AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated interim financial statements
(Unaudited)
For the 3 months ended 31 March 2018

AVANGARDCO INVESTMENTS PUBLIC LIMITED

CONTENTS	**Page**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of financial position

AS AT 31 MARCH 2018

(in USD thousand, unless otherwise stated)

	Note	31 March 2018	31 December 2017
ASSETS			
Property, plant and equipment		349 297	334 640
Non-current biological assets	4	2 124	3 732
Deferred tax assets		9 160	8 662
Held to maturity investments		1 414	2 840
Other non-current assets		5	5
Non-current assets		**362 000**	**349 879**
Inventories	5	49 864	56 301
Current biological assets	4	15 768	16 160
Trade accounts receivable, net		46 100	45 376
Prepaid income tax		39	35
Prepayments and other current assets, net		9 537	8 939
Taxes recoverable and prepaid		19 740	17 849
Cash and cash equivalents	6	25 338	18 242
Current assets		**166 386**	**162 902**
TOTAL ASSETS		**528 386**	**512 781**
EQUITY			
Share capital		836	836
Share premium		201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		846 890	857 723
Effect of translation into presentation currency		(1 089 899)	(1 099 825)
Equity attributable to owners of the Company		**74 849**	**75 756**
Non-controlling interests		9 807	8 765
Total equity		**84 656**	**84 521**
LIABILITIES			
Long-term loans	7	43 478	42 750
Deferred tax liabilities		326	308
Deferred income		1 036	1 002
Dividends payable		29 542	29 542
Non-current liabilities		**74 382**	**73 602**
Short-term bond liabilities	8	233 747	231 612
Current portion of non-current liabilities		96 564	91 760
Trade payables		2 043	2 298
Other accounts payable	9	36 994	28 988
Current liabilities		**369 348**	**354 658**
TOTAL LIABILITIES		**443 730**	**428 260**
TOTAL EQUITY AND LIABILITIES		**528 386**	**512 781**

Nataliya Vasylyuk

Director, CEO

Iryna Melnyk

Director, CFO

The notes on pages 6 to 18 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 3 MONTHS ENDED 31 MARCH 2018

(in USD thousand, unless otherwise stated)

	Note	for the 3 months ended 31 March 2018	31 March 2017
Revenue	10	41 099	34 004
Loss from revaluation of biological assets at fair value		(9 063)	(209)
Cost of sales	11	(35 587)	(35 365)
GROSS LOSS		**(3 551)**	**(1 570)**
General administrative expenses		(2 208)	(1 930)
Distribution expenses		(1 876)	(1 597)
Income from government grants and incentives		22	22
Other operating (expenses)/income		(5 165)	1 371
LOSS FROM OPERATING ACTIVITIES		**(12 778)**	**(3 704)**
Finance income		365	572
Finance costs	13	(7 835)	(7 897)
Gains/(losses) on exchange		8 859	5 724
NET FINANCE INCOME/(COSTS)		**1 389**	**(1 601)**
LOSS BEFORE TAX		**(11 389)**	**(5 305)**
Income tax credit		(15)	(37)
LOSS FOR THE PERIOD		**(11 404)**	**(5 342)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that are or may be reclassified subsequently to profit or loss			
Effect from translation into presentation currency		11 539	(3 651)
TOTAL COMPREHENSIVE INCOME		**135**	**(8 993)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(10 833)	(4 903)
Non-controlling interests		(571)	(439)
		(11 404)	**(5 342)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(907)	(8 789)
Non-controlling interests		1 042	(204)
		135	**(8 993)**
Loss per share			
Basic and diluted (USD)		**(2)**	**(1)**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of changes in equity
FOR THE 3 MONTHS ENDED 31 MARCH 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	-	-	-	(4 903)	-	(4 903)	(439)	**(5 342)**
Effect from translation into presentation currency	-	-	-	-	(3 886)	(3 886)	235	**(3 651)**
Total comprehensive income	**-**	**-**	**-**	**(4 903)**	**(3 886)**	**(8 789)**	**(204)**	**(8 993)**
Balance at 31 March 2017	**836**	**115 858**	**201 164**	**859 554**	**(1 057 809)**	**119 603**	**10 214**	**129 817**
Balance at 1 January 2018	**836**	**115 858**	**201 164**	**857 723**	**(1 099 825)**	**75 756**	**8 765**	**84 521**
Comprehensive income								
Loss for the period	-	-	-	(10 833)	-	(10 833)	(571)	**(11 404)**
Effect from translation into presentation currency	-	-	-	-	9 926	9 926	1 613	**11 539**
Total comprehensive income	**-**	**-**	**-**	**(10 833)**	**9 926**	**(907)**	**1 042**	**135**
Balance at 31 March 2018	**836**	**115 858**	**201 164**	**846 890**	**(1 089 899)**	**74 849**	**9 807**	**84 656**

The notes on pages 6 to 18 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

	Note	for the 3 months ended 31 March 2018	31 March 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(11 389)	(5 305)
Adjustments for:			
Depreciation of property, plant and equipment		3 689	3 774
Change in allowance for irrecoverable amounts		5 193	(1 969)
(Profit)/loss on disposal of current assets		(1)	206
(Profit)/loss on disposal of non current assets		(21)	2
Impairment of current assets		31	34
Effect of fair value adjustments on biological assets		9 063	209
Gains realised from accounts payable written-off		2	(15)
Amortization of deferred income on government grants		(22)	(22)
Discount bonds amortization		690	566
Discount on VAT government bonds amortization		(207)	(294)
Interest income		(158)	(278)
Interest payable on loans and bonds		7 130	7 353
Gains on exchange		(4 256)	(5 724)
Operating profit/(loss) before working capital changes		**9 744**	**(1 463)**
(Increase)/decrease in trade receivables		(3 322)	14 151
Decrease in prepayments and other current assets		498	1,694
Decrease/(increase) in taxes recoverable and prepaid		910	(324)
Decrease in inventories		9 365	434
Decrease in deferred income		(1)	(1)
Decrease in trade payables		(378)	(561)
Increase in biological assets		(7 063)	(8 516)
Decrease in finance leases		-	(1)
Decrease in other accounts payable		(2 934)	(1 147)
Cash generated from operations		**6 819**	**4 266**
Interest paid		(91)	(1 223)
Income tax paid		(29)	(11)
Net cash generated from operating activities		**6 699**	**3 032**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(1 185)	(348)
Interest received		491	783
Net cash generated/(used in) investing activities		**(694)**	**435**

The notes on pages 6 to 18 form an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows (cont.)
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

	Note	for the 3 months ended 31 March 2018	31 March 2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		-	-
Net cash used in financing activities		**-**	**-**
Net increase in cash and cash equivalents		**6 005**	**3 467**
Cash and cash equivalents at 1 January		**18 242**	**12 570**
Effect from translation into presentation currency		1 091	3 719
Cash and cash equivalents at 31 March	6	**25 338**	**19 756**

The notes on pages 6 to 18 form an integral part of these condensed consolidated interim financial statements.

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 3 months ended 31 March 2018 comprise the Company and its subsidiaries (together with the Company referred to as the “Group”).

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 31 March 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. The Group's activities cover almost all the territory of Ukraine.

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 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 (%) 31 March 2018	Ownership interest (%) 31 December 2017
PJSC Agroholding Avangard (PJSC Ptakhohospodarstvo Chervonyi Prapor)	Keeping of technical laying hen, production and selling of eggs	Ukraine	98,00%	98,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
PPB LLC 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 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 (LLC Imperovo LTD)	Rental services	Ukraine	99,00%	99,00%
LLC "GENERAL KONSTRAKSHYN"	Assets holding companies	Ukraine	98,00%	98,00%
LLC "LOHISTYK AGROTRADE"		Ukraine	100,00%	100,00%
LLC "REMTREYDSTANDART"		Ukraine	98,00%	98,00%
LLC "COMPANY NEW REGION"		Ukraine	98,00%	98,00%
LLS "PRIME LEADER"		Ukraine	98,00%	98,00%
LLC "CITY REGION"		Ukraine	98,00%	98,00%
LLC "FORVARDTRANS"		Ukraine	98,00%	98,00%
LLC "UNITED LOHISTYK"		Ukraine	98,00%	98,00%
LLC "AGROTRADE BUSINESS"		Ukraine	98,00%	98,00%
LLC "KOMERTSBUDPLAST"		Ukraine	98,00%	98,00%
LLC "AGROMASH-ZAHID"		Ukraine	98,00%	98,00%
LLC "STC-INVESTMENTS"		Ukraine	98,00%	98,00%
LLC "TRANSMAGISTRAL"		Ukraine	93,00%	93,00%

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 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 31 March 2018 with nominal value of € 0,10 per share.

The shares were distributed as follows:

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

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

	Ownership interest (%) as at 31 March 2018	**Ownership interest (%) as at 31 December 2017**
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

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

	Ownership interest (%) as at 31 March 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 interim financial statements as at and for the 3 months ended 31 March 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.

2.2 Basis of measurement

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

2. Basis of preparation (cont.)

2.3 Functional and presentation currency

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

2.4 Going concern basis

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

As at 31 March 2018 the Group had overdue principal and interest payments and breached covenants of debt agreements with several banks and the Eurobonds. The Group continue its constructive negotiations with banks and representatives from the Eurobond holders with a positive intent to reach an agreement with acceptable terms for both parties that will ensure the strengthening of the financial position of the Group maximising its potential for strong returns in a world economy that is returning to a more positive growth potential compared with a rather stagnant past few years.

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 interim consolidated financial statements do not comprise any adjustments in case of the the Group’s inability to continue as a going concern.

3. Significant accounting policies

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

3.1 Foreign currency translation

(a) Transactions and balances

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

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

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.1 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	31 March 2018	Weighted average for the 3 months ended 31 March 2018	31 December 2017	Weighted average for the 3 months ended 31 March 2017	31 March 2017
US dollar to Ukrainian Hryvnia	26,5435	27,3203	28,0672	27,0611	26,9761
Euro	0,8116	0,8140	0,8379	0,9393	0,9313

4. Biological assets

	31 March 2018	31 December 2017
Non-current biological assets		
Replacement poultry	2 124	3 732
	2 124	**3 732**
Current biological assets		
Commercial poultry	15 768	16 160
	15 768	**16 160**
Total	**17 892**	**19 892**

5. Inventories

Inventories as at 31 March 2018 and 31 December 2017 were as follows:

	31 March 2018	31 December 2017
Raw and basic materials	11 002	13 952
Work-in-progress	22	361
Agricultural produce	1 802	2 292
Finished goods	28 199	30 126
Package and packing materials	5 717	5 366
Goods for resale	224	1 357
Other inventories	2 898	2 847
	49 864	**56 301**

6. Cash and cash equivalents

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

	31 March 2018	31 December 2017
Cash in banks	25 335	18 241
Cash in hand	3	1
Cash and cash equivalents represented in interim consolidated statement of cash flows	**25 338**	**18 242**

(in USD thousand, unless otherwise stated)

7. Long-term loans

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

	31 March 2018	**31 December 2017**
Long-term bank loans in national currency	49 146	46 479
Long-term bank loans in foreign currency	90 470	87 628
Total loans	**139 616**	**134 107**
Commodity credit	335	316
	139 951	**134 423**
Current portion of non-current liabilities for bank loans in national currency	(6 003)	(4 045)
Current portion of non-current liabilities for bank loans in foreign currency	(90 470)	(87 628)
	43 478	**42 750**

8. 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.

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

8. Bond liabilities (cont.)

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

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

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

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

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

9. Other accounts payable

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

	31 March 2018	31 December 2017
Accrued expenses for future employee benefits	776	441
Other accrued expenses	5	214
Wages and salaries and related taxes liabilities	1 168	809
Other taxes and compulsory payments liabilities	184	154
Accounts payable for property, plant and equipment	139	124
Advances received from customers	286	198
Interest payable on loans	12 785	10 955
Accrued coupon on bonds	18 569	14 249
Other payables	3 082	1 844
	36 994	**28 989**

10. Revenue

Sales revenue for the 3 months ended 31 March 2018 and 31 March 2017 was as follows:

	for the 3 months ended	
	31 March 2018	31 March 2017
Revenue from finished goods	39 579	25 856
Revenue from goods sold and services rendered	1 520	8 148
	41 099	**34 004**

(in USD thousand, unless otherwise stated)

11. Cost of sales

Cost of sales for the 3 months ended 31 March 2018 and 31 March 2017 was as follows:

		for the 3 months ended	
	Note	**31 March 2018**	**31 March 2017**
Cost of finished goods sold	12	(34 101)	(28 191)
Cost of goods sold and services rendered		(1 486)	(7 174)
		(35 587)	**(35 365)**

12. Cost of sales by elements

The cost of finished goods sold (Note 11) for the 3 months ended 31 March 2018 and 31 March 2017 was as follows:

		for the 3 months ended	
	Note	**31 March 2018**	**31 March 2017**
Raw materials		(26 262)	(21 642)
Payroll of production personnel and related taxes		(2 293)	(1 333)
Depreciation		(3 634)	(3 717)
Services provided by third parties		(1 886)	(1 483)
Other expenses		(26)	(16)
	11	**(34 101)**	**(28 191)**

13. Finance costs

Finance costs for the 3 months ended 31 March 2018 and 31 March 2017 was as follows:

	for the 3 months ended	
	31 March 2018	**31 March 2017**
Interest payable on loans	(1 387)	(1 917)
Total finance expenses on loans	**(1 387)**	**(1 917)**
Finance expenses on bonds	(5 743)	(5 436)
Other finance expenses	(705)	(544)
	(7 835)	**(7 897)**

14. Related party balances and transactions

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

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

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

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

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

14. Related party balances and transactions (cont.)

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

	Outstanding balances with related parties as at	
	31 March 2018	**31 December 2017**
Prepayments and other current assets, net		
D. Companies in which activities are significantly influenced by the Group's owners	3 933	3 298
	3 933	**3 298**
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	12 933	11 625
	12 933	**11 625**
Trade payables		
D. Companies in which activities are significantly influenced by the Group's owners	28	-
	28	**-**
Dividends payable		
D. Companies in which activities are significantly influenced by the Group's owners	22 892	22 892
	22 892	**22 892**
Other current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	1 128	2
	1 128	**2**

The Group's transactions with related parties for the 3 months ended 31 March 2018 and 31 March 2017 were as follows:

	Transactions with related parties for the 3 months ended	
	31 March 2018	**31 March 2017**
Revenue		
D. Companies in which activities are significantly influenced by the Group's owners	1 848	8 604
	1 848	**8 604**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(3)	(6)
	(3)	**(6)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(767)	(1 025)
	(767)	**(1 025)**
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	39	18
	39	**18**

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

15. Operating segments

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

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

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

Reportable segment information for the 3 months ended 31 March 2018 was as follows:

	Shell eggs	**Poultry**	**Animal feed**	**Egg products**	**Other activities**	**Adjustments and elimination**	**Total**
Sales revenue	71 865	1 169	9 411	9 241	2 864	-	94 550
Intra-group elimination	(40 065)	(847)	(8 790)	(2 964)	(786)	-	(53 451)
Revenue from external buyers	**31 800**	**322**	**621**	**6 277**	**2 078**	**-**	**41 099**
Income from revaluation of biological assets at fair value	(7)	(9 056)	-	-	-	-	(9 063)
Other operating expenses	(2 662)	20	(174)	(2 321)	(28)	-	(5 165)
Income from government grants and incentives	22	-	-	-	-	-	22
OPERATING (LOSS)/PROFIT	**3 505**	**(10 173)**	**(225)**	**(4 968)**	**(917)**	**-**	**(12 778)**
Finance income	35	-	-	330	1	-	365
Finance costs, *including:*	(36)	-	-	(1 384)	(6 415)	-	(7 835)
Interest payable on loans	(36)	-	-	(1 367)	15	-	(1 387)
Income tax (expense)/credit	-	-	(5)	(10)	0	-	(15)
NET LOSS FOR THE PERIOD	**3 437**	**(10 554)**	**(230)**	**(5 250)**	**1 193**	**-**	**(11 404)**
TOTAL ASSETS	**2 221 240**	**127 744**	**214 596**	**790 358**	**893 397**	**(3 718 950)**	**528 386**
TOTAL LIABILITIES	**1 685 368**	**81 663**	**249 196**	**584 514**	**362 924**	**(2 519 935)**	**443 730**

(in USD thousand, unless otherwise stated)

15. Operating segments (cont.)

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

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

16. Financial instruments - risk management

Capital management

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

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

To manage capital, the Group’s management, above all, uses 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.

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

16. Financial instruments - risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

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.

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

	Carrying value	
	31 March 2018	**31 December 2017**
Long-term loans	43 478	42 750
Current portion of long-term loans	96 473	91 673
Bond liabilities	233 747	231 612
Total borrowings	**373 698**	**366 035**
Cash and cash equivalents	(25 338)	(18 242)
Net debt	**348 360**	**347 793**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	846 890	857 723
Foreign currency translation reserve	(1 089 899)	(1 099 825)
Non-controlling interests	9 807	8 765
Total equity	**84 656**	**84 521**
Total amount of equity and net debt	**433 016**	**432 314**
Financial leverage coefficient	**80,4%**	**80,4%**

Notes to the condensed consolidated interim financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2018
(in USD thousand, unless otherwise stated)

16. Financial instruments - risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

For the 3 months ended 31 March 2018 and 31 March 2017 ratio of net debt to EBITDA amounted to:

	for the 3 months ended	
	31 March 2018	**31 March 2017**
LOSS FOR THE PERIOD	(11 404)	(5 342)
Income tax credit	15	37
Finance income	(365)	(572)
Finance expenses	7 835	7 897
Impairment of current assets	31	34
Losses on exchange	(8 859)	(5 724)
EBIT (earnings before interest and income tax)	**(12 747)**	**(3 670)**
Depreciation	3 689	3 770
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**(9 058)**	**100**
Net debt at the period end	348 360	330 062
Net debt at the period end / EBITDA	**-38,46**	**3300,62**

17. 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.

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.