 828	6 103
Provisions	1 136	2 255
Total deferred tax assets	**7 964**	**8 358**
Influence of temporary differences on deferred tax liabilities		
Deferred expenses	(1)	(4)
Total deferred tax liabilities	**(1)**	**(4)**
Net deferred tax assets	**7 963**	**8 354**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

18. DEFERRED TAX ASSETS AND LIABILITIES, INCOME TAX EXPENSE | CONT.

	31 DECEMBER 2018	31 DECEMBER 2017
Total deferred tax assets	7 964	8 662
Total deferred tax liabilities	(1)	(308)
Net deferred tax assets	**7 963**	**8 354**

Principal components of income tax expense

As at 31 December 2018 and 31 December 2017 the rate of income tax in Ukraine was equal to 18%.

	31 DECEMBER 2018	31 DECEMBER 2017
Current income tax	(57)	(74)
Deferred tax asset	(521)	3 385
Income tax credit for the year	**(578)**	**3 311**

Reconciliation of deferred tax liabilities

	31 DECEMBER 2018	31 DECEMBER 2017
Balance as at 1 January	8 354	5 312
Deferred tax credit	(521)	3 385
Effect of translation into presentation currency	130	(343)
Balance as at 31 December	**7 963**	**8 354**

Management of the Group expects, on the basis of forecast, that in next periods, entities which are payers of income tax, will be profitable.

Reconciliation between income tax expense and accounting (loss)/profit multiplied by the rate of income tax

	31 DECEMBER 2018	31 DECEMBER 2017
Accounting loss before tax	(55 216)	(10 780)
Less accounting profit of the companies being fixed agricultural tax payers	(6 035)	2 272
	(61 251)	(8 508)
Accounting loss of the companies being income tax payers at the rate 12,5%	(34 198)	(3 930)
Accounting loss of the companies being income tax payers at the rate 18%	(27 052)	(4 578)
	(61 250)	(8 508)
Income tax, taxable at the rate of 12,5%	(4 275)	(491)
Income tax, taxable at the rate of 18%	(4 869)	(824)
Tax effect of allowances and income not subject to tax	8 566	4 626
Tax as per consolidated statement of profit or loss and other comprehensive income - credit	**(578)**	**3 311**

As at 1 January 2017	**41**
Income tax accrued for the year	(74)
Income tax paid for the year	46
Effect of translation into presentation currency	22
As at 31 December 2017/ 1 January 2018	**35**
Income tax accrued for the year	
Income tax paid for the year	
Effect of translation into presentation currency	
As at 31 December 2018	**55**

19. TRADE PAYABLES

Trade payables as at 31 December 2018 and 31 December 2017 were as follows:

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Trade payables		13 795	2 262
Short-term notes issued	a)	-	36
		13 795	**2 298**

a) As at 31 December 2018 and 31 December 2017 the short-term notes issued were represented by promis sory, non interest-bearing, notes.

The exposure of the Group to liquidity risk in relation to trade payables is reported in note 37 to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

20. OTHER ACCOUNTS PAYABLE

Other accounts payable as at 31 December 2018 and 31 December 2017 were as follows:

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Accrued expenses for future employee benefits		1 401	441
Other accrued expenses		309	214
Wages and salaries and related taxes liabilities		1 713	809
Other taxes and compulsory payments liabilities	a)	180	154
Accounts payable for property, plant and equipment		48	124
Advances received from customers	b)	937	198
Interest payable on loans		20 042	10 955
Accrued coupon on bonds		31 757	14 249
Provision on guarantees	c)	1 296	-
Other payables	d)	3 379	1 844
		61 062	**28 989**

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) As at 31 December 2018 and 31 December 2017 surety providers of the liabilities of UkrLandFarming Plc were as follows: LLC Imperovo Foods, PSPC Interbusiness, PJSC Agroholding Avangard, LLC Slovyany.

d) Other payables consist of payables for electricity, gas, water, security services, lease and other.

The exposure of the Group to liquidity risk in relation to other accounts payable is reported in note 37 to the consolidated financial statements.

21. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is stated after (charging)/crediting the following items:

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Depreciation of property, plant and equipment	5	(14 703)	(15 411)
(Loss)/profit on disposal of non current assets	27	(63)	(30)
Bad Debt recovered		(9 185)	4 488
Payroll and related expenses	31	(19 425)	(10 778)
Independent auditors' remuneration for statutory audit of annual accounts		(412)	(362)
		(43 788)	**(22 093)**

22. REVENUE

Sales revenue for the year ended 31 December 2018 and 31 December 2017 was as follows:

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
Revenue from finished goods	167 998	117 699
Revenue from goods sold	1 555	9 623
Revenue from services rendered	325	565
	169 878	**127 887**

For the year ended 31 December 2018 USD 42 058 thousand (2017: USD 28 064 thousand) or 24,8% (2017: 21,9%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients (note 37).

23. COST OF SALES

Cost of sales for the year ended 31 December 2018 and 31December 2017 was as follows:

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Cost of finished goods sold	24	(176 191)	(124 961)
Cost of goods sold		(1 389)	(9 561)
Cost of services rendered		(466)	(394)
		(178 046)	**(134 916)**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

24. COST OF SALES BY ELEMENTS

The cost of finished goods sold (Note 23) for the year ended 31 December 2018 and 31 December 2017 was as follows:

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Raw materials		(138 369)	(97 630)
Payroll of production personnel and related taxes	31	(12 536)	(5 945)
Depreciation		(14 509)	(15 198)
Services provided by third parties		(10 698)	(6 086)
Other expenses		(79)	(102)
	23	**(176 191)**	**(124 961)**

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

25. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses for the year ended 31 December 2018 and 31 December 2017 were as follows:

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Salaries and wages of administrative personnel	31	(6 144)	(4 436)
Services provided by third parties		(2 626)	(3 278)
Depreciation		(107)	(98)
Repairs and maintenance costs		(143)	(104)
Tax expenses, except for income tax		(648)	(520)
Material usage		(443)	(319)
Other expenses		(318)	(200)
		(10 429)	**(8 955)**

26. DISTRIBUTION EXPENSES

Distribution expenses for the year ended 31 December 2018 and 31 December 2017 were as follows:

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Salaries and wages of distribution personnel	31	(745)	(397)
Transport expenses		(6 056)	(4 290)
Depreciation		(87)	(115)
Services provided by third parties		(3 200)	(2 720)
Packing materials		(41)	(69)
Repairs and maintenance costs		(24)	(4)
Other expenses		(62)	(151)
		(10 215)	**(7 746)**

27. OTHER OPERATING INCOME/ (EXPENSES)

Other operating income/(expenses) for the year ended 31 December 2018 and 31 December 2017 were as follows:

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
(Loss)/gain on disposal of current assets	(1 724)	31
Loss on disposal of non current assets	(63)	(30)
Impairment of current assets	(330)	(138)
Gain realised from writing-off of accounts payable	102	400
Foreign currency sale loss	(27)	(34)
Fines, penalties recognized	(342)	(327)
Other income/(expense)	2 589	(586)
	205	**(684)**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

28. FINANCE COSTS

Finance costs for the year ended 31 December 2018 and 31 December 2017 was as follows:

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
Interest payable on loans	(9 455)	(8 682)
Total finance expenses on loans	**(9 455)**	**(8 682)**
Finance expenses on bonds	(19 410)	(22 645)
Other finance expenses	(2 410)	(2 372)
	(31 275)	**(33 699)**

29. FINANCE INCOME

Finance income for the year ended 31 December 2018 and 31 December 2017 includes the interest income from VAT government bonds and placement of deposits and amounted to USD 1 199 thousand and USD 1 982 thousand respectively.

30. GOVERNMENT GRANTS RECEIVED

Income from government grants received for the year ended 31 December 2018 and 31 December 2017 was as follows:

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Amortization of deferred income on government grants	a)	89	91
Income from VAT government grants received	b)	-	19 151
		89	**19 242**

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 estimated 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, a new subsidy for 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 objective is that the Goverment returns part of the VAT paid by agricultural producers to the Government. 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.

31. PAYROLL AND RELATED TAXES

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
Salary	(12 182)	(6 759)
Contributions to state funds	(7 243)	(4 019)
	(19 425)	**(10 778)**

	NOTE	FOR THE YEAR ENDED	
		31 DECEMBER 2018	31 DECEMBER 2017
Payroll of production personnel and related taxes	24	(12 536)	(5 945)
Salaries and wages of administrative personnel	25	(6 144)	(4 436)
Salaries and wages of distribution personnel	26	(745)	(397)
		(19 425)	**(10 778)**

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
Average number of employees, persons	**2 681**	**2 012**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

32. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

According to these criteria the related parties of the Group are divided into the following categories:

A. Key management personnel;

B. Companies having the same top management;

C. Companies in which the Group's owners have an equity interest;

D. Companies in which activities are significantly influenced by the Group's owners.

Salary costs of key management personnel for the year ended 31 December 2018 and 31 December 2017 were as follows:

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
Salary	1 193	1 131
Contributions to state funds	226	138
	1 419	**1 269**

Outstanding amounts of the Group for transactions with related parties as at 31 December 2018 and 31 December 2017 were as follows:

	OUTSTANDING BALANCES WITH RELATED PARTIES AS AT	
	31 DECEMBER 2018	31 DECEMBER 2017
Prepayments and other current assets, net		
D. Companies in which activities are significantly influenced by the Group's owners	10 425	3 298
	10 425	**3 298**
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	8 050	11 625
	8 050	**11 625**
Dividends payable		
D. Companies in which activities are significantly influenced by the Group's owners	22 892	22 892
	22 892	**22 892**

	OUTSTANDING BALANCES WITH RELATED PARTIES AS AT	
	31 DECEMBER 2018	31 DECEMBER 2017
Trade payables		
D. Companies in which activities are significantly influenced by the Group's owners	6 636	-
	6 636	**-**
Other current liabilities		
C. Companies in which the Group's owners have an equity interest	115	-
D. Companies in which activities are significantly influenced by the Group's owners	1 993	2
	2 108	**2**

On 2nd July 2013 UkrLandFarming Plc acquired a direct shareholding percentage of 7,11% in the share capital of LLC Imperovo Foods partially through contribution of technological equipment for elevators.

From 2nd July 2013 and therefafter the share capital of LLC Imperovo Foods was increased through contributions from other Group companies, therefore the direct shareholding percentage of UkrLandFarming Plc was decreased to 3,17% at 31 December 2014.

In 2015 the share capital of LLC Imperovo Foods was increased, therefore the direct shareholding percentage of UkrLandFarming Plc at 31 December 2015 was increased to 3,56%.

As at 31 December 2018 Prepayments and other current assets, (net) include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 2 985 thousand (31 December 2017: USD 2 944 thousand).

The Group's transactions with related parties for the year ended 31 December 2018 and 31 December 2017 were as follows:

	TRANSACTIONS WITH RELATED PARTIES FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
Revenue		
D. Companies in which activities are significantly influenced by the Group's owners	7 581	19 239
	7 581	**19 239**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(36)	(13)
	(36)	**(13)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(4 726)	(4 602)
	(4 726)	**(4 602)**
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	291	107
	291	**107**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

32. RELATED PARTY BALANCES AND TRANSACTIONS | CONT.

For the year ended 31 December 2018 and 31 December 2017 purchases of goods, transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 58 689 thousand and USD 2 293 thousand respectively. All those goods and services were bought and provided on market terms.

33. OPERATING SEGMENTS

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

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

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

Management monitors the operating results of each of the units separately for the purposes of making decisions about resources allocation and evaluation of operating results.

The results of segments' activities are measured on the basis of operating profit or loss, its measurement is carried out accordingly to measurement of operating profit or loss in the consolidated financial statements.

Reportable segment information for the year ended 31 December 2018 was as follows:

	SHELL EGGS	POULTRY	ANIMAL FEED	EGG PRODUCTS	OTHER ACTIVITIES	ADJUSTMENTS AND ELIMINATION	TOTAL
Sales revenue	278 838	37 024	48 469	48 163	7 394	-	419 888
Intra-group elimination	(158 001)	(32 240)	(47 245)	(9 193)	(3 331)	-	(250 010)
Revenue from external buyers	**120 837**	**4 784**	**1 224**	**38 970**	**4 063**	**-**	**169 878**
Income from revaluation of biological assets at fair value	6 285	3 558	-	-	-	-	9 843
Other operating expenses	(740)	(163)	136	(68)	1 040	-	205
Income from government grants and incentives	88	1	-	-	-	-	89
OPERATING PROFIT/ (LOSS)	**15 275**	**(2 362)**	**(1 462)**	**(22 525)**	**(4 857)**	**-**	**(15 931)**
Finance income	113	-	-	1 083	3	-	1 199
Finance costs,	(145)	-	-	(7 214)	(23 916)	-	(31 275)
including:							
Interest payable on loans	(145)	-	-	(7 154)	(2 156)	-	(9 455)
Income tax (expense)/ credit	-	-	(20)	(551)	(7)	-	(578)
NET (LOSS)/ PROFIT FOR THE YEAR	**15 177**	**(2 741)**	**(1 482)**	**(28 738)**	**(38 011)**	**-**	**(55 794)**
TOTAL ASSETS	**2 494 319**	**124 281**	**229 579**	**866 441**	**919 497**	**(4 117 772)**	**516 345**
Capitalised expenses	13 327	180	39	1 123	277	-	14 946
Depreciation	9 382	2 310	599	490	1 923	-	14 703
TOTAL LIABILITIES	**1 943 541**	**89 825**	**256 649**	**696 626**	**448 133**	**(2 961 601)**	**473 173**

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

33. OPERATING SEGMENTS | CONT.

Other operating income/(expenses) for the year ended 31 December 2018 and 31 December 2017 were as follows:

	SHELL EGGS	POULTRY	ANIMAL FEED	EGG PRODUCTS	OTHER ACTIVITIES	ADJUSTMENTS AND ELIMINATION	TOTAL
Sales revenue	176 191	63 439	118 853	14 918	13 044	-	386 445
Intra-group elimination	(94 066)	(46 467)	(115 330)	(876)	(1 819)	-	(258 558)
Revenue from external buyers	**82 125**	**16 972**	**3 523**	**14 042**	**11 225**	-	**127 887**
Income from revaluation of biological assets at fair value	2 024	(5 132)	-	-	-	-	(3 108)
Other operating expenses	(2 972)	185	17	6 847	(273)	-	3 804
Income from government			-	-	-	-	19 242
grants and incentives	19 181	60	(2 067)	2 426	(4 436)	-	(3 792)
OPERATING PROFIT/(LOSS)	**6 783**	**(6 498)**	-	**1 805**	**3**	-	**1 982**
Finance income	174	-	-	(6 229)	(27 321)	-	(33 699)
Finance costs,	(148)	-					
including:							
Interest payable on loans	(148)	-	-	(6 161)	(2 373)	-	(8 682)
Income tax (expense)/credit	(2)	-	(12)	3 318	7	-	3 311
NET (LOSS)/PROFIT FOR THE YEAR	**6 970**	**(6 642)**	**(2 079)**	**914**	**(6 632)**	-	**(7 469)**
TOTAL ASSETS	**2 163 470**	**51 914**	**198 866**	**733 538**	**886 874**	**(3 521 881)**	**512 781**
Capitalised expenses	949	14	-	231	301		1 495
Depreciation	9 280	2 374	617	444	2 696	-	15 411
TOTAL LIABILITIES	**1 651 666**	**3 100**	**230 894**	**534 323**	**390 751**	**(2 382 474)**	**428 260**

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 YEAR ENDED		NON-CURRENT ASSETS AS AT	
	31 DECEMBER 2018	31 DECEMBER 2017	31 DECEMBER 2018	31 DECEMBER 2017
Ukraine	103 734	90 037	363 680	383 462
Middle East and North Africa	38 782	23 878	-	-
Far East	5 451	3 555	-	-
Central and West Africa	7 118	2 205	-	-
Europe	14 756	8 153	-	-
South Asia	36	61	-	-
Total	**169 878**	**127 887**	**363 680**	**383 462**

34. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2018 and 31 December 2017 was based on loss attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
Loss attributable to the owners of the Company:		
(in USD thousands)		
Loss for the year attributable to the owners of the Company	(54 536)	(6 734)
Weighted average number of shares:		
Weighted average number of ordinary shares at 30 June	6 387 185	6 387 185
Loss per share (USD)	(9)	(1)

Loss per share is the loss for the year 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.

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

35. CONTINGENT AND CONTRACTUAL LIABILITIES

Ukrainian business and economic environment

The economic situation in Ukraine has significantly deteriorated since 2014 after the annexation of Crimean peninsula by the Russian Federation (further – the RF), the event that was recognized by neither Ukraine nor the World community. This development has lead to substantial deterioration of relations between Ukraine and the RF. The Crimea annexation has spread the pressure throughout the Eastern regions of Ukraine (mostly Donetsk Oblast' and Lugansk Oblast'). In May 2014, the social unrest fueled by the RF, has grown into a military conflict between self-proclaimed Donetsk and Lugansk People's Republics and Ukrainian troops. The military conflict has not been resolved yet. The Donetsk Oblast' and Lugansk Oblast' are partly controlled by self-proclaimed Donetsk and Lugansk People's Republics. Ukrainian authorities are incapable of enforcing the law on these territories.

These events have led to the disappearance of economic links between Ukraine and the RF, the key export destination for many Ukrainian industries. Ukraine has lost control over large mining companies concentrated in the East of the country, which significantly decreased the inflow of foreign currency. Eventually, the national GDP has dropped, public finances have eroded, the national currency has suffered severe devaluation and the credit rating of the sovereign debt has continued to deteriorate. The newly elected Government of Ukraine had no financial power to avoid the economic downfall in years 2014-2015. Minimal international reserves and exhausted government accounts have forced the government to introduce administrative anti-crisis tools. The National Bank of Ukraine has introduced currency restrictions: conversion limits, the requirement to convert 70% of foreign currency revenue into national currency, abroad dividend payment ban, ban on early repayment of foreign loans, cash withdrawal limitations. Such restrictions have limited the abilities of Ukrainian companies and banks to lend and borrow money on domestic and international markets.

It is hard to foresee the eventual outcome of the conflict with the RF and the Ukrainian economic crisis. In case of resumption of hostilities in the East of Ukraine, the government will be forced to increase military spending and face another period of economic turbulence. To date, we can conclude the Ukrainian government has managed to stabilize the economy. In years 2016-2017 the GDP growth was 2,3% and 2% respectively (the best growth indicator since 2012).

The administrative restrictions are being gradually lifted. The law on currency regulation entered into force in 2018; it is designed to liberalize the currency market and stimulate foreign economic activities. Despite the floating exchange rate introduced on the IMF's demand, national currency is rather stable. There are signs of recovery from deep economic crisis of years 2014-2015.

The management of the Group takes all the necessary steps to support the financial stability of the Group in current circumstances. Despite the first signs of economic recovery, we are still suffering from significant devaluation of the national currency. The value of UAH has decreased by 3,5 times since the beginning of the military conflict in early 2014. This was followed by the drop in the demand on domestic market ignited by the deterioration of purchasing power of Ukrainians.

That is why we look to the future with cautious optimism. We understand that it will take several years to recover from crisis. This consolidated financial report reflects current Management's view on the influence of the Ukrainian business environment on the financial standing of the Group. The future developments in Ukrainian economy can differ from the Management's expectations. This financial report was not adjusted for any events after the reporting period.

Taxation

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with it, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and penalties accruals.

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in the Ukrainian tax jurisdiction. The Company's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

he Group's uncertain tax positions are reassessed by Management at every reporting period. Liabilities are recorded for income tax positions that are determined by Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on Management's best estimate of the expenditure required to settle the obligations at the reporting period.

In December 2010, the revised Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later. Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2017, the Tax Code also changed various other taxation rules.

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

As from 1 January 2017, the special VAT regime for agricultural producers was completely abolished. Thus all subjects of special VAT regime have switched to standard VAT terms.

Operating lease

The Group leases a number of buildings and equipment under operating leases. The leases typically run for a period of 5 years.

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows.

in USD thousands	31 DECEMBER 2018
Less than one year	564
One year and more	564
	1 128

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

35. CONTINGENT AND CONTRACTUAL LIABILITIES | CONT.

Pension and other liabilities

Most of the Group's employees receive pension benefits from the Pension Fund, Ukrainian state organization, in accordance with the regulations and laws of Ukraine. Group is obliged to deduct a certain percentage of salaries to the Pension Fund to pay pensions.

As at 31 December 2018 and 31 December 2017 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

Legal matters

In the course of its economic activities the Group is involved in legal proceedings with third parties. In most cases, the Group is the initiator of such proceedings with the purpose of preventing from losses in the economic sphere or minimize them.

The Group's management considers that as at the reporting period, active legal proceedings on such matters will not have any significant influence on its financial position.

Guaranties

As at 31 December 2018 and 31 December 2017 surety providers of the liabilities of UkrLandFarming Plc were as follows: LLC Imperovo Foods, PSPC Interbusiness, PJSC Agroholding Avangard, LLC Slovyany. As at 31 December 2018 the provision for guarantees is amounted USD 1 296 thousand.

36. NON-CONTROLLING INTERESTS

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2018

in USD thousands	LLC IMPEROVO FOODS	PJSC AGROHOLDING AVANGARD	LLC TORGIVENLNIY DIM AVANGARD	LLC "TRANSMAGISTRAL"
NCI percentage	4%	2%	2%	7%
Non current assets	244 450	695 587	3 120	3 118
Current assets	800 570	1 120 819	207 963	17 954
Non current liabilities	-	(811)	-	-
Current liabilities	(696 626)	(1 550 919)	(21 315)	(531)
Net assets	***348 394***	***264 676***	***189 768***	***20 541***
Net assets attributable to NCI	15 250	4 425	3 357	1 528
Revenue	152 625	120 463	-	67
(Loss)/profit	(32 989)	19 272	(61)	26
OCI	(1 282 606)	(559 918)	80 001	(4 349)
Total comprehensive income	***(1 315 595)***	***(540 646)***	***79 940***	***(4 323)***
(Loss)/profit allocated to NCI	(1 444)	322	(1)	2
OCI allocated to NCI	(56 144)	(9 362)	1 415	(324)

37. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from the use of financial instruments:

a) credit risk;

b) liquidity risk;

c) market risk;

d) livestock disease risk.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group is not a finance company, thus it uses financial instruments as may be necessary in order to obtain finance for its activities, not for the purpose of receiving income. In the process of its activities the Group uses the following financial instruments: cash and cash equivalents, loans to and from related parties, accounts receivable, bonds, bank loans, finance leases and accounts payable.

The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value). This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.

Additional disclosures of quantitative information are presented in many other sections of these consolidated financial statements, including:

- information on finance income and costs is disclosed in Notes 28, 29 (all finance income and expenses are recognised as a part of profit or loss for the year, other than interest capitalised which is allocated to the cost of the relevant asset);
- information on cash is disclosed in Note 12;
- information on trade and other accounts receivable is disclosed in Notes 10, 11;
- information on trade and other accounts payable is disclosed in Notes 19, 20;
- information on significant terms of borrowings and loans granting is disclosed in Note 14;
- information on significant conditions of issued bonds is disclosed in Note 15;
- information on significant conditions of received bonds is disclosed in Note 7.

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 31 December 2018 and 31 December 2017 was presented as follows:

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

37. FINANCIAL RISK MANAGEMENT | CONT.

FINANCIAL ASSETS	31 DECEMBER 2018	31 DECEMBER 2017
Cash and cash equivalents	20 305	18 242
Investments measured at amortized cost	3 556	6 553
Trade accounts receivable	54 484	45 376
Total	**78 345**	**70 171**

The table below shows an analysis of the Group's bank deposit by the credit rating of the bank in which they are held:

BANK GROUP BASED ON CREDIT RATINGS BY MOODY'S	31 DECEMBER 2018	31 DECEMBER 2017
A1-A3	167	7 300
B3	3 897	-
Without credit rating	16 241	10 942
	20 305	**18 242**

The cash and cash equivalents without credit rating are held with financial institutions in Ukraine with the majority of them held in a financial institution which is under administration. The rate of held to maturity investments is Caa1 using the credit rate of government of Ukraine is per Moody's Rating Agency.

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 year ended 31 December 2018 and 2017 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 year ended 31 December 2018 USD 42 058 thousand or 24,8% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2018 USD 19 826 thousand or 36,4% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the year ended 31 December 2017 USD 28 064 thousand or 21,9% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2017 USD 10 842 thousand or 23,9% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

31 DECEMBER 2018	0-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	121-180 DAYS	181-365 DAYS	OVER ONE YEAR	TOTAL
Carrying value of trade accounts receivable	19 698	11 179	8 568	287	207	1 506	13 038	54 484

31 DECEMBER 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	14 307	9 335	9 623	2 825	1 176	8 111	-	45 376

The following table provides information about the exposure to credit risk and ECLs for trade receivables supermarkets, related parties and export as at 31 December 2018.

31 December 2018

in thousand USD	WEIGHTED AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	IMPAIRMENT LOSS ALLOWANCE
A	7%	1 590	(111)
B	21%	29 873	(6 315)
C	39%	713	(281)
D	49%	401	(197)
	21%	***32 576***	***(6 904)***
Related Parties	0,02%	8 050	40)
Export	0%	14 073	-
	13%	***54 700***	***(6 944)***

The following table provides information about the exposure to credit risk and ECLs for trade from other customers as at 31 December 2018.

31 December 2018

in thousand USD	WEIGHTED AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	IMPAIRMENT LOSS ALLOWANCE
1–30 days past due	8%	4 553	(345)
31–60 days past due	38%	3 411	(1 296)
61–90 days past due	38%	613	(233)
More than 90 days past due	100%	921	(895)
	29%	***9 498***	***(2 769)***

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

37. FINANCIAL RISK MANAGEMENT | CONT.

Movement in provision for doubtful debts

	FOR THE YEAR ENDED 2018	FOR THE YEAR ENDED 2017
As at 1 January	(48 549)	(54 626)
Adjustments on initial application of IFRS:	(991)	-
As at 1 January under IFRS 9	**(49 540)**	**(54 626)**
Bad Debt recovered	-	4 488
Increase in loss allowance	(9 739)	-
Release of loss allowance	560	-
Amounts written off	48 582	-
Effect of translation into presentation currency	(1 340)	1 589
As at 31 December	**(11 477)**	**(48 549)**

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

31 December 2018

NON-DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS	LESS THAN 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS
Bank loans	(133 298)	(131 721)	(682)	(845)	(49)
Short-term bond liabilities	(235 889)	(235 889)	-	-	-
Trade payables	(13 795)	(13 795)	-	-	-
Dividends payable	(29 578)	(6 684)	-	(22 894)	-
Interest payable on loans	(20 042)	(20 042)	-	-	-
Accrued coupon on bonds	(31 757)	(31 757)	-	-	-
Other payables	(3 379)	(3 379)	-	-	-
	(467 738)	*(443 267)*	*(682)*	*(23 739)*	*(49)*

31 December 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	(168 983)	(87 628)	(12 536)	(68 727)	(92)
Short-term bond liabilities	(267 633)	-	(267 633)	-	-
Trade payables	(2 298)	(2 298)	-	-	-
Dividends payable	(29 542)	-	-	(29 542)	-
Interest payable on loans	(10 955)	-	(10 955)	-	-
Accrued coupon on bonds	(14 249)	-	(14 249)	-	-
Other payables	(1 844)	-	(1 844)	-	-
	(495 504)	**(89 926)**	**(307 217)**	**(98 269)**	**(92)**

C) MARKET RISK

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

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

I) FOREIGN CURRENCY RISK

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

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

Exposure to foreign currency risk

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

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

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

37. FINANCIAL RISK MANAGEMENT | CONT.

The Company's exposure to foreign currency risk and the functional was currency (EUR) as at 31 December 2018 based on carrying amounts as follows:

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

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2017 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Trade payables	269	860	**1 128**
Cash and cash equivalents	(20)	-	**(20)**
Trade accounts receivable	(13 123)	(2 039)	**(15 162)**
Other payables	18	-	**18**
Net exposure to foreign currency risk	**(12 856)**	**(1 179)**	**(14 036)**

The Company's exposure to foreign currency risk and the functional was currency (EUR) as at 31 December 2017 based on carrying amounts as follows:

(in conversion to USD thousand)	USD
Short-term bond liabilities	231 612
Dividends payable	29 542
Other accounts payable	110
Cash and cash equivalents	(6 624)
Accrued coupon on bonds	14 249
Net exposure to foreign currency risk	**268 889**

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
31 December 2018			
USD	20%	2 733	2 733
EUR	15%	(162)	(162)

EFFECT IN USD THOUSAND:	INCREASE IN CURRENCY RATE AGAINST EUR	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
31 December 2018			
USD	5%	(14 860)	(14 860)

EFFECT IN USD THOUSAND:	INCREASE IN CURRENCY RATE AGAINST UAH	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
31 December 2018			
USD	20%	2 571	2 571
EUR	15%	177	177

EFFECT IN USD THOUSAND:	INCREASE IN CURRENCY RATE AGAINST EUR	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
31 December 2018			
USD	5%	(13 444)	(13 444)

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.

At present, the Group's approach to limitation of interest rate risk consists of borrowings at fixed interest rates.

Structure of interest rate risk

As at 31 December 2018 and 31 December 2017 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

FINANCIAL ASSETS	31 DECEMBER 2018	31 DECEMBER 2017
Instruments with fixed interest rate		
Financial assets	3 556	6553
Financial liabilities	(283 003)	(278 090)
Instruments with variable interest rate		
Financial liabilities	(84 104)	(87 628)

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

37. FINANCIAL RISK MANAGEMENT | CONT.

Interest rate risk related to the liabilities with the floating interest arises from the possibility that changes in interest rates will affect the value of the financial instruments. For variable rate borrowings, interest is linked to EURIBOR.

As at 31 December 2018 and 31 December 2017 the Group's sensitivity to changes of EURIBOR by 5% was presented as follows:

EFFECT IN USD THOUSAND:	INCREASE/(DECREASE) OF FLOATING RATE	EFFECT ON PROFIT BEFORE TAX
31 December 2018		
EURIBOR	5%	6
EURIBOR	-5%	(6)
31 December 2017		
EURIBOR	5%	7
EURIBOR	-5%	(7)

The effect of interest rate sensitivity on owners' equity is equal to that on the consolidated statement of comprehensive income.

Such financial instruments as cash and cash equivalents, trade accounts receivable, financial assistance issued, interest receivable for deposits, prepayment for bonds, other non trading accounts receivable are not included in the table given above, since possible effect of changes in interest rate risk (discount rates) under these financial instruments is not material.

Capital management

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

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

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

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

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

Financial leverage ratio calculation

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

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

As at 31 December 2018 and 31 December 2017 the Group's financial leverage coefficient was 88,9% and 80,4% respectively.

	CARRYING VALUE	
	31 DECEMBER 2018	31 DECEMBER 2017
Long-term loans	320	42 750
Current portion of long-term loans	131 218	91 673
Bond liabilities	235 889	231 612
Total debt	**367 427**	**366 035**
Cash and cash equivalents	(20 305)	(18 242)
Net debt	**347 122**	**347 793**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	799 717	857 723
Foreign currency translation reserve	(1 082 335)	(1 099 825)
Non-controlling interests	7 932	8 765
Total equity	**43 172**	**84 521**
Total amount of equity and net debt	**390 294**	**432 314**
Financial leverage coefficient	**88,9%**	**80,4%**

For the year ended 31 December 2018 and 31 December 2017 ratio of net debt to EBITDA amounted to:

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

37. FINANCIAL RISK MANAGEMENT | CONT.

	FOR THE YEAR ENDED	
	31 DECEMBER 2018	31 DECEMBER 2017
LOSS FOR THE YEAR	(55 794)	(7 469)
Income tax credit	578	(3 311)
Finance income	(1 199)	(1 982)
Finance expenses	31 275	33 699
Impairment of current assets	330	138
Losses/(income) on exchange	9 209	(24 729)
EBIT (earnings before interest and income tax)	**(15 601)**	**(3 654)**
Depreciation	14 703	15 411
EBITDA (earnings before interest, income tax, depreciation)	**(898)**	**11 757**
Net debt at the year end	347 122	347 793
Net debt at the period end / EBITDA	**(386,55)**	**29,58**

During the year there were no changes in the approach to capital management. The Group is not subject to external regulatory requirements regarding capital.

D) LIVESTOCK DISEASES RISK

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of disease which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk.

The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

38. 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
31 December 2018				
Biological Assets	-	-	52 112	52 112
31 December 2017				
Biological Assets	-	-	19 892	19 892

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2018.

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	
	31 DECEMBER 2018	31 DECEMBER 2017
Discount rate	20,54%	24,66%
Inflation rate	109,80%	113,70%

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

38. FAIR VALUES | CONT.

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

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

EFFECT IN USD THOUSAND:	INCREASE/DECREASE OF RATE	EFFECT ON FAIR VALUE OF BIOLOGICAL ASSETS
31 December 2018		
Discount rate	-2,50%	862
Discount rate	2,50%	(846)
Inflation rate	1,75%	3 809
Inflation rate	-1,75%	(3 809)
31 December 2017		
Discount rate	-2,50%	265
Discount rate	2,50%	(261)
Inflation rate	1,75%	1 058
Inflation rate	-1,75%	(1 058)

There were no transfers to/from Level 3 of the fair value hierarchy during the year ended 31 December 2018.

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

Total gains or losses for the year as shown in the reconciliation (note 6) are presented on the face of the consolidated statement of profit or loss and other comprehensive income as "(Loss)/profit from revaluation of biological assets at fair value" (31 December 2018: Income USD 9 843 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
31 December 2018					
Financial Assets					
Cash and cash equivalents	-	20 305	-	20 305	20 305
Investments measured at amortized cost	3 643	-	-	3 643	3 556
Trade and other receivables	-	-	54 484	54 484	54 484
Financial Liabilities					
Trade payables	-	-	13 795	13 795	13 795
Bank loans	-	131 218	-	131 218	131 218
Short-term bond liabilities	45 564	-	-	45 564	235 889

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUE	TOTAL CARRYING AMOUNT
31 December 2017					
Financial Assets					
Cash and cash equivalents	-	18 242	-	18 242	18 242
Investments measured at amortized cost	7 101	-	-	7 101	6 553
Trade and other receivables	-	-	45 376	45 376	45 376
Financial Liabilities					
Trade payables	-	-	2 298	2 298	2 298
Bank loans	-	134 106	-	134 106	134 106
Short-term bond liabilities	49 500	-	-	49 500	231 612

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 31 December 2018, the following methods and assumptions, which remained the same as the prior year, 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

CONSOLIDATED FINANCIAL STATEMENTS | CONT.

38. FAIR VALUES | CONT.

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 in which the bonds are listed.

As at 31 December 2018 the fair value of the above financial instruments approximated to their carrying amount besides short-term bonds whose fair value was USD 45 564 thousand (short-term bonds 31 December 2017: USD 49 500 thousand).

39. RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE

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

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

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

Challenges facing the Group:

- Decline in consumer demand in Ukraine due to lower purchasing power of population and increase in household egg production.
- Increase in cost of eggs produced nominated in UAH as imported materials are used in production.
- Substantial decrease in margin due to increase in cost of sales of egg (USD 0,05 per 1 egg) while no relevant increase in prices was observed (due to decline in demand).
- Decrease in prices on traditional for the Group foreign markets and decline in sales volumes. The latter was caused by the ban imposed on export of poultry products from Ukraine due to Avian influenza outbreaks.

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

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

40. EVENTS AFTER THE REPORTING PERIOD

In February 2019 the Company has succefully completed the restructurization of debt with The Public Joint-Stock Company "State Savings Bank of Ukraine" (further: Oschadbank). The negotiations lasted for more than a year. At this point, it is a positive development, as the restructurization enables the Company to ease the debt pressure and restore normal operational activities. Resulting from the deal, the company agreed to repay debt liabilities to Oschadbank until 2032. The interest rate was significantly lowered and the major part of debt repayment is shifted to the second half of repayment period. Regarding remaining debt liabilites (eurobonds and ECA loans), the company is still in the process of negotiation.

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors of Avangardco Investments Public Limited on 28 March 2019.