

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

Interim Consolidated Financial Statements

For the 3 months ended 31 March 2016

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Interim consolidated statement of financial position

AS AT 31 MARCH 2016

(in USD thousand, unless otherwise stated)

	Note	31 March 2016	31 December 2015
ASSETS			
Property, plant and equipment		373 622	404 930
Non-current biological assets	4	8 188	13 403
Deferred tax assets		2 528	2 761
Held to maturity investments	5	7 024	9 257
Other non-current assets		5	6
Total non-current assets		391 367	430 357
Inventories	7	59 221	58 149
Current biological assets	4	17 627	13 736
Trade accounts receivable, net	8	55 205	56 665
Prepaid income tax		40	72
Prepayments and other current assets, net	9	15 511	21 027
Taxes recoverable and prepaid	6	14 331	12 858
Cash and cash equivalents	10	24 019	31 307
Total current assets		185 954	193 814
TOTAL ASSETS		577 321	624 171
EQUITY			
Share capital		836	836
Share premium		201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		917 415	921 435
Effect of translation into presentation currency		(1 060 564)	(1 018 085)
Equity attributable to owners of the Company		174 709	221 208
Non-controlling interests		11 066	13 847
Total equity		185 775	235 055
LIABILITIES			
Long-term bond liabilities	12	206 649	202 871
Long-term loans	11	63 293	64 423
Deferred tax liabilities		376	410
Deferred income		1 234	1 384
Dividends payable		29 542	29 542
Long-term finance lease		23	28
Total non-current liabilities		301 117	298 658
Current portion of non-current liabilities	14	21 138	19 125
Short-term loans	13	50 000	50 000
Trade payables	15	2 230	3 375
Other accounts payable	16	17 061	17 958
Total current liabilities		90 429	90 458
TOTAL LIABILITIES		391 546	389 116
TOTAL EQUITY AND LIABILITIES		577 321	624 171

Nataliya Vasylyuk
Chairwoman

Iryna Marchenko
Director, CEO

Interim consolidated statement of profit and loss and other comprehensive income
FOR THE 3 MONTHS ENDED 31 MARCH 2016
(in USD thousand, unless otherwise stated)

	Note	3 months ended	
		31 March 2016	31 March 2015
Revenue	17	39 839	72 426
Profit from revaluation of biological assets at fair value		635	6 387
Cost of sales	18	(32 193)	(64 203)
GROSS PROFIT		8 281	14 610
General administrative expenses	20	(1 822)	(1 554)
Distribution expenses	21	(1 521)	(3 586)
Income from government grants and incentives		24	24
Income from special VAT treatment		28	4 535
Other operating income/(expenses)	22	312	(13 869)
PROFIT FROM OPERATING ACTIVITIES		5 302	160
Finance income	24	757	1 119
Finance costs	23	(7 827)	(7 574)
Losses on exchange		(2 137)	(45 867)
LOSS BEFORE TAX		(3 905)	(52 162)
Income tax expenses		(69)	(17)
LOSS FOR THE PERIOD		(3 974)	(52 179)
OTHER COMPREHENSIVE INCOME			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		(45 306)	(246 829)
TOTAL COMPREHENSIVE INCOME		(49 280)	(299 008)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(4 020)	(51 713)
Non-controlling interests		46	(466)
		(3 974)	(52 179)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(46 453)	(284 406)
Non-controlling interests		(2 827)	(14 602)
		(49 280)	(299 008)
Loss per share, USD (basic and diluted)		(1)	(8)

The notes on pages 13 to 73 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of changes in equity

FOR THE 3 MONTHS ENDED 31 MARCH 2016

(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve			
Balance at 1 January 2015	836	115 858	201 164	1 077 158	(776 404)	618 612	27 276	645 888
Comprehensive income								
Loss for the period	-	-	-	(51 713)	-	(51 713)	(466)	(52 179)
Effect from translation into presentation currency	-	-	-	-	(232 695)	(232 695)	(14 135)	(246 830)
Total comprehensive income	-	-	-	(51 713)	(232 695)	408	(14 601)	(299 009)
Balance at 31 March 2015	836	115 858	201 164	1 025 445	(1 009 099)	334 204	12 675	346 879
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	-	-	-	(4 020)	-	(4 020)	46	(3 974)
Effect from translation into presentation currency	-	-	-	-	(42 479)	(42 479)	(2 827)	(45 306)
Total comprehensive income	-	-	-	(4 020)	(42 479)	(46 499)	(2 781)	(49 280)
Balance at 31 March 2016	836	115 858	201 164	917 415	(1 060 564)	174 709	11 066	185 775

The notes on pages 13 to 73 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of cash flows
FOR THE 3 MONTHS ENDED 31 MARCH 2016
(in USD thousand, unless otherwise stated)

	Note	3 months ended	
		31 March 2016	31 March 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(3 905)	(52 162)
Adjustments for:			
Depreciation of property, plant and equipment		3 775	6 197
Change in allowance for irrecoverable amounts		5	6 945
(Profit)/loss on disposal of current assets	22	(352)	9
Loss/(profit) on disposal of property, plant and equipment		173	(1)
Impairment of current assets	22	489	7 704
Effect of fair value adjustments on biological assets		(635)	(6 387)
Gains realised from accounts payable written-off	22	(1)	(1)
Amortization of deferred income on government grants		(24)	(24)
Discount bonds amortization		493	399
Discount on VAT government bonds amortization		(384)	(542)
Interest income		(373)	(1 119)
Interest payable on loans		7 328	7 170
Losses on exchange		8 193	38 490
Operating profit before working capital changes		14 782	6 678
Increase in trade receivables		(1 511)	(27 993)
(Increase)/decrease in prepayments and other current assets		(609)	2 590
(Increase)/decrease in taxes recoverable and prepaid		(751)	9 190
Increase in inventories		(6 236)	(7 534)
Decrease in deferred income		(9)	(115)
Decrease in trade payables		(877)	(1 275)
Decrease in biological assets		1 937	1 464
Decrease in finance leases		2	4
(Decrease)/increase in other accounts payable		(4 647)	14 173
Cash generated from operations		2 080	(2 818)
Interest paid		(82)	(505)
Income tax paid		(11)	(33)
Net cash generated from operating activities		1 988	(3 356)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(7 006)	(11 227)
Repayment of VAT government bonds		-	2 267
Interest received		2 239	1 076
Net cash used in investing activities		(4 769)	(7 884)

The notes on pages 13 to 73 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of cash flows (cont.)

FOR THE 3 MONTHS ENDED 31 MARCH 2016

(in USD thousand, unless otherwise stated)

	Note	3 months ended	
		31 March 2016	31 March 2015
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans received		-	8 592
Repayment of loans		(1 944)	(2 334)
Net cash (used in)/generated from financing activities		(1 944)	6 258
Net decrease in cash and cash equivalents		(4 725)	(4 982)
Cash and cash equivalents at 1 January		31 307	117 856
Effect from translation into presentation currency		(2 563)	(22 984)
Cash and cash equivalents at 31 March	10	24 019	89 890

The notes on pages 13 to 73 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**

(in USD thousand, unless otherwise stated)

1. General information

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

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

The consolidated financial statements of the Company as at and for the 3 months ended 31 March 2016 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 2016 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 64% 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 39 to the consolidated financial statements.

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**
(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 2016	Ownership interest (%) 31 December 2015	
PJSC Ptakohospodarstvo Chervonyi Prapor	Keeping of technical laying hen, production and selling of eggs	Ukraine	98,00%	98,00%	
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%	
PPB LLC Pitysecompleks		Ukraine	100,00%	100,00%	
PSPC Interbusiness		Ukraine	100,00%	100,00%	
SC Avangard-Agro of PJSC Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale	Ukraine	98,00%	98,00%	
SC Ptakohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%	
LLC Slovyany		Ukraine	90,00%	90,00%	
SC Ptakohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%	
SC Zorya of PJSC Cross-PF Zoraya		Ukraine	98,00%	98,00%	
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakohospodarstvo ChervonyiPrapor		Ukraine	98,00%	98,00%	
SC Ptakohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%	
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100,00%	100,00%	
SC Ptakohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	98,00%	98,00%	
LLC Rohatyn-Korm		Production and selling of animal feed	Ukraine	100,00%	100,00%
PJSC Vuhlehirskiyi Eksperementalnyy Kombikormoviy Zavod			Ukraine	100,00%	100,00%
PJSC Volnovaskiyi Kombinat Khiboproduktiv	Ukraine		99,00%	99,00%	
LLC Kamyanets-Podilsky Kombikormoviy Zavod	Ukraine		98,00%	98,00%	
LLC Pershe Travnnya Kombikormoviy Zavod	Ukraine		98,00%	98,00%	
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	96,00%	
LLC Agrarniy Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%	
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	92,00%	92,00%	

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**

(in USD thousand, unless otherwise stated)

1. General information (cont.)

Company name	Principal Activity	Country of registration	Ownership interest (%) 31 March 2016	Ownership interest (%) 31 December 2015
PJSC Avangard*	Dormant	Ukraine	99,00%	99,00%
PJSC Chornobaivske*		Ukraine	97,00%	97,00%
PJSC Agrofirma Avis*		Ukraine	100,00%	100,00%
PJSC Kirovskiy*		Ukraine	100,00%	100,00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited*		Ukraine	100,00%	100,00%
LLC Makarivska Ptakhofabryka*		Ukraine	100,00%	100,00%
LLC PF Volnovaska*		Ukraine	100,00%	100,00%
PJSC Cross-PF Zorya*		Ukraine	89,00%	89,00%
PJSC Ptakhofabryka Pershe Travnya*		Ukraine	93,00%	93,00%
PJSC Chernivetska Ptakhofabryka*		Ukraine	98,00%	98,00%
ALLC Donetska Ptakhofabryka*		Ukraine	100,00%	100,00%
LLC Areal-Snigurivka*		Ukraine	0,00%	0,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka*		Ukraine	100,00%	100,00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard*		Ukraine	0,00%	0,00%
SC Rogatynska Ptakhofabryka of PJSC Avangard*		Ukraine	0,00%	0,00%

*As at 31 December 2015 the Group completed the process of restructuring through transfer of assets and liabilities. The following companies' asset and liabilities were transferred to PJSC Ptakhohospodarstvo Chervonyi Prapor: PJSC Avangard, PJSC Chornobaivske PJSC, Agrofirma Avis, PJSC Kirovskiy, PJSC Cross-PF Zorya, PJSC Ptakhofabryka Pershe Travnya, PJSC Chernivetska Ptakhofabryka. Additionally, the assets and liabilities of: SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited, LLC Makarivska Ptakhofabryka, LLC PF Volnovaska, ALLC Donetska Ptakhofabryka, LLC Areal-Snigurivka, LLC Torgivenlniy Budynok Bohodukhivska, Ptakhofabryka SC Rogatynska Ptakhofabryka of PJSC Avangard, SC Gorodenkivska Ptakhofabryka of PJSC Avangard were transferred to PSC Interbusiness. Currently the companies PJSC Avangard, PJSC Chornobaivske PJSC, Agrofirma Avis, PJSC Kirovskiy, PJSC Cross-PF Zorya, PJSC Ptakhofabryka Pershe Travnya, PJSC Chernivetska Ptakhofabryka, SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited, LLC Makarivska Ptakhofabryka, LLC PF Volnovaska, ALLC Donetska Ptakhofabryka, LLC Torgivenlniy Budynok Bohodukhivska are in the process of liquidation as legal entities. Companies: LLC Areal-Snigurivka, Ptakhofabryka SC Rogatynska Ptakhofabryka of PJSC Avangard and SC Gorodenkivska Ptakhofabryka of PJSC Avangard are liquidated as legal entities.

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 2016 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	31 March 2016		31 December 2015	
	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%

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**

(in USD thousand, unless otherwise stated)

1. General information (cont.)

As at 31 March 2016 and 31 December 2015 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	Ownership interest (%) as at 31 March 2016	Ownership interest (%) as at 31 December 2015
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 31 March 2016 and 31 December 2015 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 2016	Ownership interest (%) as at 31 December 2015
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	95%

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 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 are closely monitoring the events in the current operating environment of the Group and consider that the Group is able to continue its operations as a going concern.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies

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 interim consolidated financial statements, are presented as follows:

Currency	31 March 2016	Weighted average for the 3 months ended 31 March 2016	31 December 2015	Weighted average for the 3 months ended 31 March 2015
US dollar to				
Ukrainian Hryvnia	26,2181	25, 6537	24,0007	21,1157
Euro	0,9072	0,8831	0,9152	0,8876

The empowerment of the USD against UAH has resulted in the reduction of various values disclosed in the statements of profit or loss and of financial position. This reduction is applicable only in case of translation into presentation currency.

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.

4. Biological assets

	31 March 2016	31 December 2015
Non-current biological assets		
Replacement poultry	8 188	13 403
	8 188	13 403
Current biological assets		
Commercial poultry	17 627	13 736
	17 627	13 736
Total	25 815	27 139

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**

(in USD thousand, unless otherwise stated)

5. Held to maturity investments

Held to maturity investments as at 31 March 2016 and 31 December 2015 were as follows:

	<u>31 March 2016</u>	<u>31 December 2015</u>
VAT government bonds	10 098	13 025
Discount VAT government bonds	(3 074)	(3 768)
	7 024	9 257
	<u>31 March 2016</u>	<u>31 December 2015</u>
Coupon receivable	222	604

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.

6. Taxes recoverable and prepaid

Taxes recoverable and prepaid as at 31 March 2016 and 31 December 2015 were as follows:

	Note	<u>31 March 2016</u>	<u>31 December 2015</u>
VAT settlements	a)	14 113	11 782
Other taxes prepaid		218	1 076
		14 331	12 858

a) VAT settlements related to VAT recoverable arising from operating activities and capital expenditure, is subject to:

- cash refund through release of budgetary funds by the Government;
- settlement of future tax liabilities of the entity under this tax within non-agricultural transactions.

The VAT settlements are receivable within one year based on the prior years' pattern, history of cash refunds and expectations that funds will be realised within twelve months from the reporting period.

7. Inventories

Inventories as at 31 March 2016 and 31 December 2015 were as follows:

	<u>31 March 2016</u>	<u>31 December 2015</u>
Raw and basic materials	39 928	38 733
Work-in-progress	301	51
Agricultural produce	1 237	356
Finished goods	9 752	8 357
Package and packing materials	6 477	7 904
Goods for resale	297	1 562
Other inventories	1 229	1 186
	59 221	58 149

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**

(in USD thousand, unless otherwise stated)

8. Trade accounts receivable, net

Trade accounts receivable as at 31 March 2016 and 31 December 2015 were as follows:

	31 March 2016	31 December 2015
Trade receivables-gross	89 653	94 295
Provision for doubtful debts	(34 448)	(37 630)
	55 205	56 665

9. Prepayments and other current assets, net

Prepayments and other current assets as at 31 March 2016 and 31 December 2015 were as follows:

	31 March 2016	31 December 2015
Prepayments	10 084	12 738
Provision for doubtful debts	(4 250)	(4 643)
Other non-trade accounts receivable	5 703	8 590
Current portion of VAT bonds	3 974	4 342
	15 511	21 027

10. Cash and cash equivalents

Cash and cash equivalents as at 31 March 2016 and 31 December 2015 were as follows:

	31 March 2016	31 December 2015
Cash in banks	24 014	31 301
Cash in hand	5	6
Cash and cash equivalents represented in consolidated statement of cash flows	24 019	31 307

11. Long-term loans

Long-term loans as at 31 March 2016 and 31 December 2015 were as follows:

	31 March 2016	31 December 2015
Long-term bank loans in national currency	835	913
Long-term bank loans in foreign currency	83 152	82 156
Total loans	83 987	83 069
Commodity credit	337	369
	84 324	83 438
Current portion of non-current liabilities for bank loans in national currency	(417)	(456)
Current portion of non-current liabilities for bank loans in foreign currency	(20 614)	(18 559)
	63 293	64 423

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2016**

(in USD thousand, unless otherwise stated)

12. 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) CJSC Agrofirma Avis, (2) LLC Torgivelnij Budynok Bohodukhivska Ptahofabryka, (3) CJSC Chernivetska Ptahofabryka, (4) PJSC Ptakhohospodarstvo Chervonyi Prapor, (5) APP CJSC Chornobaivske, (6) CJSC Avangard, (7) ALLC Donetska Ptahofabryka, (8) LLC Imperovo Foods, (9) PSPC Interbusiness, (10) SC Ptahofabryka Lozuvatska, (11) LLC PF Volnovaska, (12) PJSC Cross P/F Zorya, (13) LLC Slovyany, (14) PJSC Ptahofabryka Pershe Travnya, (15) LLC Makarivska Ptahofabryka.

13. Short-term loans

Short-term loans as at 31 March 2016 and 31 December 2015 were as follows:

	31 March 2016	31 December 2015
Short-term bank loans in foreign currency	50 000	50 000
	50 000	50 000

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14. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 31 March 2016 and 31 December 2015 was as follows:

	31 March 2016	31 December 2015
<i>Trade and other payables</i>		
Deferred income (current portion)	93	94
<i>Financial liabilities</i>		
Current portion of finance lease liabilities	12	13
VAT included in current portion of finance lease liabilities	2	3
Current portion of non-current liabilities for bank loans in foreign currency	20 614	18 559
Current portion of non-current liabilities for bank loans in national currency	417	456
	21 138	19 125

15. Trade payables

Trade payables as at 31 March 2016 and 31 December 2015 were as follows:

	Note	31 March 2016	31 December 2015
Trade payables		2 086	3 218
Short-term notes issued	a)	144	157
		2 230	3 375

a) As at 31 March 2016 and 31 December 2015 the short-term notes issued were represented by promissory, non interest-bearing, notes.

16. Other accounts payable

Other accounts payable as at 31 March 2016 and 31 December 2015 were as follows:

	Note	31 March 2016	31 December 2015
Accrued expenses for future employee benefits		374	408
Other accrued expenses		11	217
Wages and salaries and related taxes liabilities		646	209
Other taxes and compulsory payments liabilities	a)	6 458	11 006
Accounts payable for property, plant and equipment		219	160
Advances received from customers	b)	1 865	528
Interest payable on loans		2 724	2 677
Accrued coupon on bonds		2 289	896
Other payables	c)	2 475	1 857
		17 061	17 958

- 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.

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17. Revenue

Sales revenue for the 3 months ended 31 March 2016 and 31 March 2015 was as follows:

	3 months ended	
	31 March 2016	31 March 2015
Revenue from finished goods	39 756	72 387
Revenue from goods sold and services rendered	83	39
	39 839	72 426

18. Cost of sales

Cost of sales for the 3 months ended 31 March 2016 and 31 March 2015 was as follows:

	Note	3 months ended	
		31 March 2016	31 March 2015
Cost of finished goods sold	19	(32 174)	(64 102)
Cost of goods sold and services rendered		(19)	(101)
		(32 193)	(64 203)

19. Cost of sales by elements

The cost of finished goods sold (Note 18) for the 3 months ended 31 March 2016 and 31 March 2015 was as follows:

	3 months ended	
	31 March 2016	31 March 2015
Raw materials	(25 402)	(51 779)
Payroll of production personnel and related taxes	(970)	(1 674)
Depreciation	(3 709)	(6 112)
Services provided by third parties	(2 076)	(4 524)
Other expenses	(17)	(13)
	(32 174)	(64 102)

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.

20. General administrative expenses

General administrative expenses for the 3 months ended 31 March 2016 and 31 March 2015 were as follows:

	3 months ended	
	31 March 2016	31 March 2015
Salaries and wages of administrative personnel	(868)	(709)
Services provided by third parties	(524)	(676)
Depreciation	(23)	(13)
Repairs and maintenance costs	(210)	(10)
Tax expenses, except for income tax	(66)	(54)
Material usage	(25)	(50)
Other expenses	(106)	(42)
	(1 822)	(1 554)

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21. Distribution expenses

Distribution expenses for the 3 months ended 31 March 2016 and 31 March 2015 were as follows:

	3 months ended	
	31 March 2016	31 March 2015
Salaries and wages of distribution personnel	(134)	(144)
Transport expenses	(581)	(1 501)
Depreciation	(43)	(77)
Services provided by third parties	(728)	(1 851)
Packing materials	(15)	(1)
Repairs and maintenance costs	(2)	(4)
Other expenses	(18)	(8)
	(1 521)	(3 586)

22. Other operating income/(expenses)

Other operating income/(expenses) for the 3 months ended 31 March 2016 and 31 March 2015 were as follows:

	3 months ended	
	31 March 2016	31 March 2015
Loss on disposal of current assets	352	(9)
Loss on disposal of non current assets	(173)	1
Impairment of current assets	(489)	(7 704)
Gain realised from writing-off of accounts payable	1	1
Foreign currency sale income	(34)	184
Provision for doubtful debts and amounts written off	(5)	(6 945)
Fines, penalties recognized	(13)	(53)
Other (loss)/income	673	656
	312	(13 869)

23. Finance costs

Finance costs for the 3 months ended 31 March 2016 and 31 March 2015 was as follows:

	3 months ended	
	31 March 2016	31 March 2015
Interest payable on loans	(1 755)	(2 170)
Total finance expenses on loans	(1 755)	(2 170)
Finance expenses on finance lease	-	(4)
Finance expenses on bonds	(5 573)	(5 000)
Other finance expenses	(499)	(400)
	(7 827)	(7 574)

24. Finance income

Finance income for the 3 months ended 31 March 2016 and 31 March 2015 includes the interest income from VAT government bonds and placement of deposits, amounted to USD 757 thousand and USD 1 119 thousand respectively.

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25. Related party balances and transactions

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

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

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

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

Outstanding amounts of the Group for transactions with related parties as at 31 March 2016 and 31 December 2015 were as follows:

	Outstanding balances with related parties as at	
	31 March 2016	31 December 2015
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	1	1
D. Companies in which activities are significantly influenced by the Group's owners	8 019	11 136
	8 020	11 137
Trade accounts receivable		
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	1 993	2 151
	1 993	2 151
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	18	23
	18	23
Current portion of non-current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	10	14
	10	14
Trade accounts payable		
D. Companies in which activities are significantly influenced by the Group's owners	2	2
	2	2
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	44	48
D. Companies in which activities are significantly influenced by the Group's owners	361	5
	405	53

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25. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 3 months ended 31 March 2016 and 31 March 2015 were as follows:

	Transactions with related parties for the year ended	
	31 March 2016	31 March 2015
Sales revenue		
D. Companies in which activities are significantly influenced by the Group's owners	172	82
	172	82
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(2)	(15)
	(2)	(15)
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(538)	(1 547)
	(538)	(1 547)
Other operating income/(expenses), net		
D. Companies in which activities are significantly influenced by the Group's owners	438	66
	438	66
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	(5)	(4)
	(5)	(4)

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26. Operating segments

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

For the purpose of management, the Group is divided into the following reportable segments on the basis of produced goods and rendered services, and consists of the following 5 reportable segments:

- shell eggs - breeding of industrial laying hens, production and sale of shell eggs;
- poultry - incubation (production and sale of baby chicks), breeding of young birds for sale, as well as sale of birds for slaughter;
- animal feed - production and sale of feeds;
- egg products - processing and sale of egg products;
- other activities - including sale of goods and services, sale of poultry meat and by-products, sale of plant production, sale of poultry manure etc.

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

Reportable segment information for the 3 months ended 31 March 2016 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	71 401	2 730	28 643	9 298	522	-	112 593
Intra-group elimination	(43 109)	(623)	(28 643)	-	(381)	-	(72 755)
Revenue from external buyers	28 292	2 107	1	9 298	141	-	39 839
Income from revaluation of biological assets at fair value	(2 011)	2 647	-	-	-	-	635
Other operating expenses	(134)	13	27	428	(22)	-	312
Income from government grants and incentives	23	0	-	-	-	-	24
OPERATING PROFIT	2 401	2 735	(113)	1 628	(1 349)	-	5 302
Finance income	66	0	0	691	-	-	757
Finance costs, including:	(35)	-	-	(1 086)	(6 705)	-	(7 827)
Interest payable on loans	(35)	-	-	(1 085)	(634)	-	(1 755)
Income tax (expense)/credit	-	-	(23)	(18)	(28)	-	(69)
NET LOSS FOR THE PERIOD	2 431	2 646	(82)	(2 387)	(6 582)	-	(3 974)
TOTAL ASSETS	2 188 620	84 681	235 340	641 833	(269 089)	(2 304 063)	577 321
TOTAL LIABILITIES	1 518 196	8 255	271 734	568 719	336 736	(2 312 094)	391 546

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26. Operating segments (cont.)

Reportable segment information for the 3 months ended 31 March 2015 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	75 806	13 105	41 393	16 926	190	-	147 420
Intra-group elimination	(21 921)	(11 555)	(41 378)	-	(140)	-	(74 994)
Revenue from external buyers	53 885	1 550	15	16 926	50	-	72 426
Income from revaluation of biological assets at fair value	6 745	(358)	-	-	-	-	6 387
Other operating income/(expenses)	(3 894)	(12)	(241)	(9 878)	156	-	(13 869)
Income from government grants and incentives	24	-	-	-	-	-	24
OPERATING PROFIT	8 466	(1 526)	(921)	(5 055)	(804)	-	160
Finance income	103	4	1	1 010	1	-	1 119
Finance costs, including:	(46)	-	-	(1 867)	(5 661)	-	(7 574)
Interest payable on loans	(46)	-	-	(1 867)	(257)	-	(2 170)
Income tax (expense)/credit	-	-	(16)	-	(1)	-	(17)
NET LOSS FOR THE PERIOD	8 567	(1 785)	(937)	(15 201)	(42 823)	-	(52 179)
TOTAL ASSETS	891 711	61 331	185 524	299 198	552 912	(1 254 676)	736 000
TOTAL LIABILITIES	369 501	6 629	168 444	92 001	339 157	(586 611)	389 121

27. Financial 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 the calculations of the financial leverage coefficient (ratio of leverage ratio) and the ratio between net debt and EBITDA.

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

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

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27. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation

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

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

As at 31 March 2016 and 31 December 2015 the Group's financial leverage coefficient was 63,0% and 56,5% respectively.

	Carrying value	
	31 March 2016	31 December 2015
Short-term loans	50 000	50 000
Long-term loans	63 293	64 423
Current portion of long-term loans	21 031	19 015
Long-term finance lease (including VAT)	37	45
Bond liabilities	206 649	202 871
Total borrowings	341 010	336 354
Cash and cash equivalents	(24 019)	(31 307)
Net debt	316 991	305 047
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	917 415	921 435
Foreign currency translation reserve	(1 060 564)	(1 018 085)
Non-controlling interests	11 066	13 847
Total equity	185 775	235 055
Total amount of equity and net debt	502 766	540 102
Financial leverage coefficient	63,0%	56,5%

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27. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

For the 3 months ended 31 March 2016 and 31 March 2015 ratio of net debt to EBITDA amounted to:

	3 months ended	
	31 March 2016	31 March 2015
LOSS FOR THE PERIOD	(3 974)	(52 179)
Income tax expenses	69	17
Finance income	(757)	(1 119)
Finance expenses	7 827	7 574
Impairment of current assets	489	-
Losses on exchange	2 137	45 867
EBIT (earnings before interest and income tax)	5 791	160
Depreciation	3 775	6 197
EBITDA (earnings before interest, income tax, depreciation and amortisation)	9 566	6 357
Net debt at the period end	316 991	249 396
Net debt at the period end / EBITDA	33,14	39,23

28. 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.