AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated interim financial statements
(Unaudited)
For the 6 months ended 30 June 2018

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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AVANGARDCO INVESTMENTS PUBLIC LIMITED

Board of Directors and other officers

BOARD OF DIRECTORS:

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

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

LEGAL ADVISORS:

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

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

INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Str.
1087 Nicosia, Cyprus

BANKERS:

UBS AG
Postfach, CH-8098 Zurich

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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

In accordance with article 9 sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on a Regulated Market) Law of 2007 (the "Law"), we, the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of AvangardCo Investments Public Limited (the "Company") for the 6 months ended 30 June 2018, confirm that to the best of our knowledge:

a) the condensed consolidated interim financial statements presented on pages 7 to 50:

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

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

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

Members of the Board of Directors:

Oleg Bakhmatyuk	
Nataliya Vasylyuk	
Oleg Michael Pohotsky	
Iryna Melnyk	

Person responsible for the preparation of the condensed consolidated interim financial statements for the 6 months ended 30 June 2018:

Stanislav Pohorilyi (Deputy CFO)	

23 August 2018

Interim Management Report

The Board of Directors of AvangardCo Investments Public Limited (the "Company") presents to the members its interim management report together with the unaudited condensed consolidated interim financial statements of the Company and of its subsidiaries (together with the Company referred to as "the Group") for the 6 months ended 30 June 2018.

Financial results

The results of the Group for the period ended 30 June 2018 are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 9 to the condensed consolidated interim financial statements.

The loss for the period attributable to the owners of the Company amounted to USD 35 947 thousand (period 2017: loss USD 10 870 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 36 266 thousand compared to a loss of USD 11 718 thousand in the previous period.

The loss is mainly a result of the increasing impairment loss on trade and other receivables and exchange losses.

The Group's total assets increased to USD 534 895 thousand from USD 512 781 thousand mainly due to increase in cash and cash equivalents.

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.

Principal risks and uncertainties

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

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.

Interim Management Report (cont.)

Principal risks and uncertainties (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 has introduced currency restrictions: conversion limits, the requirement to convert 75% 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 enters 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 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.

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

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

Related party balances and transactions

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

By Order of the Board of Directors,

Nataliya Vasylyuk
Chief Executive Officer

Nicosia, 23 August 2018

KPMG

KPMG Limited
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

to the members of

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AvangardCo Investments Public Limited (the "Company") and its subsidiary companies (together with the Company referred to as "the Group") as at 30 June 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Emphasis of matter

We draw attention to notes 2.4, 4.2, 14 and 28 to the condensed consolidated interim financial statements, which discuss the political and economic environment in Ukraine and Management's assessment that the Group will continue as a going concern. In addition, the fact that the Group incurred a loss for the period amounting to USD 36,3m and its current liabilities as at 30 June 2018 exceeded its current assets by USD 268m and that it is also in breach of covenants of its bonds and debt agreements with several banks, which triggered a debt restructuring process, may indicate an uncertainty as to the Group's ability to continue as a going concern. The impact of events described in notes 2.4, 4.2, 14 and 28 on the Ukraine economy, the operations of the Group and its ability to meet its obligations as they fall due cannot be determined.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34 *"Interim Financial Reporting"*.

KPMG Limited

KPMG Limited
Chartered Accountants

Nicosia, 23 August 2018

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of financial position
AS AT 30 JUNE 2018
(in USD thousand, unless otherwise stated)

	Note	30 June 2018	31 December 2017
ASSETS			
Property, plant and equipment	5	347 987	334 640
Non-current biological assets	6	18 278	3 732
Deferred tax assets		8 720	8 662
Investments measured at amortized cost	7	1 464	2 840
Other non-current assets		5	5
Non-current assets		**376 454**	**349 879**
Inventories	8	51 354	56 301
Current biological assets	6	10 685	16 160
Trade accounts receivable, net	9	37 391	45 376
Prepaid income tax		49	35
Prepayments and other current assets, net	10	9 302	8 939
Taxes recoverable and prepaid		25 346	17 849
Cash and cash equivalents	11	24 314	18 242
Current assets		**158 441**	**162 902**
TOTAL ASSETS		**534 895**	**512 781**
EQUITY			
Share capital	12	836	836
Share premium	12	201 164	201 164
Reserve capital	12	115 858	115 858
Retained earnings		818 306	857 723
Effect of translation into presentation currency		(1 069 220)	(1 099 825)
Equity attributable to owners of the Company		**66 944**	**75 756**
Non-controlling interests		10 547	8 765
TOTAL EQUITY		**77 491**	**84 521**
LIABILITIES			
Long-term loans	13	338	42 750
Deferred tax liabilities		317	308
Deferred income		1 027	1 002
Dividends payable		29 542	29 542
Non-current liabilities		**31 224**	**73 602**
Short-term bond liabilities	14	234 859	231 612
Current portion of non-current liabilities		135 609	91 760
Trade payables		6 770	2 298
Other accounts payable	15	48 942	28 988
Current liabilities		**426 180**	**354 658**
TOTAL LIABILITIES		**457 404**	**428 260**
TOTAL EQUITY AND LIABILITIES		**534 895**	**512 781**

On 23 August 2018 the Board of Directors of AvangardCo Investments Public Limited approved and authorised these condensed consolidated inrerim financial statements for issue.

Nataliya Vasylyuk	**Iryna Melnyk**
Director, CEO	**Director, CFO**

The notes on pages 12 to 50 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of profit and loss and other comprehensive income
FOR THE 6 MONTHS ENDED 30 JUNE 2018
(in USD thousand, unless otherwise stated)

		for the 6 months ended	
	Note	**30 June 2018**	**30 June 2017**
Revenue	16	68 060	54 706
Loss from revaluation of biological assets at fair value	6	(2 542)	(4 551)
Cost of sales	17	(70 148)	(62 228)
GROSS LOSS		**(4 630)**	**(12 073)**
General administrative expenses		(4 835)	(3 739)
Distribution expenses		(4 307)	(3 246)
Income from government grants and incentives	22	45	1 266
Impairment loss on trade and other receivables, net	26	(2 630)	1 532
Other operating expenses	21	(1 011)	(1 547)
LOSS FROM OPERATING ACTIVITIES		**(17 368)**	**(17 807)**
Finance income	20	702	1 063
Finance costs	19	(16 975)	(15 957)
Losses on exchange		(2 053)	19 226
NET FINANCE (COSTS)/INCOME		**(18 326)**	**4 332**
LOSS BEFORE TAX		**(35 694)**	**(13 475)**
Income tax credit		(572)	1 757
LOSS FOR THE PERIOD		**(36 266)**	**(11 718)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that are or may be reclassified subsequently to profit or loss			
Effect from translation into presentation currency		32 752	(6 629)
TOTAL COMPREHENSIVE INCOME		**(3 514)**	**(18 347)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(35 947)	(10 870)
Non-controlling interests		(319)	(848)
		(36 266)	**(11 718)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(5 296)	(19 848)
Non-controlling interests		1 782	1 502
		(3 514)	**(18 347)**
Loss per share			
Basic and diluted (USD)	34	**(6)**	**(2)**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of changes in equity
FOR THE 6 MONTHS ENDED 30 JUNE 2018
(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	**836**	**115 858**	**201 164**	**864 457**	**(1 053 923)**	**128 392**	**10 418**	**138 810**
Comprehensive income								
Loss for the period	-	-	-	(10 870)	-	(10 870)	(848)	**(11 718)**
Effect from translation into presentation currency	-	-	-	-	(8 975)	(8 975)	2 347	**(6 628)**
Total comprehensive income	**-**	**-**	**-**	**(10 870)**	**(8 975)**	**(19 845)**	**1 499**	**(18 346)**
Balance at 30 June 2017	**836**	**115 858**	**201 164**	**853 587**	**(1 062 898)**	**108 547**	**11 917**	**120 464**
Balance at 1 January 2018	**836**	**115 858**	**201 164**	**857 723**	**(1 099 871)**	**75 710**	**8 765**	**84 475**
Adjustments on initial application of IFRS 9 (net of tax)	-	-	-	(3 470)	-	**(3 470)**	**-**	**(3 470)**
Adjusted balance at 1 January 2018	**836**	**115 858**	**201 164**	**854 253**	**(1 099 871)**	**72 240**	**8 765**	**81 005**
Comprehensive income								
Loss for the period	-	-	-	(35 947)	-	(35 947)	(319)	**(36 266)**
Effect from translation into presentation currency	-	-	-	-	30 651	30 651	2 101	**32 752**
Total comprehensive income	**-**	**-**	**-**	**(35 947)**	**30 651**	**(5 296)**	**1 782**	**(3 514)**
Balance at 30 June 2018	**836**	**115 858**	**201 164**	**818 306**	**(1 069 220)**	**70 414**	**10 547**	**77 491**

The notes on pages 12 to 50 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2018
(in USD thousand, unless otherwise stated)

	Note	for the 6 months ended 30 June 2018	30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(35 694)	(13 475)
Adjustments for:			
Depreciation of property, plant and equipment	5	7 106	7 656
Change in allowance for irrecoverable amounts		2 630	(1 532)
Gain on disposal of current assets	21	-	(17)
(Gain)/loss on disposal of non current assets	21	(29)	23
Impairment of current assets	21	100	1 167
Effect of fair value adjustments on biological assets	6	2 542	4 551
Gains realised from accounts payable written-off	21	(5)	(15)
Amortization of deferred income on government grants		(45)	(46)
Discount bonds amortization		1 318	1 123
Discount on VAT government bonds amortization		(401)	(578)
Interest income		(301)	(485)
Interest payable on loans and bonds		15 623	14 800
Income from received government grants VAT		-	(1 220)
Losses/(gains) on exchange		12 605	(13 830)
Operating profit/(loss) before working capital changes		**5 449**	**(1 878)**
Decrease in trade receivables		9 382	12 091
Decrease in prepayments and other current assets		13 644	3 015
Increase in taxes recoverable and prepaid		(4 139)	(819)
Decrease in inventories		8 707	8 422
Decrease in deferred income		(1)	(1)
Increase/(decrease) in trade payables		4 223	(119)
Increase in biological assets		(10 027)	(15 049)
Decrease in finance leases		-	(3)
Decrease in other accounts payable		(21 783)	(4 199)
Cash generated from operations		**5 454**	**1 460**
Interest paid		(93)	(1 917)
Income tax paid		(45)	(19)
Net cash generated from/(used in) operating activities		**5 316**	**(476)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(1 613)	(961)
Proceeds from sale of non-current assets		-	-
Interest received		370	563
Net cash used in investing activities		**(1 243)**	**(398)**

The notes on pages 12 to 50 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows (cont.)
FOR THE 6 MONTHS ENDED 30 JUNE 2018
(in USD thousand, unless otherwise stated)

	Note	for the 6 months ended 30 June 2018	30 June 2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		-	-
Interest paid for bonds issued		-	-
Net cash used in financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**4 073**	**(874)**
Cash and cash equivalents at 1 January		18 242	12 570
Adjustments on initial application of IFRS 9 (net of tax)		(1 190)	-
Effect from translation into presentation currency		3 189	912
Cash and cash equivalents as at 30 June	11	**24 314**	**12 608**

The notes on pages 12 to 50 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 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.

These condensed consolidated interim financial statements of the Company as at and for the 6 months ended 30 June 2018 comprise the Company and its subsidiaries (together with the Company referred to as the “Group”).

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

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 June 2018 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 42% of its own fodder. The Group's activities cover almost all the territory of Ukraine. Due to the operating environment in Ukraine, the companies of the Group which have been affected and are not operational are described in note 28 to the condensed consolidated interim financial statements.

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

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2018
(in USD thousand, unless otherwise stated)

1. General information (cont.)

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

Company name	Principal Activity	Country of registration	Ownership interest (%) 30 June 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 ChervoniyPrapor		Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Agroholding Avangard		Ukraine	98,00%	98,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	100,00%	100,00%
PJSC Trade Avangard Agro (PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod)		Ukraine	100,00%	100,00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	99,00%	99,00%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	98,00%	98,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	98,00%	98,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	96,00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Torgivenlniy Dim Avangard	Rental services	Ukraine	99,00%	99,00%
LLC "GENERAL KONSTRAKSHYN"	Assets holding companies	Ukraine	98,00%	98,00%
LLC "LOHISTYK AGROTRADE"		Ukraine	100,00%	100,00%
LLC "REMTREYDSTANDART"		Ukraine	98,00%	98,00%
LLC "COMPANY NEW REGION"		Ukraine	98,00%	98,00%
LLS "PRIME LEADER"		Ukraine	98,00%	98,00%
LLC "CITY REGION"		Ukraine	98,00%	98,00%
LLC "FORVARDTRANS"		Ukraine	98,00%	98,00%
LLC "UNITED LOHISTYK"		Ukraine	98,00%	98,00%
LLC "AGROTRADE BUSINESS"		Ukraine	98,00%	98,00%
LLC "KOMERTSBUDPLAST"		Ukraine	98,00%	98,00%
LLC "AGROMASH-ZAHID"		Ukraine	98,00%	98,00%
LLC "STC-INVESTMENTS"		Ukraine	98,00%	98,00%
LLC "TRANSMAGISTRAL"		Ukraine	93,00%	93,00%

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2018
(in USD thousand, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 June 2018 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	30 June 2018 Number of shares	30 June 2018 Ownership interest (%)	31 December 2017 Number of shares	31 December 2017 Ownership interest (%)
Omtron Limited	1 848 575	28,9%	1 848 575	28,9%
Tanchem Limited	926 280	14,5%	926 280	14,5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22,5%	1 437 500	22,5%
UkrLandFarming Plc	2 174 825	34,1%	2 174 825	34,1%
Other	4	-	4	-
	6 387 185	100,0%	6 387 185	100,0%

As at 30 June 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 30 June 2018	Ownership interest (%) as at 31 December 2017
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 30 June 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 30 June 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 condensed consolidated interim financial statements as at and for the 6 months ended 30 June 2018 have been prepared in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting”, and should be read in conjuction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2017 (“last annual financial statements”). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

This is the first set of the Group’s financial statements where 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 to these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were authorised for issue by the Company’s Board of Directors on 23 August 2018.

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2018
(in USD thousand, unless otherwise stated)

2. Basis of preparation (cont.)

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Going concern basis

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

As at 30 June 2018 the Group had overdue principal and interest payments and breached covenants of debt agreements with several banks and the Eurobonds. The Group continues its constructive negotiations with banks and representatives from the Eurobond holders with a positive intent to reach an agreement with acceptable terms for both parties that will ensure the strengthening of the financial position of the Group maximising its potential for strong returns in a world economy that is returning to a more positive growth potential compared with a rather stagnant past few years.

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

For the next 12 months the management is doing all relevant efforts to improve both the liquidity but also the profitability and capital base of the Group. These condensed consolidated interim financial statements do not comprise any adjustments in case of the the Group's inability to continue as a going concern.

2.5 Standards and interpretations

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements.

2. Basis of preparation (cont.)

2.5 Standards and interpretations (cont.)

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's condensed consolidated interim financial statements.

IFRS 16 "Leases"

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 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, a lessee recognizes 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 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 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to USD 1 491 thousand, on an undiscounted basis.

In addition, the nature of expenses. related to those leases will now change because IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group is not engaged to any financial lease.

(a) Transition

As a lessee, the Group can either apply the standard using a:
- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

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.

3. Significant accounting policies

3.1 Changes in significant accounting policies

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

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 condensed consolidated interim 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.

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.

3. Significant accounting policies (cont.)

3.1 Changes in significant accounting policies (cont.)

(b) IFRS 9 Financial Instruments (cont.)

i) Classification and measurement of financial assets and financial liabilities (cont.)

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. 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 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 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.

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FOR THE 6 MONTHS ENDED 30 JUNE 2018
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3. Significant accounting policies (cont.)

3.1 Changes in significant accounting policies (cont.)

(b) IFRS 9 Financial Instruments (cont.)

i) Classification and measurement of financial assets and financial liabilities (cont.)

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.

in USD thousands

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	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	53 285
Cash and cash equivalents		Loans and receivables	Amortised cost	18 242	17 052
Total financial assets				**75 397**	**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 2 220 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

ii) Impairment of financial assets

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.

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.

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FOR THE 6 MONTHS ENDED 30 JUNE 2018
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3. Significant accounting policies (cont.)

3.1 Changes in significant accounting policies (cont.)

(b) IFRS 9 Financial Instruments (cont.)

ii) Impairment of financial assets (cont.)

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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 recoveries amounting to USD 1 532 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 six months ended 30 June 2017.

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	1 190
Loss allowance at 1 January 2018 under IFRS 9	**50 768**

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3. Significant accounting policies (cont.)

3.1 Changes in significant accounting policies (cont.)

(b) IFRS 9 Financial Instruments (cont.)

ii) Impairment of financial assets (cont.)

Impact of the new impairment model (cont.)

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 ECLS 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 other customers.

The methodology described above has also been used at the interim reporting date. Changes during the period to the Group's exposure to credit risk are described in Note 26.

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 Foreign currency translation

(a) Transactions and balances

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

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

Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2018
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3. Significant accounting policies (cont.)

3.2 Foreign currency translation (cont.)

(a) Transactions and balances (cont.)

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

Currency	30 June 2018	Weighted average for the 6 months ended 30 June 2018	31 December 2017	Weighted average for the 6 months ended 30 June 2017
US dollar to Ukrainian Hryvnia	26,1892	26,7462	28,0672	26,7602
Euro	0,8568	0,8253	0,8379	0,9248

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

(b) Presentation currency

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

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

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

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

4. Use of judgements and estimates

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017, except for new judgements and key sources of estimation uncertainty related to the application of IFRS 9, which are described in Note 3.1 to these condensed consolidated interim financial statements.

4.1 Measurement of fair values

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

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.

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

4.2 Ukrainian business environment

The economic situation in Ukraine has significantly deteriorated since 2014 after the annexation of Crimean peninsula by the Russian Federation (further – the RF), the event that was recognized by neither Ukraine nor the World community. 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 75% 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% respectfully (the best growth indicator since 2012). The administrative restrictions are being gradually lifted. The law on currency regulation enters 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.

4. Use of judgements and estimates (cont.)

4.2 Ukrainian business environment (cont.)

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 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.

This is the reason 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.

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5. Property, plant and equipment

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

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5. Property, plant and equipment (cont.)

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
Balance at 1 January 2017	**1 037**	**211 247**	**38 780**	**102 745**	**2 422**	**1 198**	**61 475**	**418 904**
Acquisitions	-	569	54	206	4	34	-	**867**
Disposals	-	-	(24)	-	(1)	(2)	-	**(27)**
Internal transfers	-	2 795	-	1	-	12	(2 808)	**-**
Foreign currency translation	44	8 906	1 623	4 314	101	52	3 279	**18 319**
Reclassification	-	(391)	-	391	-	-	-	**-**
Balance at 30 June 2017	**1 081**	**223 126**	**40 433**	**107 657**	**2 526**	**1 294**	**61 946**	**438 063**
Accumulated depreciation								
Balance at 1 January 2017	**-**	**26 367**	**7 287**	**25 079**	**1 459**	**891**	**-**	**61 083**
Depreciation charge	-	3 078	1 202	3 228	87	61	-	**7 656**
Depreciation eliminated on disposal	-	-	(11)	-	(1)	(1)	-	**(13)**
Foreign currency translation	-	1 181	333	1 131	62	39	-	**2 746**
Reclassification	-	-	-	-	-	-	-	**-**
Balance at 30 June 2017	**-**	**30 626**	**8 811**	**29 438**	**1 607**	**990**	**-**	**71 472**
Net book value								
Balance at 30 June 2017	**1 081**	**192 500**	**31 622**	**78 219**	**919**	**304**	**61 946**	**366 591**
Balance at 31 December 2017	**1 003**	**178 516**	**27 047**	**70 294**	**782**	**246**	**56 752**	**334 640**

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5. Property, plant and equipment (cont.)

As at 30 June 2018 and 31 December 2017 the property, plant and equipment with carring amount USD 59 327 thousand and USD 56 576 thousand were pledged as security for Group's loans.

6. Biological assets

	30 June 2018	31 December 2017
Non-current biological assets		
Replacement poultry	18 278	3 732
	18 278	**3 732**
Current biological assets		
Commercial poultry	10 685	16 160
	10 685	**16 160**
Total	**28 963**	**19 892**

a) Commercial poultry and replacement poultry were as follows:

	30 June 2018		31 December 2017	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	8 123	13 732	9 430	18 605
Novogen	4 244	11 408	99	1 287
Decalb	1 195	2 859	-	-
Tetra	332	964	-	-
	13 894	**28 963**	**9 529**	**19 892**

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

Balance at 1 January 2017	**22 028**
Acquisitions	19 819
Increase in value as a result of increase in weight/number	60 860
Net change in fair value	(4 551)
Decrease in value resulting from assets disposal	(11 087)
Effect from translation into presentation currency	1 188
Decrease in value resulting from hens slaughtering	(54 433)
Other changes	(110)
Balance at 30 June 2017	**33 714**
Balance at 1 January 2018	**19 892**
Acquisitions	6 259
Increase in value as a result of increase in weight/number	18 493
Net change in fair value	(2 542)
Decrease in value resulting from assets disposal	(1 757)
Effect from translation into presentation currency	1 586
Decrease in value resulting from hens slaughtering	(12 941)
Other changes	(27)
Balance at 30 June 2018	**28 963**

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6. Biological assets (cont.)

Due to the absence of an active market for laying hen in Ukraine to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 23,55% prevailing as at 30 June 2018 was applied (for the year ended 31 December 2017: 24,66% and for the 6 months ended 30 June 2017: 25,90%).

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

Regulatory and environmental risk

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

7. Investments measured at amortized cost

Investments measured at amortized cost as at 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018	31 December 2017
VAT government bonds	1 989	3 712
Discount VAT government bonds	(525)	(872)
	1 464	**2 840**

	30 June 2018	31 December 2017
Coupon receivable	206	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. Inventories

Inventories as at 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018	31 December 2017
Raw and basic materials	4 750	13 952
Work-in-progress	33	361
Agricultural produce	8 508	2 292
Finished goods	29 027	30 126
Package and packing materials	5 842	5 366
Goods for resale	71	1 357
Other inventories	3 123	2 847
	51 354	**56 301**

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

The Group produced shell eggs in the quantity of 1 231 559 081 (6 months ended 2017: 993 467 836 items) which have fair value amounted to USD 74 595 thousand (6 months ended 2017: USD 35 268 thousand).

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9. Trade accounts receivable, net

As at 30 June 2018 an amount of USD 9 324 thousand or 24,9% of the total carrying value of trade accounts receivable is due from the single most significant debtor (USD 10 842 thousand or 23,9% as at 31 December 2017).

The provision for doubtful debts and write-offs for trade accounts receivable for the 6 months ended 30 June 2018 amounted to USD 982 thousand (6 months ended 30 June 2017: USD 341 thousand) (note 21).

10. Prepayments and other current assets, net

The increase in prepayments and other current assets is associated with the decrease in provision for doubtful debts.

The provision for doubtful debts and write-offs for prepayments and other current assets amounted to USD 1 648 thousand (6 months ended 30 June 2017: release USD (1873) thousand) (note 21).

11. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018	31 December 2017
Cash in banks	26 456	18 241
Cash in hand	1	1
Provision for cash and cash equivalents	(2 143)	-
Cash and cash equivalents represented in condensed consolidated statement of cash flows	**24 314**	**18 242**

12. Share capital

	30 June 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 30 June/31 December	**6 387 185**	**836**	**6 387 185**	**836**

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

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

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

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13. Long-term loans

Long-term loans as at 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018	31 December 2017
Long-term bank loans in national currency	49 811	46 479
Long-term bank loans in foreign currency	85 705	87 628
Total loans	**135 516**	**134 107**
Commodity credit	338	316
	135 854	**134 423**
Current portion of non-current liabilities for bank loans in national currency	(49 811)	(4 045)
Current portion of non-current liabilities for bank loans in foreign currency	(85 705)	(87 628)
	338	**42 750**

a) As at 30 June 2018 and 31 December 2017 the long-term bank loans by maturities were as follows:

	30 June 2018	31 December 2017
Less than one year	135 516	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	-	-
	135 516	**134 106**

b) As at 30 June 2018 and 31 December 2017 the long-term bank loans by currencies were as follows:

	30 June 2018	31 December 2017
Long-term bank loans in UAH	49 811	46 478
Long-term bank loans in EUR	85 705	87 628
	135 516	**134 106**

c) As at 30 June 2018 and 31 December 2017 the interest rates for long-term bank loans were as follows:

	30 June 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 30 June 2018 the covenants for bonds were breached and had overdue for some of the long-term borrowings. In this regard the long-term bank loans in the amount of USD 135 616 thousand (USD 87 628 thousand as at 31 December 2017) were classified to the current portion of non-current liabilities according to the terms of loan agreements until finalisation of the Group's Management negotiations with the banks with the expectation to agree on the restructuring of the debt with favourable conditions for both parties.

d) Commodity credit in the amount of USD 338 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.

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14. Bond liabilities

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

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

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

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

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

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

The Company continues to be in discussions with various creditor groups.

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

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

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14. Bond liabilities (cont.)

Currently the Company defaulted in paying the interest due under the Note.

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

The exposure of the Group to interest rate risk and liquidity risk in relation to bond liabilities is reported in note 26 to the condensed consolidated interim financial statements.

15. Other accounts payable

Other accounts payable as at 30 June 2018 and 31 December 2017 were as follows:

	Note	30 June 2018	31 December 2017
Accrued expenses for future employee benefits		1 193	441
Other accrued expenses		146	214
Wages and salaries and related taxes liabilities		1 318	809
Other taxes and compulsory payments liabilities	a)	217	154
Accounts payable for property, plant and equipment		112	124
Advances received from customers	b)	548	198
Interest payable on loans		15 391	10 955
Accrued coupon on bonds		23 959	14 249
Provision on guarantees		1 296	-
Other payables	c)	4 762	1 844
		48 942	**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) Other payables consist of payables for electricity, gas, water, security services, lease and other.

16. Revenue

Sales revenue for the 6 months ended 30 June 2018 and 30 June 2017 was as follows:

	for the 6 months ended	
	30 June 2018	30 June 2017
Revenue from finished goods	66 319	44 870
Revenue from goods sold	1 581	9 563
Revenue from services rendered	160	273
	68 060	**54 706**

For the 6 months ended 30 June 2018 USD 15 660 thousand (6 months ended 2017: USD 11 484 thousand) or 23,0% (6 months ended 2017: 21,0%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

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17. Cost of sales

Cost of sales for the 6 months ended 30 June 2018 and 30 June 2017 was as follows:

		for the 6 months ended	
	Note	**30 June 2018**	**30 June 2017**
Cost of finished goods sold	18	(68 626)	(52 338)
Cost of goods sold		(1 413)	(9 480)
Cost of services rendered		(109)	(410)
		(70 148)	**(62 228)**

18. Cost of sales by elements

The cost of finished goods sold (Note 17) for the 6 months ended 30 June 2018 and 30 June 2017 was as follows:

		for the 6 months ended	
	Note	**30 June 2018**	**30 June 2017**
Raw materials		(51 502)	(39 672)
Payroll of production personnel and related taxes		(5 217)	(2 704)
Depreciation		(7 008)	(7 542)
Services provided by third parties		(4 842)	(2 389)
Other expenses		(57)	(31)
	17	**(68 626)**	**(52 338)**

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

19. Finance costs

Finance costs for the 6 months ended 30 June 2018 and 30 June 2017 was as follows:

	for the 6 months ended	
	30 June 2018	**30 June 2017**
Interest payable on loans	(4 011)	(3 701)
Total finance expenses on loans	**(4 011)**	**(3 701)**
Finance expenses on bonds	(11 612)	(11 099)
Other finance expenses	(1 352)	(1 157)
	(16 975)	**(15 957)**

20. Finance income

Finance income for the 6 months ended 30 June 2018 and 30 June 2017 includes the interest income from VAT government bonds and placement of deposits, amounted to USD 702 thousand and USD 1 063 thousand respectively.

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21. Other operating expenses

Other operating expenses for the 6 months ended 30 June 2018 and 30 June 2017 were as follows:

	for the 6 months ended	
	30 June 2018	**30 June 2017**
Gain on disposal of current assets	10	17
Gain/(loss) on disposal of non current assets	29	(23)
Impairment of current assets	(100)	(1 167)
Gain realised from writing-off of accounts payable	5	15
Foreign currency sale loss	(1)	(16)
Fines, penalties recognized	(166)	(205)
Impairment loss on cash and cash equivalents	(933)	-
Other income/(expense)	145	(168)
	(1 011)	**(1 547)**

22. Government grants received

Income from government grants received for the 6 months ended 30 June 2018 and 30 June 2017 was as follows:

		for the 6 months ended	
	Note	**30 June 2018**	**30 June 2017**
Amortization of deferred income on government grants	a)	45	46
Income from VAT government grants received	b)	-	1 220
		45	**1 266**

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

b) Income from VAT government grants received
Since 1 January 2017, 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 Govenment. 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.

23. Related party balances and transactions

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

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

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23. Related party balances and transactions (cont.)

According to these criteria the related parties of the Group are divided into the following categories:

A. Key management personnel;
B. Companies having the same top management;
C. Companies in which the Group's owners have an equity interest;
D. Companies in which activities are significantly influenced by the Group's owners.

Salary costs of key management personnel for the 6 months ended 30 June 2018 and 30 June 2017 were as follows:

	for the 6 months ended	
	30 June 2018	**30 June 2017**
Salary	961	574
Contributions to state funds	108	70
	1 069	**644**

Outstanding amounts of the Group for transactions with related parties as at 30 June 2018 and 31 December 2017 were as follows:

	Outstanding balances with related parties as at	
	30 June 2018	**31 December 2017**
Prepayments and other current assets, net		
D. Companies in which activities are significantly influenced by the Group's owners	3 886	3 298
	3 886	**3 298**
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	7 271	11 625
	7 271	**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**
Trade payables		
D. Companies in which activities are significantly influenced by the Group's owners	1 438	-
	1 438	**-**
Other current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	2 684	2
	2 684	**2**

As at 30 June 2018 Prepayments and other current assets, (net) include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 3 156 thousand (31 December 2017: USD 2 944 thousand).

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23. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 6 months ended 30 June 2018 and 30 June 2017 were as follows:

	Transactions with related parties for the year ended	
	30 June 2018	**30 June 2017**
Revenue		
D. Companies in which activities are significantly influenced by the Group's owners	2 051	12 346
	2 051	**12 346**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(9)	(8)
	(9)	**(8)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(2 166)	(2 017)
	(2 166)	**(2 017)**
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	141	(24)
	141	**(24)**

For the 6 months ended 30 June 2018 and 30 June 2017 purchases of goods, transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 20 557 thousand and USD 1 261 thousand respectively. All those goods and services were bought and provided on market terms.

24. Operating segments

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

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

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

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24. Operating segments (cont.)

Reportable segment information for the 6 months ended 30 June 2018 was as follows:

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

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24. Operating segments (cont.)

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

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

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

	Revenue from external customers for the 6 months ended		Non-current assets As at	
	30 June 2018	**30 June 2017**	**30 June 2018**	**31 December 2017**
Ukraine	39 496	41 083	377 151	383 462
Middle East and North Africa	13 264	6 502	-	-
Far East	2 686	2 134	-	-
Central and West Africa	4 095	54	-	-
Europe	8 519	4 873	-	-
South Asia	-	60	-	-
Total	**68 060**	**54 706**	**377 151**	**383 462**

25. Loss per share

Basic loss per share

The calculation of basic loss per share for the 6 months ended 30 June 2018 and 30 June 2017 was based on loss attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	for the 6 months ended	
	30 June 2018	**30 June 2017**
Loss attributable to the owners of the Company:		
(in USD thousands)		
Loss for the period attributable to the owners of the Company	(35 947)	(10 870)
Weighted average number of shares:		
Weighted average number of ordinary shares at 30 June	6 387 185	6 387 185
Loss per share (USD)	(6)	(2)

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

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

26. Financial instruments - risk management

The Group has exposure to the following risks arising from use of financial instruments: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk of fair value) and livestock disease risk. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2017.

a) Credit risk

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

Exposure to credit risk

The carrying value of financial assets represents the maximum exposure to credit risk. Maximum level of credit risk as at 30 June 2018 and 31 December 2017 was presented as follows:

Financial assets	**30 June 2018**	**31 December 2017**
Cash and cash equivalents	24 314	18 242
Investments measured at amortized cost	5 443	6 553
Trade accounts receivable	37 391	45 376
Total	**67 148**	**70 171**

(in USD thousand, unless otherwise stated)

26. Financial instruments - risk management (cont.)

a) Credit risk (cont.)

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during the 6 months ended 30 June 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 6 months ended 30 June 2018 USD 15 660 thousand or 23,0% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 30 June 2018 USD 9 324 thousand or 28,0% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the 6 months ended 30 June 2017 USD 11 484 thousand or 21,0% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 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.

Trade receivables as at 30 June 2018 and 31 December 2017 by dates of origin were presented as follows:

30 June 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	5 636	6 075	5 180	1 733	1 793	7 605	9 368	**37 391**

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

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

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

Movement in provision for doubtful debts

	for the 6 months ended	
	2018	**2017**
As at 1 January	(49 456)	(54 626)
Bad Debt recovered	-	1 532
Provision for doubtful debts and amounts written off	(2 630)	-
Effect of translation into presentation currency	12 792	(2 247)
As at 30 June	**(39 294)**	**(55 341)**

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26. Financial instruments - risk management (cont.)

b) Liquidity risk

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

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

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

Exposure to liquidity risk

30 June 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	(134 976)	(133 827)	-	(1 078)	(71)
Short-term bond liabilities	(267 633)	-	(267 633)	-	-
Trade payables	(6 770)	(6 770)	-	-	-
Dividends payable	(29 542)	-	-	(29 542)	-
Interest payable on loans	(15 391)	-	(15 391)	-	-
Accrued coupon on bonds	(23 959)	-	(23 959)	-	-
Other payables	(4 761)	-	(4 761)	-	-
	(483 032)	**(140 597)**	**(311 744)**	**(30 620)**	**(71)**

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:

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26. Financial instruments - risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk

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

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in functional currency (UAH) as at 30 June 2018 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Trade payables	269	830	**1 099**
Cash and cash equivalents	(6)	-	**(6)**
Trade accounts receivable	(10 135)	-	**(10 135)**
Other payables	8	42	**50**
Net exposure to foreign currency risk	**(9 864)**	**872**	**(8 992)**

The Group's exposure to foreign currency risk and the functional currency (EUR) as at 30 June 2018 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Short-term bond liabilities	234 846
Dividends payable	29 542
Other accounts payable	129
Cash and cash equivalents	(6 487)
Accrued coupon on bonds	22 053
Net exposure to foreign currency risk	**280 083**

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)**	**(1 180)**	**(14 036)**

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26. Financial instruments - risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

Exposure to foreign currency risk (cont.)

The Group's exposure to foreign currency risk and the functional currency (EUR) as at 31 December 2017 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Long-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
30 June 2018			
USD	20%	1 973	1 973
EUR	15%	(131)	(131)

Effect in USD thousand:	Increase in currency rate against EUR	Effect on profit before tax	Effect on equity
30 June 2018	5%	(14 004)	(14 004)
USD			

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2017			
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 2017			
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.

26. Financial instruments - risk management (cont.)

c) Market risk (cont.)

Capital management

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

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

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

Financial leverage ratio calculation

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

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

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

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

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26. Financial instruments - risk management (cont.)

c) Market risk (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

As at 30 June 2018 and 31 December 2017 the Group's financial leverage coefficient amounted to:

	Carrying value	
	30 June 2018	**31 December 2017**
Long-term loans	338	42 750
Current portion of long-term loans	135 516	91 673
Bond liabilities	234 859	231 612
Total debt	370 713	366 035
Cash and cash equivalents	**(24 314)**	**(18 242)**
Net debt	346 399	347 793
Share capital	**836**	**836**
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	818 306	857 723
Foreign currency translation reserve	(1 069 220)	(1 099 825)
Non-controlling interests	10 547	8 765
Total equity	77 491	84 521
Total amount of equity and net debt	**423 890**	**432 314**
Financial leverage coefficient	**81,7%**	**80,4%**

For the 6 months ended 30 June 2018 and 30 June 2017 ratio of net debt to EBITDA amounted to:

	for the 6 months ended	
	30 June 2018	**30 June 2017**
LOSS FOR THE PERIOD	(36 266)	(11 718)
Income tax credit	572	(1 757)
Finance income	(702)	(1 063)
Finance expenses	16 975	15 957
Impairment of current assets	100	1 167
Losses on exchange	2 053	(19 226)
EBIT (earnings before interest and income tax)	**(17 268)**	**(16 640)**
Depreciation	7 106	7 656
EBITDA (earnings before interest, income tax, depreciation)	**(10 162)**	**(8 984)**
Net debt at the period end	346 399	347 199
Net debt at the period end / EBITDA	**(34,09)**	**(38,65)**

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27. Fair values

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
30 June 2018				
Biological Assets	-	-	28 963	28 963
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 6 months ended 30 June 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	
	30 June 2018	**31 December 2017**
Discount rate	23,55%	24,66%
Inflation rate	109,90%	113,70%

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

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27. Fair values (cont.)

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

Effect in USD thousand:	Increase/decrease of rate	Effect on fair value of biological assets
30 June 2018		
Discount rate	-2,50%	771
Discount rate	2,50%	(751)
Inflation rate	1,75%	2 921
Inflation rate	-1,75%	(2 921)
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 6 months ended 30 June 2018 and the year ended 31 December 2017.

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

Total gain or losses for the year as shown in the reconciliation (note 6) are presented on the face of the condensed consolidated statement of profit or loss and other comprehensive income as "loss from revaluation of biological assets at fair value" (6 months ended 30 June 2018: loss USD 2 542 thousand).

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

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
30 June 2018					
Financial Assets					
Cash and cash equivalents	-	24 314	-	24 314	24 314
Investments measured at amortized cost	5 727	-	-	5 727	5 443
Trade and other receivables	-	-	37 391	37 391	37 391
Financial Liabilities					
Trade payables	-	-	6 770	6 770	6 770
Bank loans	-	135 516	-	135 516	135 516
Short-term bond liabilities	44 824	-	-	44 824	234 859

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27. Fair values (cont.)

	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 30 June 2018, the following methods and assumptions, which remained the same as the prior period, were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

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

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

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

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

As at 30 June 2018 the fair value of the above financial instruments approximated to their carrying amount besides short-term bonds whose fair value was USD 44 824 thousand (31 December 2017: USD 49 500 thousand).

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

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

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

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

Challenges facing the Group:
- Decline in consumer demand in Ukraine due to lower purchasing power of population and increase in household egg production.
- Increase in cost of eggs produced nominated in UAH as imported materials are used in production.
- Substantial decrease in margin due to increase in cost of sales of egg (USD 0,05 per 1 egg) while no relevant increase in prices was observed (due to decline in demand).
- Decrease in prices on traditional for the Group foreign markets 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 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 is supporting the reforms. The political commitment of the government to carry out the reforms and international support inspire confidence Ukraine can not only overcome the crisis but also imply European values and regulations and become a part of Europe not only geographically but also legally. The reforms will eventually improve the living standards, which will have a positive effect on the Group activities. Moving towards the EU, the Group expects to sell not only egg products but also class (grade) A shell eggs on European markets in the near future.

29. Events after the reporting period

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

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29. Events after the reporting period (cont.)

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 23 August 2018.