AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated interim financial statements (Unaudited)
For the 9 months ended 30 September 2017

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of financial position

AS AT 30 SEPTEMBER 2017

(in USD thousand, unless otherwise stated)

	Note	30 September 2017	31 December 2016
ASSETS			
Property, plant and equipment		357 800	357 821
Non-current biological assets	4	11 098	14 273
Deferred tax assets		7 613	5 663
Held to maturity investments		2 923	5 700
Other non-current assets		5	5
Non-current assets		**379 439**	**383 462**
Inventories	5	53 007	62 144
Current biological assets	4	12 711	7 755
Trade accounts receivable, net		29 235	40 628
Prepaid income tax		38	41
Prepayments and other current assets, net		12 577	14 412
Taxes recoverable and prepaid		15 943	8 479
Cash and cash equivalents	6	17 185	12 570
Current assets		**140 696**	**146 029**
TOTAL ASSETS		**520 135**	**529 491**
EQUITY			
Share capital		836	836
Share premium		201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		844 067	864 457
Effect of translation into presentation currency		(1 075 863)	(1 053 923)
Equity attributable to owners of the Company		**86 062**	**128 392**
Non-controlling interests		10 728	10 418
Total equity		**96 790**	**138 810**
LIABILITIES			
Long-term bond liabilities	8	229 071	219 014
Long-term loans	7	48 696	93 924
Deferred tax liabilities		355	351
Deferred income		1 083	1 123
Dividends payable		29 542	29 542
Long-term finance lease		-	3
Non-current liabilities		**308 747**	**343 957**
Current portion of non-current liabilities		87 400	31 224
Trade payables		3 112	3 062
Other accounts payable	9	24 086	12 438
Current liabilities		**114 598**	**46 724**
TOTAL LIABILITIES		**423 345**	**390 681**
TOTAL EQUITY AND LIABILITIES		**520 135**	**529 491**

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 9 MONTHS ENDED 30 SEPTEMBER 2017
(in USD thousand, unless otherwise stated)

		9 months ended	
	Note	**30 September 2017**	**30 September 2016**
Revenue	10	83 991	111 105
Loss from revaluation of biological assets at fair value		(5 651)	(3 948)
Cost of sales	11	(100 446)	(103 984)
GROSS (LOSS)/PROFIT		**(22 106)**	**3 173**
General administrative expenses		(5 766)	(5 995)
Distribution expenses		(5 442)	(4 738)
Income from government grants and incentives		7 282	74
Income from special VAT treatment		-	4 977
Other operating income/(expenses)		1 049	(20 078)
LOSS FROM OPERATING ACTIVITIES		**(24 983)**	**(22 587)**
Finance income		1 556	2 197
Finance costs	13	(24 117)	(19 189)
Profit/(losses) on exchange		24 955	(2 030)
NET FINANCE INCOME/(COSTS)		**2 394**	**(19 022)**
LOSS BEFORE TAX		**(22 589)**	**(41 609)**
Income tax credit		1 760	2 840
LOSS FOR THE PERIOD		**(20 829)**	**(38 769)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Items that are or may be reclassified subsequently to profit or loss			
Effect from translation into presentation currency		(21 191)	(37 982)
TOTAL COMPREHENSIVE INCOME		**(42 020)**	**(76 751)**
LOSS ATTRIBUTABLE TO			
Owners of the Company		(20 390)	(38 581)
Non-controlling interests		(439)	(188)
		(20 829)	**(38 769)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(42 330)	(74 206)
Non-controlling interests		310	(2 545)
		(42 020)	**(76 751)**
Loss per share, USD (basic and diluted)		**(3)**	**(6)**

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 changes in equity
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017
(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 2016	**836**	**115 858**	**201 164**	**921 435**	**(1 018 085)**	**221 208**	**13 847**	**235 055**
Comprehensive income								
Loss for the period	-	-	-	(38 581)	-	(38 581)	(188)	**(38 769)**
Effect from translation into presentation currency	-	-	-	-	(35 625)	(35 625)	(2 357)	**(37 982)**
Total comprehensive income	**-**	**-**	**-**	**(38 581)**	**(35 625)**	**(74 206)**	**(2 545)**	**(76 751)**
Balance at 30 September 2016	**836**	**115 858**	**201 164**	**882 854**	**(1 053 710)**	**147 002**	**11 302**	**158 304**
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	-	-	-	(20 390)	-	(20 390)	(439)	**(20 829)**
Effect from translation into presentation currency	-	-	-	-	(21 940)	(21 940)	749	**(21 191)**
Total comprehensive income	**-**	**-**	**-**	**(20 390)**	**(21 940)**	**(42 330)**	**310**	**(42 020)**
Balance at 30 September 2017	**836**	**115 858**	**201 164**	**844 067**	**(1 075 863)**	**86 062**	**10 728**	**96 790**

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 9 MONTHS ENDED 30 SEPTEMBER 2017
(in USD thousand, unless otherwise stated)

	Note	9 months ended 30 September 2017	9 months ended 30 September 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(22 589)	(41 609)
Adjustments for:			
Depreciation of property, plant and equipment		11 596	11 782
Change in allowance for irrecoverable amounts		264	20 540
Profit/(loss) on disposal of current assets		(26)	10
Loss/(profit) on disposal of property, plant and equipment		23	(167)
Impairment of current assets		1 178	787
Effect of fair value adjustments on biological assets		5 651	3 948
Gains realised from accounts payable written-off		(15)	(53)
Amortization of deferred income on government grants		(69)	(74)
Discount bonds amortization		1 733	1 002
Discount on VAT government bonds amortization		(850)	(1 116)
Interest income		(706)	(1 081)
Interest payable on loans and bonds		22 333	18 009
(Profit)/losses on exchange		(20 999)	2 030
Operating (loss)/profit before working capital changes		**(2 476)**	**14 008**
Decrease/(increase) in trade receivables		22 590	(812)
Decrease in prepayments and other current assets		6 987	586
Decrease/increase in taxes recoverable and prepaid		1 999	(3 024)
Increase in inventories		(1 792)	(7 523)
Decrease in deferred income		(101)	(6)
Increase in trade payables		73	104
(Increse)/decrease in biological assets		(9 250)	5 935
Decrease in finance leases		(3)	(37)
Decrease in other accounts payable		(12 488)	(11 230)
Cash generated from/(used in) operations		**5 539**	**(1 999)**
Interest paid		(2 693)	(2 542)
Income tax paid		(31)	(28)
Net cash generated from/(used in) from operating activities		**2 815**	**(4 569)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(1 057)	(11 419)
Proceeds from sale of non-current assets		-	505
Interest received		1 696	2 485
Net cash generated from/(used in) investing activities		**639**	**(8 429)**

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

Condensed consolidated statement of cash flows (cont.)
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017
(in USD thousand, unless otherwise stated)

	Note	9 months ended 30 September 2017	9 months ended 30 September 2016
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans received		-	50 436
Repayment of loans		-	(51 932)
Interest paid for bonds issued		-	(2 575)
Net cash used in financing activities		**-**	**(4 071)**
Net inccrease/(decrease) in cash and cash equivalents		**3 454**	**(17 069)**
Cash and cash equivalents at 1 January		**12 570**	**31 307**
Effect from translation into presentation currency		1 161	68
Cash and cash equivalents at 30 September	6	**17 185**	**14 306**

Notes to the condensed consolidated interim financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017
(in USD thousand, unless otherwise stated)

1. General information

AvangardCo Investments Public Limited (the "Company") was incorporated as a limited liability company on 23 October 2007 in accordance with the provisions of the Cyprus Companies Law, Cap. 113, under the name of Ultrainvest Limited. On 8 July 2009, the Registrar of Companies in Cyprus issued a certificate to the effect that the Company was re-registered as a public limited company and changed its name to AvangardCo Investments Public Limited. The Company was listed at London Stock Exchange Main Market on 6 May 2010.

The Company's registered office is at 3 Anexartisias & Kyriakou Matsi, 3040 Limassol, Cyprus.

These condensed consolidated interim financial statements of the Company as at and for the 9 months ended 30 September 2017 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 September 2017 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 83% of its own fodder. The Group's activities cover almost all the territory of Ukraine. Due to the operating environment in Ukraine, the companies of the Group which have been affected and are not operational are described in note 28 to the condensed consolidated interim financial statements.

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

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

(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:

<table>
<tr><th>Company name</th><th>Principal Activity</th><th>Country of registration</th><th>Ownership interest (%) 30 September 2017</th><th>Ownership interest (%) 31 December 2016</th></tr>
<tr><td>PJSC Agroholding Avangard (PJSC Ptakhohospodarstvo Chervonyi Prapor)</td><td rowspan="4">Keeping of technical laying hen, production and selling of eggs</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC Yuzhnaya - Holding</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>PPB LLC Ptytsecompleks</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>PSPC Interbusiness</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>SC Avangard-Agro of PJSC Agroholding Avangard</td><td rowspan="10">Incubation (production and sale of day-old chick), farming of young poultry for sale</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>SC Ptakhohospodarstvo Donetske of PSPC Interbusiness</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>LLC Slovyany</td><td>Ukraine</td><td>90,00%</td><td>90,00%</td></tr>
<tr><td>SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>SC Zorya of PJSC Agroholding Avangard</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>SC Ptakhogopodarstvo Volnovaske of PSPC Interbusiness</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>SC Ptakhohospodarstvo Chornobaivske of PJSC Agroholding Avangard</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC Rohatyn-Korm</td><td rowspan="5">Production and selling of animal feed</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>PJSC Trade Avangard Agro (PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod)</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>PJSC Volnovaskyi Kombinat Khliboproduktiv</td><td>Ukraine</td><td>99,00%</td><td>99,00%</td></tr>
<tr><td>LLC Kamyanets-Podilsky Kombikormoviy Zavod</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC Pershe Travnya Kombikormoviy Zavod</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC Imperovo Foods</td><td>Processing of eggs and selling of egg products</td><td>Ukraine</td><td>96,00%</td><td>96,00%</td></tr>
<tr><td>LLC Agrarnyi Holding Avangard</td><td>Rendering services under guarantee agreements</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>LLC Torgivenlniy Dim Avangard (LLC Imperovo LTD)</td><td>Rental services</td><td>Ukraine</td><td>99,00%</td><td>99,00%</td></tr>
<tr><td>LLC "GENERAL KONSTRAKSHYN"</td><td rowspan="13">Assets holding companies</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "LOHISTYK AGROTRADE"</td><td>Ukraine</td><td>100,00%</td><td>100,00%</td></tr>
<tr><td>LLC "REMTREYDSTANDART"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "COMPANY NEW REGION"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLS "PRIME LEADER"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "CITY REGION"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "FORVARDTRANS"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "UNITED LOHISTYK"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "AGROTRADE BUSINESS"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "KOMERTSBUDPLAST"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "AGROMASH-ZAHID"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "STC-INVESTMENTS"</td><td>Ukraine</td><td>98,00%</td><td>98,00%</td></tr>
<tr><td>LLC "TRANSMAGISTRAL"</td><td>Ukraine</td><td>93,00%</td><td>92,00%</td></tr>
</table>

Notes to the condensed consolidated interim financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017
(in USD thousand, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 September 2017 with nominal value of € 0,10 per share.

The shares were distributed as follows:

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

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

As at 30 September 2017 and 31 December 2016 the direct interests in Mobco Limited and UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest (%) as at 30 September 2017	**Ownership interest (%) as at 31 December 2016**
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	95%

2. Basis of preparation

2.1 Statement of compliance

These interim financial statements as at and for the 9 months ended 30 September 2017 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 2016 (“last annual financial statements”). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

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.

(in USD thousand, unless otherwise stated)

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

3. Significant accounting policies

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

3.1 Foreign currency translation

(a) Transactions and balances

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

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

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

Currency	**30 September 2017**	**Weighted average for the 9 months ended 30 September 2017**	**31 December 2016**	**Weighted average for the 9 months ended 30 September 2016**	**30 September 2016**
US dollar to Ukrainian Hryvnia	26,5211	26,4711	27,1909	25, 4303	25,9119
Euro	0,8490	0,8997	0,9567	0,8957	0,8912

Notes to the condensed consolidated interim financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017
(in USD thousand, unless otherwise stated)

4. Biological assets

	30 September 2017	31 December 2016
Non-current biological assets		
Replacement poultry	11 098	14 273
	11 098	**14 273**
Current biological assets		
Commercial poultry	12 711	7 755
	12 711	**7 755**
Total	**23 809**	**22 028**

5. Inventories

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

	30 September 2017	31 December 2016
Raw and basic materials	12 020	20 103
Work-in-progress	244	281
Agricultural produce	1 501	1 685
Finished goods	29 842	22 475
Package and packing materials	5 346	5 546
Goods for resale	1 333	10 070
Other inventories	2 721	1 984
	53 007	**62 144**

6. Cash and cash equivalents

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

	30 September 2017	31 December 2016
Cash in banks	17 184	12 570
Cash in hand	1	-
Cash and cash equivalents represented in condensed consolidated statement of cash flows	**17 185**	**12 570**

7. Long-term loans

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

	30 September 2017	31 December 2016
Long-term bank loans in national currency	49 188	47 976
Long-term bank loans in foreign currency	86 483	76 756
Total loans	**135 671**	**124 732**
Commodity credit	334	327
	136 005	**125 059**
Current portion of non-current liabilities for bank loans in national currency	(826)	(806)
Current portion of non-current liabilities for bank loans in foreign currency	(86 483)	(30 329)
	48 696	**93 924**

Notes to the condensed consolidated interim financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2017
(in USD thousand, unless otherwise stated)

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.

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

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

(in USD thousand, unless otherwise stated)

8. Bond liabilities (cont.)

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 30 September 2017 and 31 December 2016 were as follows:

	30 September 2017	31 December 2016
Accrued expenses for future employee benefits	209	280
Other accrued expenses	5	208
Wages and salaries and related taxes liabilities	807	512
Other taxes and compulsory payments liabilities	1 144	430
Accounts payable for property, plant and equipment	119	214
Advances received from customers	318	389
Interest payable on loans	8 994	6 042
Accrued coupon on bonds	10 263	1 919
Other payables	2 227	2 444
	24 086	**12 438**

10. Revenue

Sales revenue for the 9 months ended 30 September 2017 and 30 September 2016 was as follows:

	9 months ended	
	30 September 2017	30 September 2016
Revenue from finished goods	73 912	95 328
Revenue from goods sold and services rendered	10 079	15 777
	83 991	**111 105**

11. Cost of sales

Cost of sales for the 9 months ended 30 September 2017 and 30 September 2016 was as follows:

		9 months ended	
	Note	30 September 2017	30 September 2016
Cost of finished goods sold	12	(90 401)	(88 497)
Cost of goods sold and services rendered		(10 045)	(15 487)
		(100 446)	**(103 984)**

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12. Cost of sales by elements

The cost of finished goods sold (Note 11) for the 9 months ended 30 September 2017 and 30 September 2016 was as follows:

		9 months ended	
	Note	**30 September 2017**	**30 September 2016**
Raw materials		(70 433)	(68 711)
Payroll of production personnel and related taxes		(4 276)	(2 655)
Depreciation		(11 438)	(11 582)
Services provided by third parties		(4 198)	(5 477)
Other expenses		(56)	(72)
	11	**(90 401)**	**(88 497)**

13. Finance costs

Finance costs for the 9 months ended 30 September 2017 and 30 September 2016 was as follows:

	9 months ended	
	30 September 2017	**30 September 2016**
Interest payable on loans	(5 645)	(6 033)
Total finance expenses on loans	**(5 645)**	**(6 033)**
Finance expenses on finance lease	-	(7)
Finance expenses on bonds	(16 688)	(11 976)
Other finance expenses	(1 784)	(1 173)
	(24 117)	**(19 189)**

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.

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14. Related party balances and transactions (cont.)

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

	Outstanding balances with related parties as at	
	30 September 2017	**31 December 2016**
Prepayments and other current assets, net		
D. Companies in which activities are significantly influenced by the Group's owners	3 579	5 499
	3 579	**5 499**
Trade accounts receivable		
D. Companies in which activities are significantly influenced by the Group's owners	11 304	154
	11 304	**154**
Dividends payable		
D. Companies in which activities are significantly influenced by the Group's owners	22 892	22 892
	22 892	**22 892**
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	-	3
	-	**3**
Other current liabilities		
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	1	2
	1	**2**

The Group's transactions with related parties for the 9 months ended 30 September 2017 and 30 September 2016 were as follows:

	Transactions with related parties for the 6 months ended	
	30 September 2017	**30 September 2016**
Sales revenue		
D. Companies in which activities are significantly influenced by the Group's owners	15 774	16 066
	15 774	**16 066**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(11)	(16)
	(11)	**(16)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(3 280)	(1 795)
	(3 280)	**(1 795)**
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	56	517
	56	**517**

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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 9 months ended 30 September 2017 was as follows:

	Shell eggs	**Poultry**	**Animal feed**	**Egg products**	**Other activities**	**Adjustments and elimination**	**Total**
Sales revenue	109 350	54 107	99 801	10 151	12 057	-	285 466
Intra-group elimination	(61 078)	(41 866)	(97 190)	-	(1 341)	-	(201 475)
Revenue from external buyers	**48 272**	**12 241**	**2 611**	**10 151**	**10 716**	**-**	**83 991**
Income from revaluation of biological assets at fair value	(5 657)	6	-	-	-	-	(5 651)
Other operating expenses	2 902	(107)	112	(1 699)	(159)	-	1 049
Income from government grants and incentives	6 538	744	-	-	-	-	7 282
OPERATING (LOSS)/PROFIT	**(14 143)**	**(3 023)**	**(1 444)**	**(4 230)**	**(2 143)**	**-**	**(24 983)**
Finance income	137	-	-	1 417	2	-	1 556
Finance costs, *including:*	(74)	-	-	(4 589)	(19 454)	-	(24 117)
Interest payable on loans	(74)	-	-	(4 538)	(1 035)	-	(5 645)
Income tax (expense)/credit	-	-	(8)	1 443	325	-	1 760
NET (LOSS)/PROFIT FOR THE PERIOD	**(14 149)**	**(3 093)**	**(1 452)**	**(5 253)**	**3 118**	**-**	**(20 829)**
TOTAL ASSETS	**2 297 019**	**125 521**	**324 892**	**877 328**	**922 388**	**(4 027 013)**	**520 135**
TOTAL LIABILITIES	**1 765 066**	**80 734**	**358 270**	**678 471**	**380 834**	**(2 840 030)**	**423 345**

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15. Operating segments (cont.)

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

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	141 771	7 862	53 489	34 931	16 612	-	254 665
Intra-group elimination	(87 396)	(2 105)	(53 398)	-	(661)	-	(143 560)
Revenue from external buyers	**54 375**	**5 757**	**91**	**34 931**	**15 951**	**-**	**111 105**
Income from revaluation of biological assets at fair value	(5 254)	1 306	-	-	-	-	(3 948)
Other operating expenses	(14 855)	(352)	366	(5 077)	(160)	-	(20 078)
Income from government grants and incentives	72	2	-	-	-	-	74
OPERATING LOSS	**(18 823)**	**702**	**(413)**	**(1 235)**	**(2 818)**	**-**	**(22 587)**
Finance income	194	-	-	1 967	36	-	2 197
Finance costs, *including:*	(84)	-	-	(4 571)	(14 534)	-	(19 189)
Interest payable on loans	(84)	-	-	(4 570)	(1 379)	-	(6 033)
Income tax (expense)/credit	-	-	(58)	2 583	315	-	2 840
NET LOSS FOR THE PERIOD	**(18 713)**	**628**	**(471)**	**(3 826)**	**(16 387)**	**-**	**(38 769)**
TOTAL ASSETS	**2 222 201**	**73 699**	**291 106**	**779 160**	**895 750**	**(3 713 533)**	**548 383**
TOTAL LIABILITIES	**1 667 973**	**8 610**	**323 982**	**591 644**	**349 586**	**(2 551 716)**	**390 078**

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.

<u>Financial leverage ratio calculation</u>

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

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

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16. Financial instruments - risk management (cont.)

Capital management (cont.

Financial leverage ratio calculation (cont.)

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

	Carrying value	
	30 September 2017	**31 December 2016**
Long-term loans	48 696	93 924
Current portion of long-term loans	87 309	31 135
Long-term finance lease (including VAT)	-	3
Bond liabilities	229 071	219 014
Total borrowings	**365 076**	**344 076**
Cash and cash equivalents	(17 185)	(12 570)
Net debt	**347 891**	**331 506**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	844 067	864 457
Foreign currency translation reserve	(1 075 863)	(1 053 923)
Non-controlling interests	10 728	10 418
Total equity	**96 790**	**138 810**
Total amount of equity and net debt	**444 681**	**470 316**
Financial leverage coefficient	**78,2%**	**70,5%**

For the 9 months ended 30 September 2017 and 30 September 2016 ratio of net debt to EBITDA amounted to:

	9 months ended	
	30 September 2017	**30 September 2016**
LOSS FOR THE PERIOD	(20 829)	(38 769)
Income tax credit	(1 760)	(2 840)
Finance income	(1 556)	(2 197)
Finance expenses	24 117	19 189
Impairment of current assets	1 178	787
Losses on exchange	(24 955)	2 030
EBIT (earnings before interest and income tax)	**(23 805)**	**(21 800)**
Depreciation	11 596	11 782
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**(12 209)**	**(10 018)**
Net debt at the period end	347 891	330 947
Net debt at the period end / EBITDA	**-28,49**	**-33,04**

17. Events after the reporting period

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