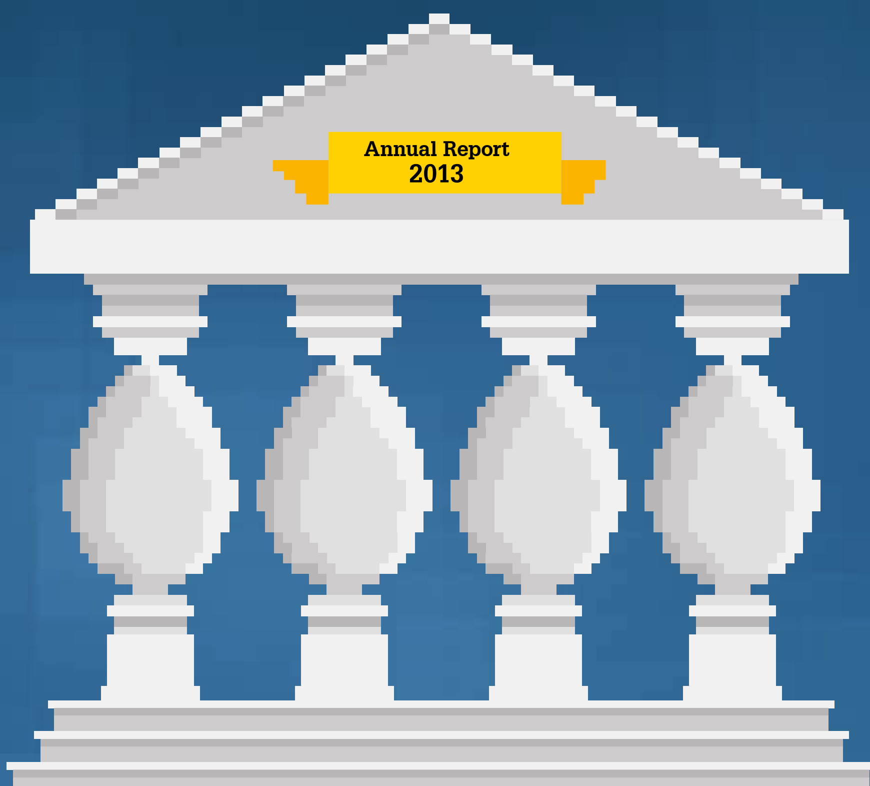
AVANGARDCO



Building upon the strength of...

Contents

AVANGARDCO IPL is one of the largest agro-industrial companies in Ukraine, specializing in the production of shell eggs and dry egg products. The Company has leading market shares in its domestic market and is also Ukraine's largest exporter of shell eggs and dry egg products. Avangardco's recent investments in shell egg capacity expansions and state-of-the-art egg processing facility will enable it to **build on its strengths** to achieve long-term sustainable growth.

Who we are and what we do

In this opening section we demonstrate how we continue unlocking our potential by expanding our business in new areas.

How we create value in our markets

In this section we talk about how our business works in the context of the markets in which we operate, sharing our strategy in action, business model, sustainability initiatives and key risks.

Who is responsible for executing the vision and strategy

In this section we explain our approach to corporate governance, introduce our Board members and senior management team and provide an overview of our Investor Relations activities.

8 facts about AVANGARDCO IPL

661 US $ mln revenue

301 US $ mln EBITDA

32.5 mln total flock

27 mln laying hens (the largest flock in Ukraine)

57% share of Ukraine's industrial eggs production

7.019 bln eggs produced

91% share of Ukraine's dry egg products production

22.9 thou tons of dry egg products

Our mission is to promote global public health by giving consumers access to affordable, healthy and safe eggs and egg products.

How we performed in 2013

In this section our Chief Executive Officer focuses on our performance during the year under review and gives an update on our investment activities.

What our financials looked like in 2013

Who we are

10 YEARS

Avangardco's vision is to become the number one global egg producer. We are making good progress towards achieving this goal, **building upon the strength of our markets, our relationships and our reputation.**

For more information
www.avangard.co.ua

OUR MARKETS

We have built upon the strength of our home market to become the leading egg producer in Ukraine and Eurasia and Ukraine's largest exporter of eggs. Our investment in state-of-the art facilities, close to national borders, means we have the capacity to meet future export demand.

OUR RELATIONSHIPS

Our innovative approach to developing new products, such as branded eggs and dry egg products, is allowing us to build upon the strength of our relationships, seizing opportunities to work closely with supermarket chains and leading multinational food companies.

OUR REPUTATION

We also continue to build on our reputation for quality and integrity. Our vertically integrated business means we can supply high-quality products at the lowest cost and minimize dependence on suppliers; the quality and experience of our management team means we have the expertise and know-how to grow sustainably.

#1

Leader in production of eggs and dry egg products in Ukraine and Eurasia

45

facilities located in 14 regions of Ukraine and the Autonomous Republic of Crimea

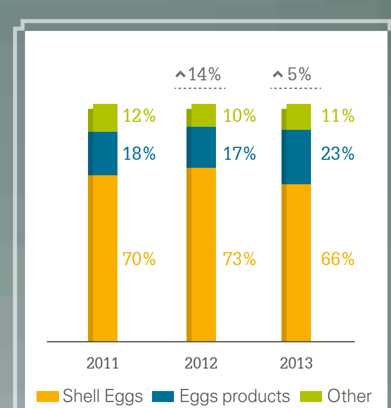
33

export countries with such key markets as the Middle East, Africa, Asia and the CIS

Revenue growth (domestic versus export), US $

Source: Company data

Revenue growth by product type

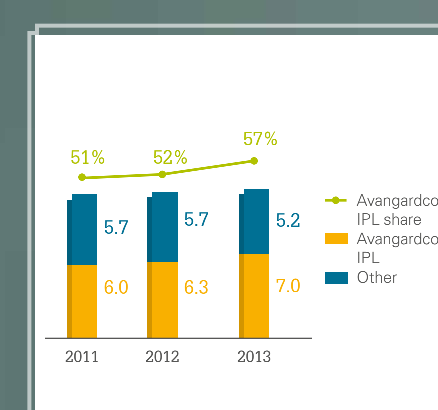


Source: Company data

New production sites are compliant with European standards. Our facilities are equipped with state-of-art equipment from leading European suppliers.

Our products satisfy all quality requirements, such as ISO standards, Ukrainian veterinary standards. Our egg processing plant uses HACCP approach to food safety.

Industrial Production of Shell Eggs, bln

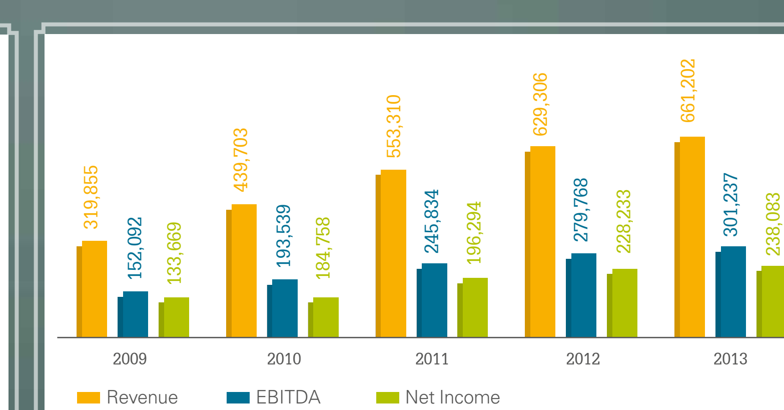


Key financials, US $

Revenue +5%

EBITDA +8%

Net Income +4%

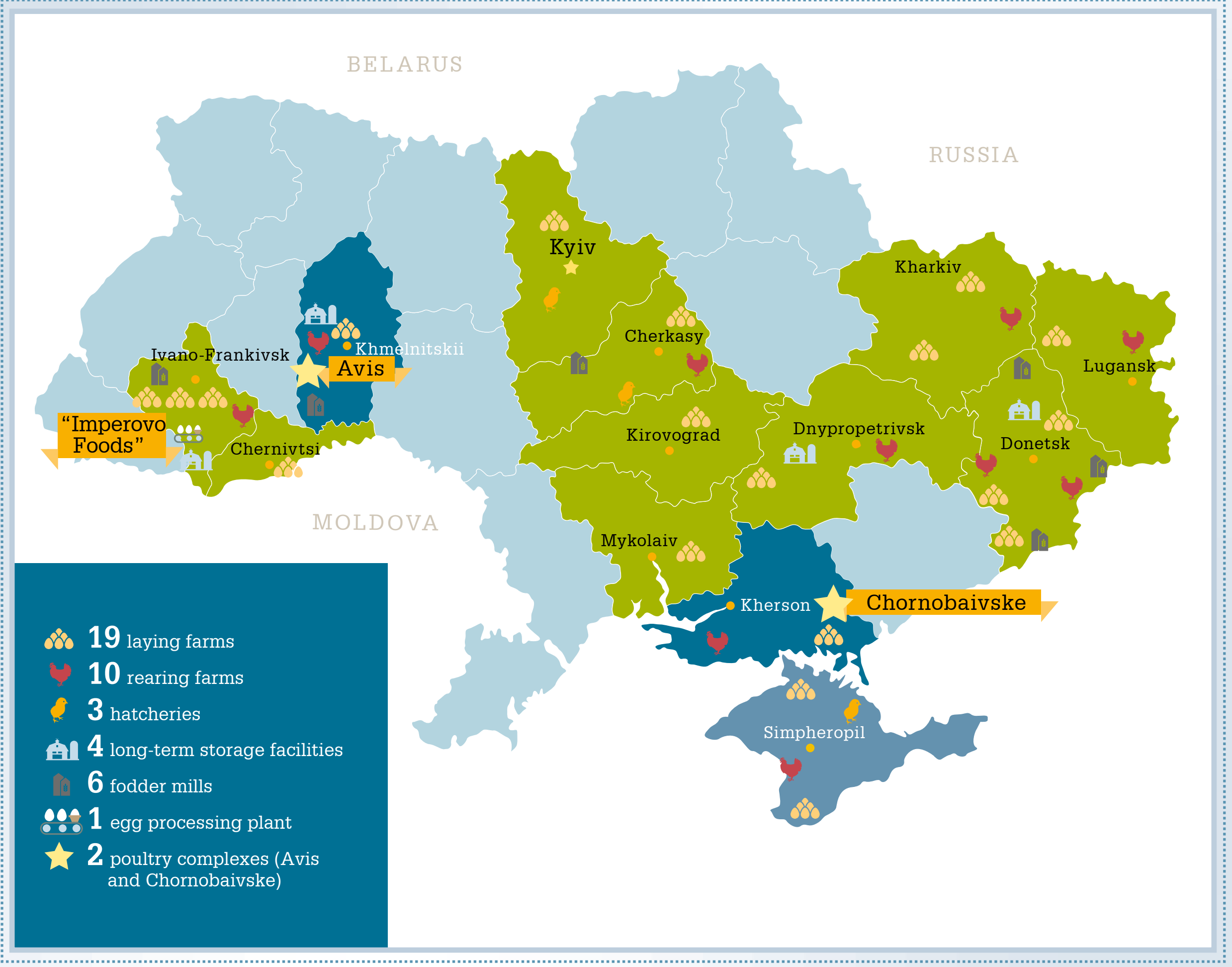


For more information
www.avangard.co.ua

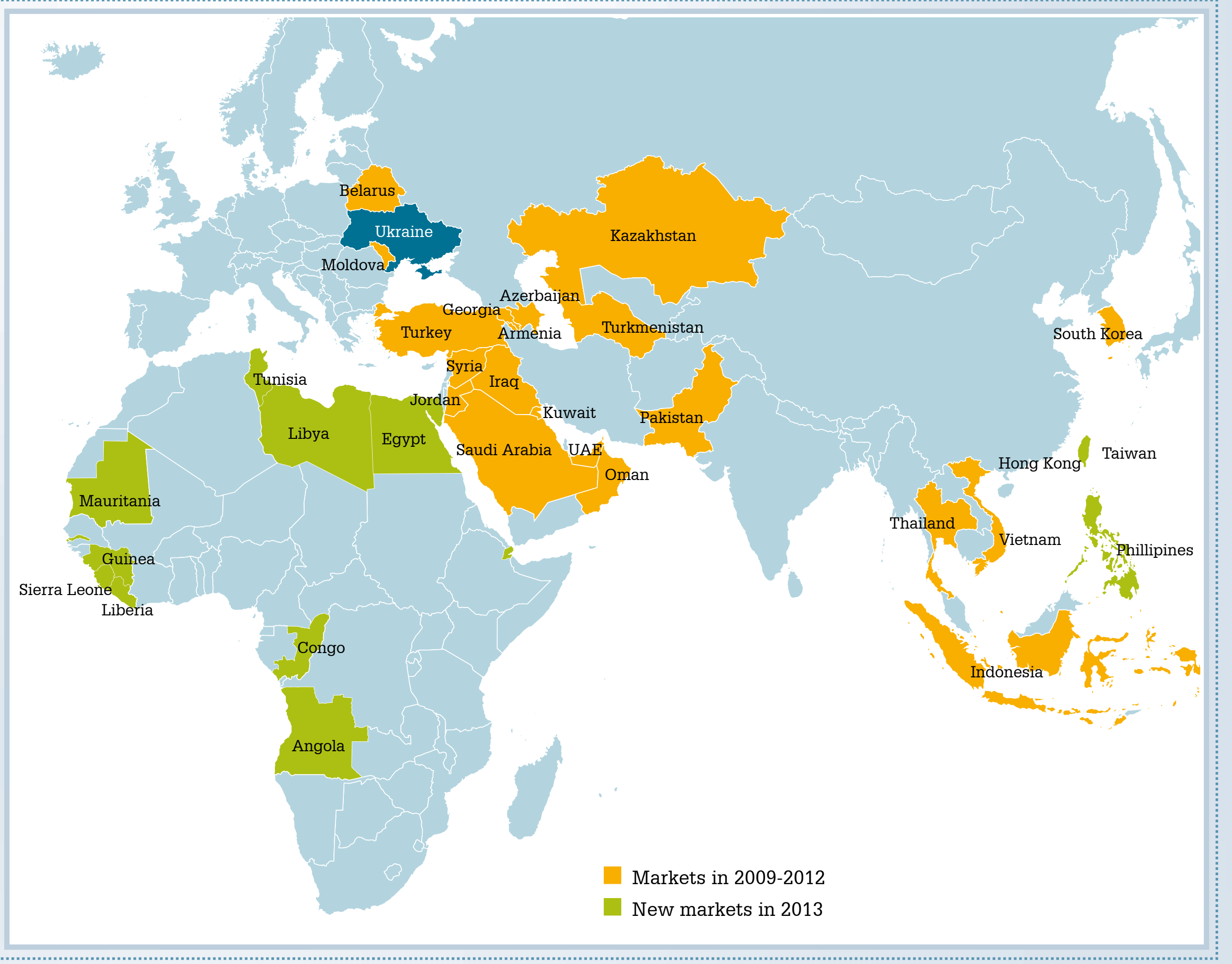
Building upon the strength of...
...our markets

We are building our export business by benefiting from the knowledge and experience gained in our home and foreign markets to carefully select and target new countries

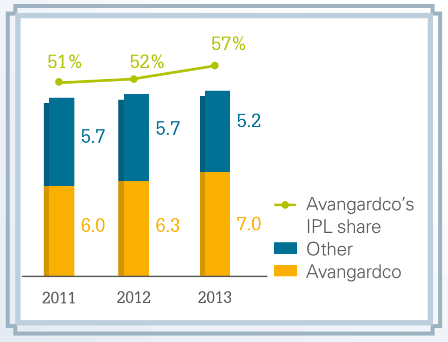
BUILDING ON OUR LEADERSHIP IN UKRAINE



LEADING THE WAY IN EXPORTS



Industrial production of Shell Eggs in Ukraine, bln



Source: Company data

#1

We remain the number one industrial producer of shell eggs in Ukraine with

57%

share in 2013.

In 2013 our total production capacity

8.6
bln eggs

30.1
mln laying hens

since 2010 we have invested in the expansion of our production capacity to benefit from economies of scale

#1

We are the number one exporter of shell eggs and dry egg products from Ukraine

Exports now represent

29%

of revenues and we already export to 33 countries. Our export strategy is focused on MENA, Asian and the CIS countries. The recent approval of Ukraine us as an exporter eligible to sell to the EU, once formally enacted, will open up fresh export opportunities

Building upon the strength of...
...our relationships

We are building a strong and diversified global customer base by developing added-value products and targeting new sales channels

NEW SALES CHANNELS

Our customer profile has changed significantly in recent years. This is as the result of our strategic focus on:

- Targeting supermarket chains as our primary distribution channel in Ukraine
  - Developing branded eggs sales to support this;
- Setting up exclusive contracts with key local and leading multinational food manufacturers;
- Continuously developing new export markets and increasing our presence in existing ones;
- Maintaining high product quality;
- Establishing robust relationships with our customers and strengthening our reputation as a reliable partner.

Did you know?

Our dry egg products are ingredients in a variety of foods with high growth potential

For more information → Our market page 12

Unpackaged eggs

Packaged eggs

Branded eggs

Kvochka brand

High quality egg products

Mayonnaise

Pasta

Meat products

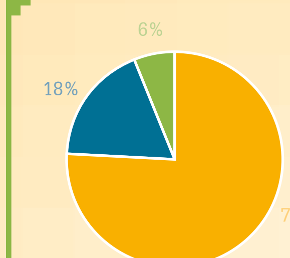
Cakes

PACKAGED EGGS

We have developed Kvochka – an umbrella brand which commands a 8% price premium over non-branded eggs.

Branded eggs are a small but fast-growing segment. In 2013, we sold 42.9 mln Kvochka eggs that is 19% more than in 2012. Under this brand, we have also broadened our portfolio with Kvochka Domashni (Homelaid) and premium Kvochka Organic. We are actively raising consumer awareness of our brands with targeted brand loyalty campaigns.

Sales of Branded Shell Eggs in 2013

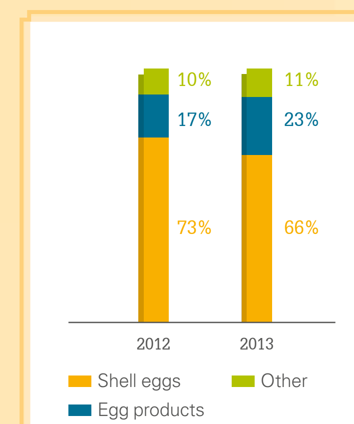


Kvochka Organic

Kvochka Domashni (Homelaid)

Kvochka

Sales Revenue Structure



Source: Company data

For more information → Strategy and targets page 26

We will continue to focus on expanding our relationships with customers, including developing export of eggs and dry egg products and increasing collaboration with our retail and multinational food manufacturers.

HIGH-QUALITY EGG PRODUCTS

Dry egg product sales represent 23% of revenue and have grown by 43% between 2012 and 2013. Our products are used in large-scale food categories such as pasta, mayonnaise and meat products with long-term growth potential in their own right.

We are the market leader in Ukraine with a share in production of dry egg products of

91%

For more information
www.avangard.co.ua

Building upon the strength of...

...our reputation

The quality and integrity of our products coupled with the experience of our management team is helping us to grow our business in new products and areas

OUR VALUES:

Commitment

Efficiency Safety

Innovation Quality

Transparency

Sustainability

Did you know?

Our senior management team has an average of 7 years of experience in the food industry.

For more information
www.avangard.co.ua

BUILDING VALUE BY CONTROLLING THE VALUE CHAIN

We offer excellent product quality and traceability thereby giving comfort to our customers and their own customers, which allows us to develop our business quickly with global retailers, FMCG companies and foodservice operators.

At the same time, our economies of scale ensure we are the lowest-cost producer, enabling us to remain competitive in our home market and to export directly from our farms, many of which are already fully compliant with European standards.

For more information → Our market page 12

A LETTER FROM THE CHAIRWOMAN

"Following the successful completion of our major investments, we are now in a prime position to enter a new growth phase and move one step closer to achieving our vision."

Nataliya Vasylyuk

DEAR SHAREHOLDERS

In my first full year as a Chairwoman I am delighted to report that our positive operational and financial results are proof that we are taking our Company forward in the right strategic direction. We increased our profit, improved our EBITDA margin and continued to expand globally.

For more detailed information → How we performed in 2013 page 56

At the heart of our strategy lies our focus on creating long-term value for our shareholders. We took a notable step towards this in 2013 by approving a dividend policy under which, subject to shareholder approval of the record date at the upcoming 2014 AGM, a dividend payout of 25% of 2013 net income will be made. This recognises the confidence we have in our long-term prospects and the loyalty of our shareholders. I would like to thank you for your continued support of the Company.

2013 was an important year for many reasons. During the year we celebrated our tenth anniversary. Such occasions afford us opportunity to reflact on our past successes. We are particularly proud to have managed extremely rapid business growth in a sustainable way. We have successfully transformed our business into a truly global operation with a well-diversified client base, strong partnerships across our value chain and an increasing focus on value-added products. We have much to celebrate.

It also allowed us to look to the future and explore opportunities for achieving further growth by building on our core strengths. 2014 marks the beginning of a new growth phase for Avangardco, ushered in by the successful completion in 2013 of our intensive investment phase. This has resulted in adding world-class and state-of-the-art poultry farms and egg processing facility to our operational base, which not only provides capacity for future growth but will also improve our operational efficiency. We also implemented innovative solutions to support our sustainable ethos and vertically-integrated model. At the moment, we are constructing biogas energy recovery through the installation of our first biogas unit.

For more information → Update on investment programme page 54

Market trends for our products, especially for dry egg products, are showing good global growth prospects. Through our investments we are now in a prime position to meet market demand and to move one step closer to achieving our vision.

For more information about our markets → Our market page 12

I remain fully committed to following a high standard of transparency, management accountability and governance. In the year under review we moved toward quarterly reporting and also strengthened our Investor Relations team, demonstrating our openness to our stakeholders.

For more information → Corporate governance page 46 and Investor information page 52

We employ more then 4,500 people and I would like to take this opportunity to thank them for their hard work. We need to keep and recruit talented, loyal people; without them we cannot achieve our vision. We will continue to invest in their development, care for their welfare and reward them fairly for their performance.

For more information → Sustainable development page 39

It would be impossible to report on last year's achievements without mentioning Ukraine's difficult and unpredictable political situation, which intensified at the start of 2014. To date, I can confirm that this has not affected our trading and we will, of course, update you should this change significantly in any way.

OUTLOOK FOR 2014

We are in an excellent position to continue growth. We remain confident in our fundamental business proposition and will build upon the strength of our served markets, our relationships and our reputation, to achieve this growth in a sustainable way. At the forefront of our mind is our commitment to create value for our shareholders, generating long-term returns from our investments on their behalf, as we follow our strategy for growth.

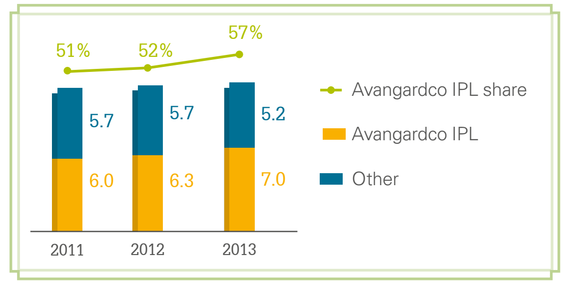
Nataliya Vasylyuk
Chairwoman
AVANGARDCO IPL

Our market

Using our market knowledge to meet global demand

Avangardco is the largest producer of shell eggs and dry egg products in Ukraine and Eurasia and Ukraine's largest exporter in this segment. In this section we outline the key market trends both in Ukraine and globally, demonstrating how we are using our market knowledge to meet demand.

Industrial Production of Shell Eggs, bln



Source: Pro-Consulting

SHELL EGGS: UKRAINIAN MARKET

UKRAINIAN EGG MARKET AT A GLANCE

Egg consumption virtually stable at

+0.3%

growth year on year

+47%

in 10 years

Industrially-produced eggs continue to gain market share over household-produced eggs

Avangardco continues to strengthen its domestic market share (57% of industrially produced eggs in 2013)

Supply side continues to consolidate

Strong demand for Ukrainian eggs from export markets, which are dominated by Avangardco (78% share of export sales of eggs by value in 2013)

DEMAND SIDE: STABLE DOMESTIC DEMAND; SIGNIFICANT INCREASE IN DEMAND FOR EXPORTS

Egg consumption 2013:
308 eggs/per capita, +0.3% increase versus 2012;
+47% increase in 10 years

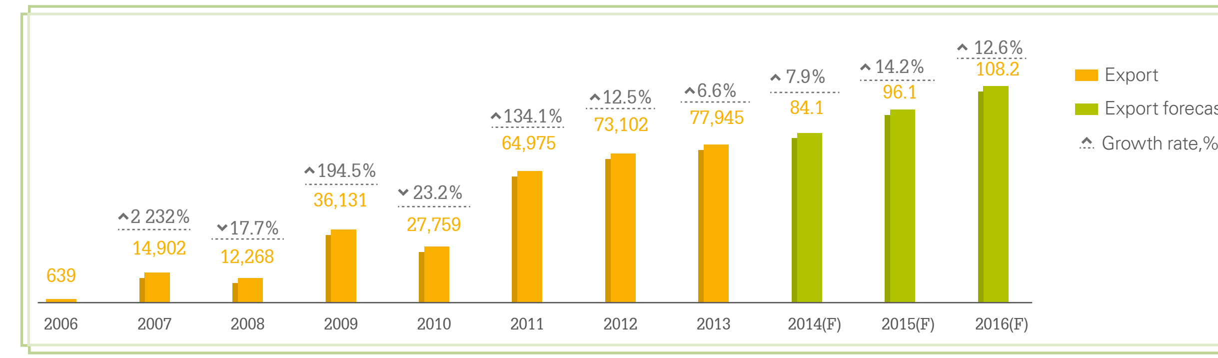
For the last decade or so, egg consumption in Ukraine has increased steadily, from 209 eggs per capita per year at the end of 2002 to 308 eggs per capita per year in 2013. This reflects Ukraine's economic development and its relatively high level of expenditure on food (52.8% of total income in 2012), alongside traditional consumer preferences.

Despite its relatively high egg intake, the very latest figures show a virtually stable level of egg consumption in 2013 versus 2012, with a growth of just 0.3% recorded. Egg consumption is forecast to grow marginally in Ukraine and is expected to reach 310 eggs per capital in 2014.

Export sales from Ukraine 2013:
US $ 78 mln + 6.6% versus 2012;
fivefold growth in 7 years

Beyond its borders, demand for eggs produced in Ukraine has expanded rapidly since its first egg exports in 2006. Between 2007 and 2013, export sales (by value) have increased more than five times and in the last year by 6.6%. Given the increasing global demand for safe food from developing countries and the investment in high quality production facilities by leading egg producers (such as Avangardco), export sales from Ukraine are forecast to continue to grow strongly and could reach over US $ 108 million in 2016.

Volume of Egg Exports from Ukraine, US $ mln



Source: SSCU, Pro-Consulting

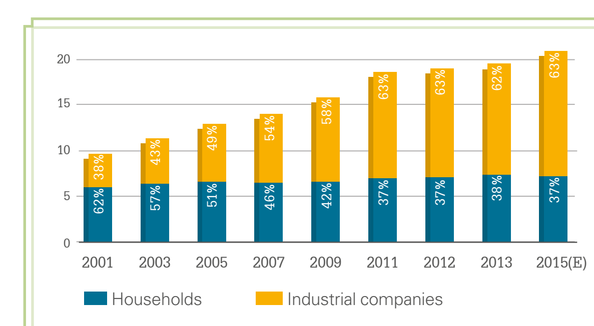
For more information about key export markets for Ukraine → page 15

SUPPLY SIDE: CHANGING MARKET STRUCTURE PROVIDING OPPORTUNITIES

The Ukrainian market for eggs has been characterised by a propensity for households to produce their own eggs (which is only possible to do in significant volume in the warmer months). This has led to a low seasonal demand for industrially-produced eggs with an accompanying drop in price during the summer months. This consumer trend however, is gradually changing.

As mentioned above, whilst domestic consumption remained virtually stable year-on-year, the share of industrially-produced eggs continued to gain from household-produced eggs as can be seen in the chart below, moving from a share of 38% in 2001 to a share of 62% in 2013, with an estimated share of 63% in 2015.

Share of Egg Production: Industrially-produced versus Home-produced Eggs, volume, %

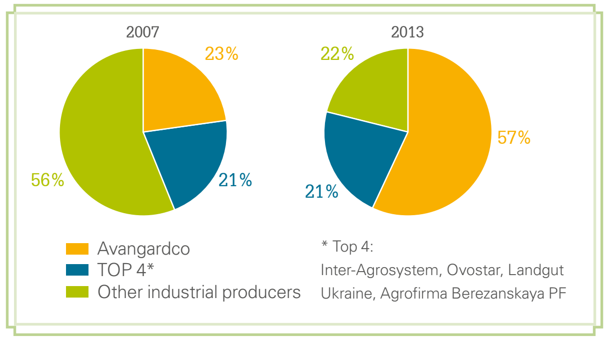


Source: SSCU, Pro-Consulting

This shift in supply is an important market dynamic as it not only decreases the market seasonality for industrial producers but also starts to level the price fluctuations.

The traditional dynamics of seasonality, as outlined above, have taken their toll on the industry with many smaller producers unable to ride the peaks and troughs of demand and price. By way of example, around 44% of all independent producers have either exited the market or been taken over in just eleven years. Between 2007 and 2013, as set out in the chart on the next page, the top five producers increased their share of total egg production from 44% to 78%, with Avangardco being a key consolidator.

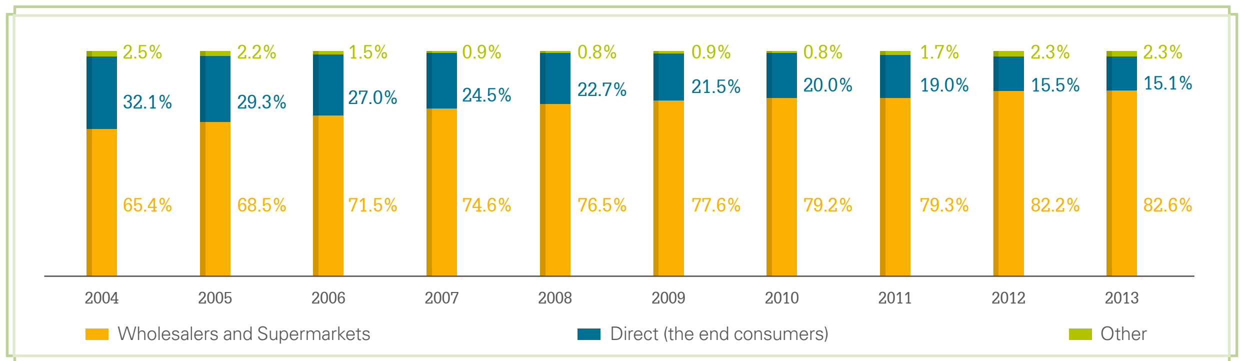
Industry Consolidation



Source: Pro-Consulting

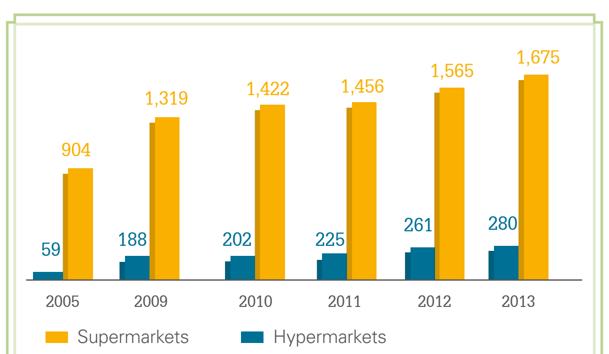
Another key trend in the Ukrainian market is the increasing importance of large and small wholesalers and retail chains as distribution channels for eggs, as opposed to direct sales to consumers. In 2004, direct sales to consumers accounted for 32.1% of sales. In 2013 this share was estimated to have fallen to 15.1%, effectively halving in less than 10 years. A key factor behind this marked change is the massive rise in the number of hypermarkets and supermarkets, which have nearly doubled in eight years.

Egg Sales by Channel (by volume), %



Source: SSCU, Pro-Consulting

Number of Supermarkets and Hypermarkets in Ukraine



Source: SSCU, Pro-Consulting

WHAT DOES THIS MEAN FOR AVANGARDCO?

Avangardco is the clear market leader in Ukraine with a share of 57% of industrially-produced shell eggs, which is over five times the share of its nearest competitor. Whilst egg consumption per capita is relatively high in Ukraine, demand is stable with just modest growth forecast in the short to medium term. Nonetheless, Avangardco is well positioned to build on its strong position in its domestic market. It continues to gain share, benefiting from the increasing consumption in Ukraine of industrially-produced eggs and by developing new product and packaging formats to meet the changing demand for sales through retail chains, which are growing rapidly in Ukraine.

However, the primary growth driver for Avangardco is the continued development of its export sales. Already a fundamental part of Ukraine's export success, with a share of 78% of the value of exported eggs in 2013, Avangardco has a clear focus on high growth markets; and this will continue to fuel demand for production within Ukraine.

SHELL EGGS: GLOBAL MARKET

THE GLOBAL EGG MARKET AT A GLANCE

Global egg imports are growing continually

Key growth regions include Asia and MENA with imports required to meet demand

Avangardco is extremely well placed to export to key growth regions

EU remains dominant in export and import trading

DEMAND SIDE: GROWTH IN CONSUMPTION CONTINUES

Global egg consumption grew 2% year-on-year with strong growth witnessed in the Asian and African markets (+3.4% and +3.1% respectively). According to Pro-Consulting, three main factors are driving this trend:

- growth in population
- increasing prosperity (as the quality of life rapidly improves, so developing countries demand better quality food, including eggs);
- impact of poverty and hunger alleviation programs (run by government and humanitarian aid organizations).

The Asian region consumes the most eggs in the world. In 2013, consumption amounted to 35.9 mln tons, around two-thirds of the world's total egg consumption of 59.4 mln tons.

The table below shows that the global per capita consumption of eggs increased by 9% between 2004 and 2013, with significant growth in consumption realised in Oceania (+23%) and Asia (+15%) in the same period.

In the medium term, global egg consumption growth is expected to be influenced by Asia, Africa and the Americas.

Egg Consumption per Capita in 2004-2013, eggs/year

Africa

2013e	39
2012e	38
2011	39
2010	38
2009	37
2008	39
2007	38
2006	37
2005	36
2004	36

Americas

2013e	203
2012e	202
2011	201
2010	200
2009	199
2008	197
2007	196
2006	199
2005	191
2004	186

Oceania

2013e	102
2012e	101
2011	101
2010	92
2009	86
2008	89
2007	89
2006	98
2005	82
2004	79

Europe

2013e	222
2012e	226
2011	223
2010	218
2009	220
2008	217
2007	217
2006	217
2005	213
2004	216

Asia

2013e	145
2012e	142
2011	141
2010	140
2009	139
2008	137
2007	132
2006	128
2005	128
2004	126

World

2013e	144
2012e	143
2011	142
2010	141
2009	140
2008	140
2007	137
2006	134
2005	133
2004	132

Source: Pro-Consuting, FAO

KEY IMPORT REGIONS FOR EGGS (2013)

	EU region	MENA	CIS	SSA
Production	6.75 mln tons	3.36 mln tons	4.33 mln tons	1.89 mln tons
Import	967 thou tons	356 thou tons	69 thou tons	81 thou tons
Export	1,173 thou tons	32.6 thou tons	88 thou tons	6.8 thou tons
Consumption, eggs/person	213	98	228	32
Key importing countries (% of region's total)	Germany (44%) Netherlands (16%) France (6%)	Iraq (66%) Iran (9%) UAE (7%)	Russian Federation (65%) Kyrgyzstan (4%) Tajikistan (4%)	Angola (44%) Liberia (14%) Swaziland (4%)
Share in the world import of eggs	50%	17%	6%	5%

Market highlights

EU region

- One of the most developed regions, flat growth in population, high level of incomes and urbanization.
- EU egg demand is almost fully satisfied by local production.
- The eggs market in the EU-27 is fairly balanced; the deviation from the average annual production over 10 years has not exceeded +/- 1.5%.
- Changing of hen breeding conditions according to Directive 1999/74/EC of the European Council from 1 January 2012 led to an increase in the cost of egg production. As a result, many producers of egg products were faced with a shortage of affordable shell eggs. In 2013 the situation started to stabilize.
- Most of the trade is intra-EU with relatively low volumes from beyond its borders.
- Import demand in this area is largely driven by demand for eggs for further processing.

MENA

- MENA region countries have huge oil reserves, the sale of which generates the main income.
- High population growth; some countries have doubled population in the last 20 years.
- Middle class is set to grow, boosting purchasing power.
- MENA region has changed significantly in the last fifty years. Caloric intake in the region has increased by 54% and protein intake by 57%. Nevertheless, protein intake in the region is still lower than in developed countries.
- Lack of water resources in the region has an adverse impact on domestic agricultural production and stimulates imports.
- Main and largest supplier of eggs in the MENA region is traditionally Turkey. The range of exporting countries in recent years has expanded with large-commodity supplies of eggs from the European Union and Ukraine.

CIS

- The largest egg producers in the region are: the Russian Federation, Ukraine and Belarus.
- The developed culture of egg consumption in the CIS countries, and the low income in most countries contribute to the persistent trend to increase imports of eggs in the region.
- Hatching eggs account for a large part of imports (due to the active development of the poultry sector, especially production of the chicken meat).
- Eggs are actively imported by countries of Central Asia (Kyrgyzstan and Tajikistan) and the Caucasus (Georgia, Armenia and Azerbaijan). There is a shortage of food resources for the active development of industrial production of eggs in these countries.
- Apart from Ukraine and Belarus CIS countries are net importers.

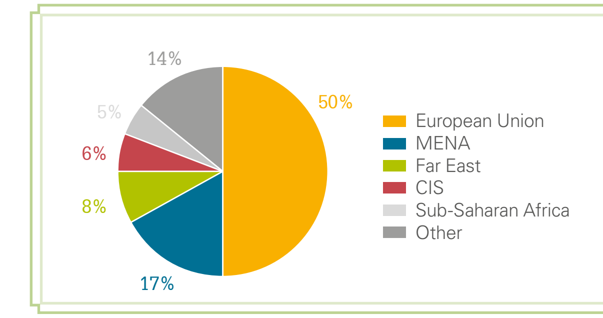
SSA

- The last 30 years has been accompanied by rapid population growth (1980s – 483 mln people, now – more than 1 bln).
- A consequence of the high level of poverty is the low level of food consumption.
- The high degree of dependence of all countries on imports of grain crops will remain a key constraining factor for the development of egg production.
- The presence of significant reserves of natural resources (oil, metals, precious stones, etc.) and the significant interest of the BRICS countries will increase the economy in general and consumption of protein products, in particular eggs.
- According to estimates by the World Bank, the rates of economic growth in this region will significantly outpace the growth of the world economy.
- The growing consumer demand will stimulate increasing food imports, including eggs.
- Ukraine discovered this market recently, but has already made its mark and is a top five exporter.

THE DEMAND SIDE: IMPORTS BECOMING MORE IMPORTANT FOR DEVELOPING REGIONS

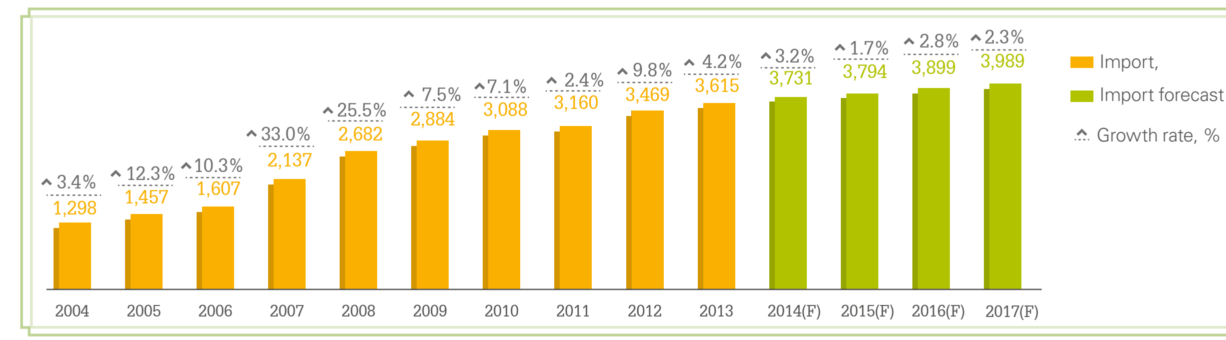
Between 2004 and 2013 global imports of shell eggs grew by nearly 2.5 times. The strong market fundamentals for global egg imports are a factor of population growth and increasing purchasing power across developing countries, in particular.

Share of Global Egg Imports by Region in 2013, US $ mln



Source: International Trade Center, Pro-Consulting

Global Egg Imports, US $ mln

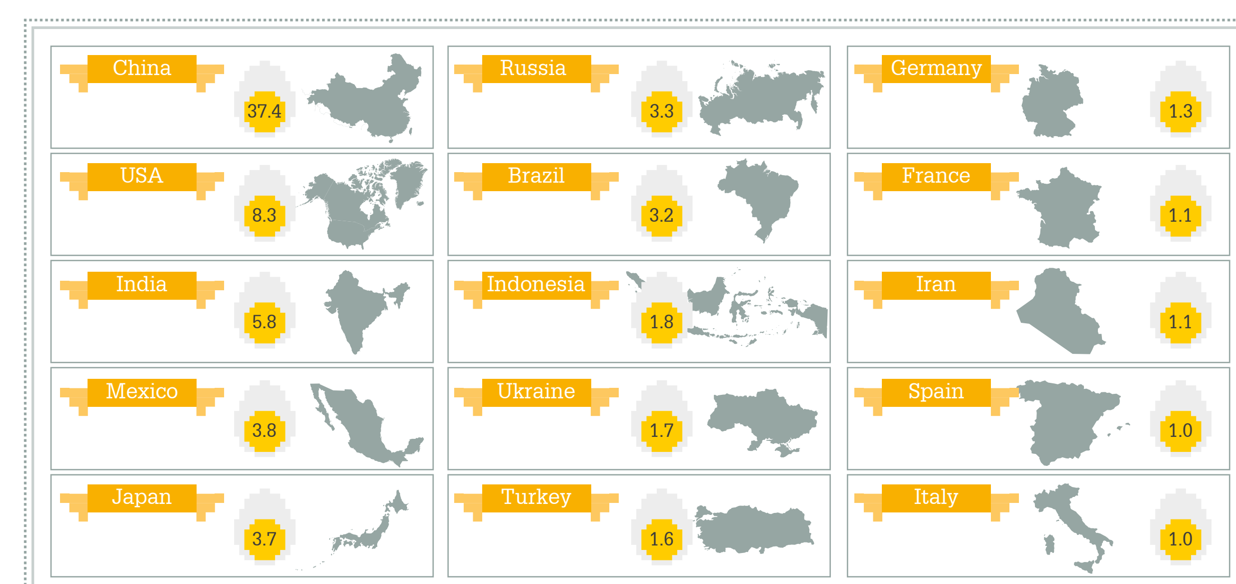


Source: FAO, International Trade Centre, Pro-Consulting

SUPPLY SIDE: UKRAINE INCREASING ITS SHARE OF PRODUCTION

China is the leading global egg producer with over four times the share of production (37.4% in 2013) compared to the next player (USA). Since 2000, there has been no change in the ranking of the top two global producers. However, India has gained a share of global production and now holds third place. Ukraine increased its share of total production from 1.4% in 2012 to 1.7% in 2013 and now occupies ninth position in the global ranking.

World Egg Production by Country – top 15 countries in 2013, by volume, %



Source: Pro-Consulting

Between 2004 and 2013 global egg production increased at a compound annual growth rate (CAGR) of 2.2%. Growth, however, was not homogeneous. Egg production in Asia, for example, grew by nearly 30% over the same period.

Regional Distribution of Global Egg Production in Volume, mln tons

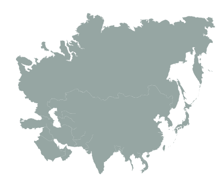
Africa

2004	2.21	2009	2.51
2005	2.21	2010	2.67
2006	2.34	2011	2.76
2007	2.47	2012	2.76
2008	2.58	2013	2.82

America

2004	11.38	2009	12.77
2005	11.70	2010	13.02
2006	12.33	2011	13.21
2007	12.34	2012	13.36
2008	12.53	2013	13.59

Asia



2004	13.71	2009	36.95
2005	32.59	2010	37.68
2006	32.93	2011	38.33
2007	34.48	2012	39.00
2008	36.23	2013	40.24

Europe

2004	9.95	2009	10.29
2005	9.87	2010	10.47
2006	10.05	2011	10.60
2007	10.00	2012	10.56
2008	10.09	2013	10.53

Source: Pro-Consuting, FAO

SUPPLY SIDE: MENA REGION BECOMING MORE INTERESTING FOR EXPORTERS

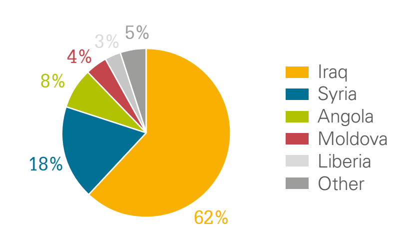
In 2013, the European Union retained its dominant position as the largest exporter of shell eggs in the world, followed by Turkey, China and Malaysia. As explained above, most EU exports are made between member states whereas China and Malaysia have a significant trading role to play in South East Asia. Turkey exports eggs mainly to the Middle East and this area is becoming more interesting for European exporters and Ukraine.

In terms of global exports, the European and Asian countries are forecast to remain the largest exporters between 2013 and 2017.

WHAT DOES THIS MEAN FOR AVANGARDCO?

Avangardco is already Ukraine's largest exporter of eggs with an export share of 78% and has a reputation as a safe and reliable supplier. Given its recent investments in low-cost, efficient operations, strategically located near national borders, Avangardco is already extremely well positioned to take advantage of the demand for imports from high-growth regions such as MENA and Asia and countries in Sub-Saharan Africa (SSA) and is actively targeting these regions. In 2013 Avangardco exported to markets in the MENA region with Iraq (MENA's largest importing country) accounting for 62% of Avangardco's export sales by value. Avangardco also exported to countries in SSA, including the two largest importing countries, Angola and Liberia.

Avangardco's Top-5 Export Countries for Shell Eggs (by value) 2013



Source: Company data

Dry Egg products

Did you know?

Some facts about dry egg products

- Dry egg products are made by completely dehydrating chicken eggs
- Dry egg products have a wide variety of applications within the food industry and beyond, e.g. in pharmaceuticals
- If properly stored, dry egg products have a shelf life of up to 2 years
- It is a compact product and lends itself to cost-effective storage and transportation
- All risk of disease can be eliminated through pasteurisation and spray drying at temperatures well over 100°C

UKRAINIAN MARKET

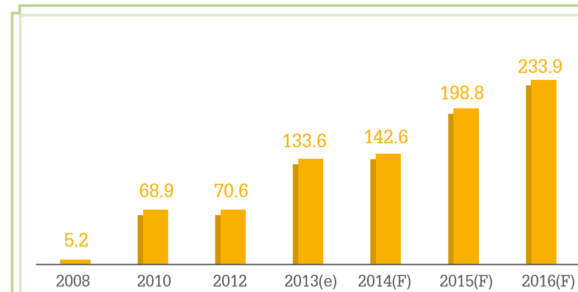
THE UKRAINIAN EGG PRODUCTS MARKET AT A GLANCE

- **Dry egg product demand in Ukraine is relatively small but has growth potential as food manufacturing industry undergoes transformation**
- **Major domestic customers are food processors**
- **Dry egg products have the dominant share of egg product exports owing to their ease of transport**
- **Ukrainian exports doubled between 2012 and 2013**
- **Strong export demand driving overall production growth in Ukraine**

DEMAND SIDE: POTENTIAL TO INCREASE DOMESTIC GROWTH

Most domestic demand for egg products in Ukraine comes from food processers, with around 80-90% destined for oil and fat products (e.g. mayonnaise) and industrial patisserie (e.g. cakes, pastries and quiche). The volumes of these end products are growing in their own right and these industries are undergoing transformation. However, at present Ukraine's consumption of egg products is very low at 19 eggs equivalent per capita per year (up 4% between 2012 and 2013) and considerably below typical levels in developed countries (for example, Japan – 170, France – 90, USA – 80), indicating that there is potential to increase domestic growth.

Egg Product Exports from Ukraine 2008-2016F, US $ mln



Source: SSCU, Pro-Consulting

At present, the most significant demand for egg products is generated from export markets. In 2013, Ukraine's egg product exports amounted to around 17.5 thou tons (over double the volume exported in 2012). Within this total dry egg products have a dominant share owing to their ease of transport. Export sales are predicted to grow strongly, doubling in value by 2015.

SUPPLY SIDE: PRODUCTION DRIVEN BY EXPORT DEMAND

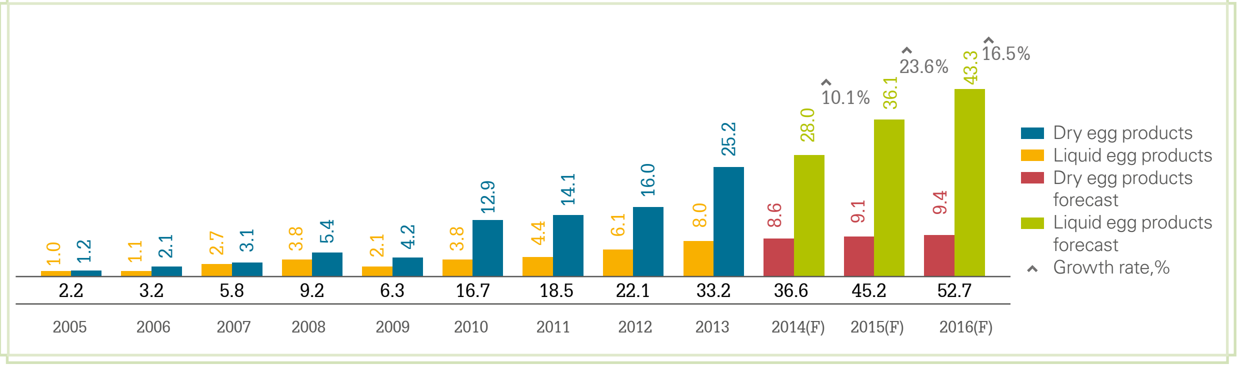
It is estimated that in 2013 Ukraine produced a total volume of around 33 thou tons of egg products. Dry egg products accounted for 76% of this total and grew 58% compared to 2012. This strong growth trend is expected to continue, with the production of dry egg products forecast to grow potentially by over 70% between now and 2016. A significant driver of this increased egg product production in Ukraine comes from export demand.

Two domestic egg producers dominate the egg products market – Avangardco and Ovostar. Avangardco is the undisputed leader in dry egg products. In 2013, Avangardco produced around 91% of total dry egg product volume and exported 97% of all exported dry egg products from Ukraine.

WHAT DOES THIS MEAN FOR AVANGARDCO?

Avangardco will be able to meet domestic demand for dry egg products as demand grows from a small base. However, one of Avangardco's major growth opportunities will come from increasing its exports of dry egg products. Avangardco is in an excellent position to achieve this goal, given its dominance of dry egg product production in Ukraine and its increasing processing capacity.

Production of Egg Products in Ukraine, thou tons



Source: SSCU, Pro-Consulting

GLOBAL EGG PRODUCTS MARKET

THE GLOBAL EGG PRODUCTS MARKET AT A GLANCE

- **Egg product consumption is high in developed economies**
- **Key customers include added-value food processors**
- **Global demand for imports has doubled in less than a decade**
- **MENA region and Far East highly dependent on imports**
- **Ukraine is the 3rd largest exporter in the world**

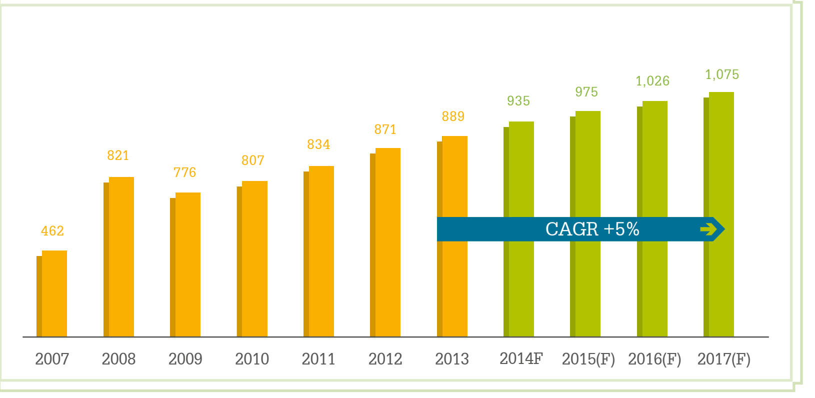
DEMAND SIDE: CONSUMPTION OF EGG PRODUCTS IS A MEASURE OF MARKET MATURITY

A country with a high consumption of egg products (e.g. dry egg powder and/or liquid egg) is, generally, a good indicator for a mature market and a developed economy. As a country becomes wealthier and income rises, consumers switch from staples (e.g. shell eggs) to more expensive and processed foods. However, with many processed foods containing egg ingredients (e.g. sausages, pastries, sauces, etc.), egg consumption does not necessarily decline with income growth; it just changes.

DEMAND SIDE: HIGH DEPENDENCE ON FOREIGN EGG PRODUCT IMPORTS IN KEY GROWTH REGIONS

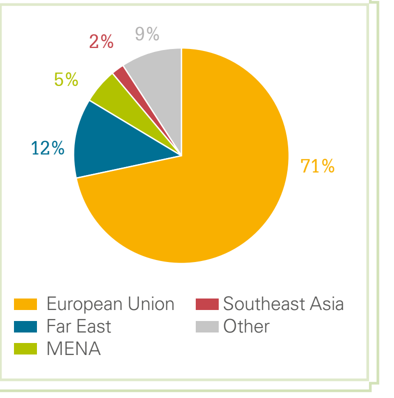
The global market size for egg products was estimated to be US $ 889 mln in 2013. Growth in global imports of egg products doubled between 2004 and 2013. The EU is the largest import region for egg products. However the MENA and Far East regions are also highly dependent on foreign egg imports

World Imports of Egg Products, US $ mln



Source: International Trade Center, Pro-Consulting

Share of Global Egg Product Imports by Region in 2013E, US $ mln, %



Source: International Trade Center, Pro-Consulting

KEY IMPORT REGIONS FOR EGG PRODUCTS

	EU region	Far East	MENA	Southeast Asia
Import of egg products, 2013	US $633 mln	US $105 mln	US $71 mln	US $22 mln
Export of egg products, 2013	US $760 mln	US $21 mln	US $0 mln	US $43 mln
Key importing countries (% of region's total, 2010-2012)	Germany (24%) United Kingdom (14%) France (9%)	Japan (85%) Hong Kong (8%) South Korea (6%)	UAE (38%) Saudi Arabia (28%) Jordan (18%)	Indonesia (32%) Philippines (23%) Thailand (15%)
Share of global imports of egg products	71%	12%	5%	2%

Market highlights

EU region

- The European countries are the main producers and consumers of egg products in the world.
- In some EU countries more than half of all eggs produced are used for egg products.
- Most of the trade is intra-EU with relatively low volumes from beyond its borders.
- Liquid egg products dominate imports and this is directly related to the high level of internal trade relations.
- The major importers of egg products are dominated by countries with a developed food industry, such as Germany, United Kingdom, France, Belgium and others.

Far East

- The region is characterized by a large population and high rates of economic development.
- Japan is a leading global and regional importer of egg products and has its own highly developed eggs processing sector. Inhabitants of Japan consume more than 50% of all eggs produced in the country in the form of egg products.
- The Far East region as a whole is a net importer of egg products; however there is a large disparity by individual country.
- About 44% of imported egg products are dried egg products.
- Consumer demand is growing steadily, stimulating an increase in the import of egg products. The main factors behind this demand are: the development of a food industry with stringent requirements for safe products and the importance of eggs in the national cuisine.

MENA

- The MENA region has the highest dependence on foreign imports of egg products in the world.
- Industrial production of egg products is virtually non-existent.
- Dried egg products account for about 73% of the total import of egg products in this region.
- The main demand for egg products in the MENA region comes from countries with developed economies (UAE, Saudi Arabia).
- According to the latest trade statistics Ukraine controlled nearly 50% of all supply of dried egg products in the region.

Southeast Asia

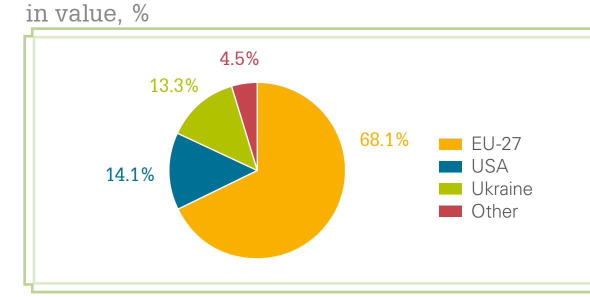
- Southeast Asia is one of the most densely populated areas in the world (about 29% of the total population).
- During the last 30 years the region has made an economic breakthrough.
- The sharp increase in the disposable income of the population is increasing the consumption of protein in the short term.
- Egg processing in the region is practically non-existent (except in India).
- The export of egg products is almost twice the volume of imports. This differential is accounted for by the supply from India (about 99.6% of the region's total exports).
- The rest of the countries in the region are net importers of egg products.
- India is the traditional leader in the export of egg products accounting for around half of all exports. Ukraine's share of exports to the region is about 4%, but has significant potential to increase this.

THE SUPPLY SIDE: UKRAINE HAS ITS SHARE IN THE GLOBAL EGG PRODUCTS MARKET

The major global producers of egg products are found in the US, Japan, and EU where egg processing facilities are highly developed and where demand for egg products for further processing is strongest. However, as Europe and the US are also the largest consumers of egg products their domestic production is effectively subsumed within their own regions.

Globally, Ukraine is the third largest global export country for egg products with a market share (by value) of 13%, behind the EU and USA. Ukraine's relatively large export share can be explained by the fact that its domestic demand for egg products, whilst growing, is still relatively underdeveloped.

Export of Egg Products by Country in 2013, in value, %

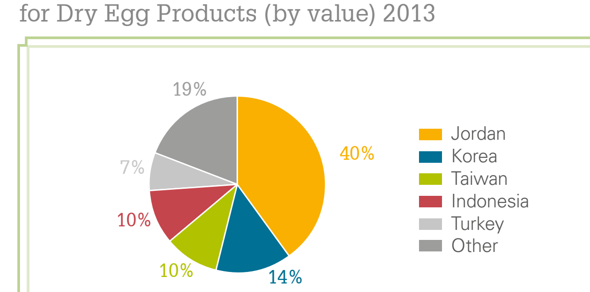


Source: Pro-Consulting, International Trade Center

WHAT DOES THIS MEAN FOR AVANGARDCO?

Avangardco has the potential to build on its already strong position in this market, benefitting from its proven relations with national and global food manufacturers and its reputation for supplying safe and consistent products from its recently expanded and modernised Imperovo Foods egg processing plant. Avangardco's ability to supply egg products is extremely important to its overall business. First, it can target developing countries and large global customers, thereby diversifying its geographic and customer mix. Second, it also enables any excess shell egg production to be converted into an added-value product with a much longer shelf-life which can be easily stored, thereby improving its ability to manage seasonal demand fluctuations.

Avangardco's Top 5 Export Countries for Dry Egg Products (by value) 2013



Source: Company data

In 2013, Avangardco's largest export country for dry egg products was Jordan, which accounted for around 40% of Avangardco's top five export sales. Avangardco is actively targeting its exports in the developing import markets.

TARGETING THE GLOBAL GROWTH POTENTIAL FOR EGGS AND DRY EGG PRODUCTS

EU

SHELL EGGS

Consumption per Capita, units/person/year
211 (2005) – 210 (2013) ↑0%

Imports, thou tons
669.0 (2005) – 967.0 (2013) ↑45%

Share of Avangardco's export sales in EU in 2013
Preparing operations and documents ahead of final approval for Ukraine to export to the EU

Change of share of Avangardco's export sales in EU, 2013 vs 2012
n/a

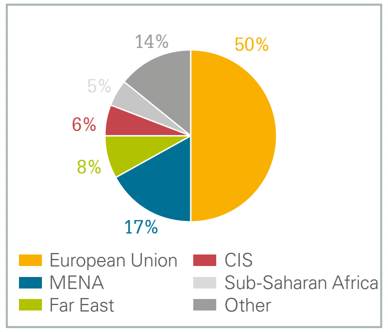
EGG PRODUCTS

Import, US $ mln
306 (2005) – 633 (2013) ↑107%

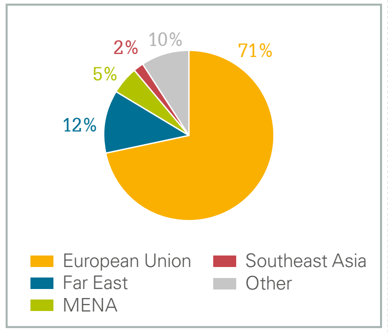
Change of share of Avangardco's export sales in EU, 2013 vs 2012
n/a

Share of Avangardco's export sales in EU in 2013
Potential export opportunity via current global clients

Global Share of Egg Imports (value) by Region 2013, %



Global Share of Egg Product Imports (value) by Region 2013, %



CIS

SHELL EGGS

Consumption per capita, units/person/year
199 (2005) – 228 (2013) ↑15%

Imports, thou tons
27.0 (2005) – 69.2 (2013) ↑156%

Share of Avangardco's export sales in CIS in 2013
4% of shell egg exports sold in the CIS
- 4% to Moldova

Change of share of Avangardco's export sales in CIS, 2013 vs 2012
16%

Far East

EGG PRODUCTS

Import, mln. $
81.6 (2005) – 105.2 (2013) ↑29%

Change of share of Avangardco's export sales in the Far East, 2013 vs 2012
138%

Share of Avangardco's export sales in the Far East in 2013
24% of egg product exports sold in the Far East
- 14% Korea
- 10% Taiwan

MENA

SHELL EGGS

Consumption per capita, units/person/year
94 (2005) – 98 (2013) ↑4%

Imports, thou tons
74.4 (2005) – 355.6 (2013) ↑378%

Share of Avangardco's export sales in MENA in 2013
80% of shell egg exports sold in the MENA
- 62% to Iraq
- 18% to Syria

Change of share of Avangardco's export sales in MENA 2013 vs 2012
32%

EGG PRODUCTS

Import, US $ mln
15 (2005) – 71 (2013) ↑375%

Change of share of Avangardco's export sales in MENA in 2013
54%

Share of Avangardco's export sales in MENA, 2013 vs 2012
47% of egg product exports sold in MENA
- 40% Jordan
- 7% Turkey

SSA

SHELL EGGS

Consumption per capita, units/person/year
29 (2005) – 32 (2013) ↑10%

Imports, thou tons
36.1 (2005) – 80.8 (2013) ↑124%

Share of Avangardco's export sales in SSA in 2013
11% of shell egg exports sold in SSA
- 8% to Angola
- 3% to Liberia

Change of share of Avangardco's export sales in SSA, 2013 vs 2012
(60)%

Southeast Asia

EGG PRODUCTS

Import, US $ mln
7.9 (2005) – 21.8 (2013) ↑176%

Change of share of Avangardco's export sales in SEA, 2013 vs 2012
410%

Share of Avangardco's export sales in SEA in 2013
10% of egg product exports sold in Southeast Asia
- 10% Indonesia

Strategy and targets

Our leading market positions and investments to date stand us in good stead to achieve our vision to become the leading global egg producer.

We have clear strategic focus areas and targets to help us achieve this. At the heart of our strategy is our commitment to create long-term value for our shareholders.

OUR VISION: To become the leading global producer of eggs and dry egg products

STRATEGIC OBJECTIVE: To create long-term shareholder value

Our six strategic focus areas:

- Expand Production Facilities and Increase Efficiency
- Continue to Explore Market Potential to Maximize Profitability
- Streamline Distribution and Expand Customer Base
- Improve Quality of Products
- Develop and Introduce Value Added Product Lines
- Focus Efforts on Increasing Export of Eggs and Dry Egg Products

Our strategic Priorities within our focus areas:

Expand Production Facilities and Increase Efficiency
- Move to FULL production capacity at the new Avis and Chornobaivske facilities
- Increase processing capability at the Imperovo egg processing plant
- Build biogas plants to utilize waste and by-products effectively

Continue to Explore Market Potential to Maximize Profitability
- Maintain existing market share of eggs and egg products in Ukraine
- Increase Company's share at global market

Streamline Distribution and Expand Customer Base
- Negotiate direct contracts with local and national retailers
- Introduce innovative customer loyalty programs
- Develop and expand cooperation with multinational FMCG companies

Improve Quality of Products
- Build modern facilities in accordance with EU standards
- Use vertical integration to control production quality
- Follow best flock management practices

Develop and Introduce Value Added Product Lines
- Capitalize on growing "Kvochka" umbrella brand
- Continue to develop the value added product portfolio under the "Kvochka" brand umbrella

Focus Efforts on Increasing Export of Eggs and Dry Egg Products
- Capitalize on the rising demand from the MENA, Asia and the CIS
- Enter new geographical markets

Our targets used to measure progress:

Expand Production Facilities and Increase Efficiency
- **30.1 mln** heads of laying hens
- **8.6 bln** eggs per year
- **Capacity: 10 mln eggs** Processing capacity per day

Continue to Explore Market Potential to Maximize Profitability
- **#1** in production of eggs and dry egg products in Ukraine
- Recognition of AVANGARDCO IPL as a global brand

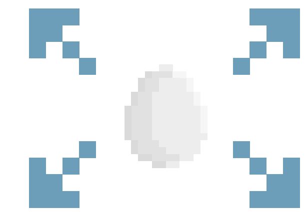
Streamline Distribution and Expand Customer Base
- Supply all major retailers across Ukraine
- Increase number of loyal customers
- Increase number of multinational FMCG customers

Improve Quality of Products
- Maintain reputation of high-quality products producer
- Attain quality certificates

Develop and Introduce Value Added Product Lines
- Increase share of "Kvochka" brand within total eggs sales
- Increase brand awareness and loyalty to "Kvochka", "Kvochka Domashnya", "Kvochka Organic"

Focus Efforts on Increasing Export of Eggs and Dry Egg Products
- Target #1 position for the export of eggs and dry egg products to these regions
- Export to the EU, new markets in MENA, Asia, Africa and CIS

Our strategy in action



EXPAND PRODUCTION FACILITIES AND INCREASE EFFICIENCY

UNPRECEDENTED CAPACITY EXPANSION

In 2013 we successfully completed the construction phase of two poultry complexes at Avis and Chornobaivske and the first capacity expansion phase at Imperovo Foods, our egg processing plant. Our total laying hens capacity is now 30.1 mln and our production capacity has risen to 8.6 bln eggs per year. Our processing capacity is now 6 mln eggs per day, which will be increased up to 10 mln.

#2 We have the second largest flock of laying hens in the world after Cal-Main Foods (USA)

Source: World poultry magazine

CONTINUE TO EXPLORE MARKET POTENTIAL TO MAXIMIZE PROFITABILITY

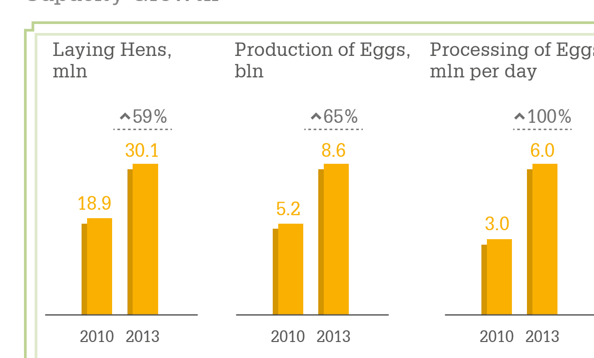
MAINTAINING OUR FLAGSHIP POSITION

Ukraine's domestic market for shell eggs and egg products remains strong, gradually becoming more stable with price seasonality increasingly less pronounced. Households and small producers continue to leave the market and this trend increases Avangardco's potential to use its competitive advantages to maintain its flagship position in Ukraine's egg farming industry.

1/3 Today, one in every three eggs produced in Ukraine is an Avangardco egg

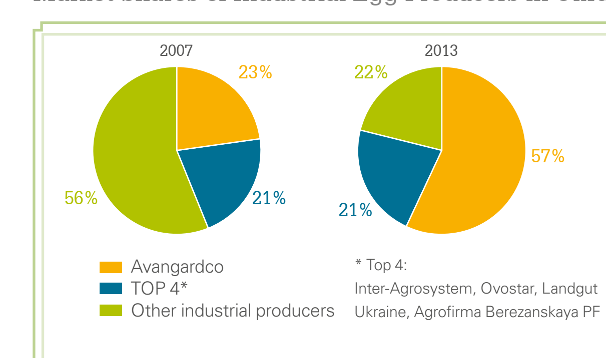
Source: SSCU, Company's data

Capacity Growth



Source: Company data

Market Shares of Industrial Egg Producers in Ukraine



Source: Pro-Consulting, Company data

STREAMLINE DISTRIBUTION AND EXPAND CUSTOMER BASE

WORKING EFFICIENTLY WITH OLD AND NEW CUSTOMERS

JSC Volynholding, a subsidiary company of Nestle' S.A., the biggest Ukrainian producer of mayonnaise, has been using Imperovo Foods' whole egg powder and egg yolk powder since 2008. Working in close partnership with such a large producer makes us more efficient and raises our own standards – our facilities are stringently and regularly audited and we must ensure consistent supply in terms of quality and quantity.

6 years of successful business with JSC Volynholding

Currently the Company supplies its Kvochka-branded products to

16 national retail chains in Ukraine

14 regional retail chains in Ukraine

IMPROVE QUALITY OF PRODUCTS AND SERVICES

IMPROVING QUALITY AND SAFETY

We have developed and introduced an integrated quality and safety control system, which allows us to improve control over our operational processes, based on ISO standards and the production practices of the Good Manufacturing Practice Regulations endorsed by the US Food and Drug Administration and GLOBAL G.A.P.

PROVIDING INNOVATIVE SERVICE

We strive constantly to find new ways to improve services to our clients. For example, we use special containers which can transport higher than average quantities of eggs in order to minimize costs for our customers.

1x month The quality and safety or our eggs is formally inspected by experts at state veterinary laboratories every month

1x per year Imperovo Foods is audited every year to confirm the validity of its ISO 9001:2008 and ISO 22000:2005 certification

HACCP

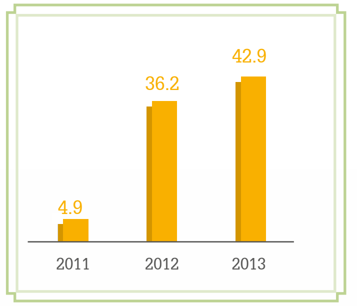
Imperovo Foods uses the Hazard Analysis and Critical Control Points (HACCP) approach to food safety

DEVELOP AND INTRODUCE VALUE-ADDED PRODUCT LINES

EXPANDING OUR PRODUCT RANGE

We were the first company to launch an economy range of unpackaged eggs in 30-egg trays for supermarkets. This created a new market segment and a new staple range for commodity chains, in particular, discounters. We gained a firm foothold in the segment alongside some new, large customers. Following this success, we introduced a more convenient and value-added 10-egg tray, which enabled us to develop and launch a dynamic brand strategy.

Sales Under our "Kvochka" Umbrella Brand, mln pcs



Source: Company data

We relaunched the Kvochka brand at the end of November 2011

FOCUS EFFORTS ON INCREASING EXPORT OF EGGS AND DRY EGG PRODUCTS

BENEFITING FROM OUR STRATEGIC LOCATIONS

We aim to export to new markets and strengthen our position in existing markets. This is helped by the advantageous location of our facilities, which lowers transport costs for our clients. The Chornobaivske complex (Kherson region) is located close to the port in Odessa and our egg processing plant Imperovo Foods (Ivano-Frankivsk region) is close to the EU border. We continue to increase our share of the export market with more and more overseas clients buying our products.

Export:

2009-2011: 20 countries

2012: 32 countries

2013: 33 countries

AVANGARDCO ALWAYS SUPPORTS ITS CLIENTS IN THEIR BUSINESS DEVELOPMENT EFFORTS.

"We started to work with Avangardco in 2013, when we were looking for an alternative business to replace our core business during the Iraq crisis. Little did we think that a year later, eggs would be our main business with a 2.5 increase in profits. Avangardco helped us in a very short and difficult period to become a serious player in the Iraq market and we believe there is great potential to expand this business thanks to Avangardco's high quality products and commitment to its clients."

Ferat Selo, director of Raskan Company

How we create value

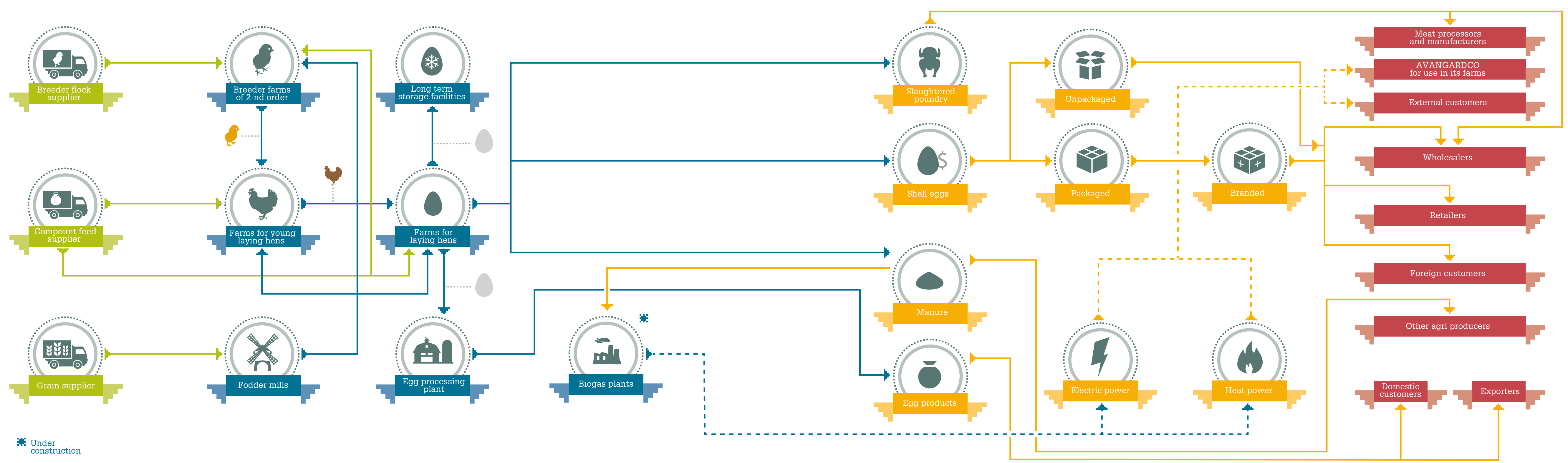
We are unlocking value across our supply chain through vertical integration with suppliers and increasing collaboration with our customers. We look to extract value at every stage of our chain.

THE KEY BENEFITS OF VERTICAL INTEGRATION:

- **Efficient cost control and management across the value chain**
- **Limited dependence on suppliers**
- **Synergy achieved through business diversification**
- **Efficient monitoring at each stage of the production process**
- **Strict compliance with biosecurity standards**
- **Quality assurance of products**

Avangardco's value chain

Suppliers	Key processes and facilities	Products	Customers
Principal inputs	6 feed mills, 3 second order breeding farms, 10 farms for rearing young laying hens, 19 farms for laying hens, 3 long-term storage facilities, 2 new poultry complexes (Avis and Chornobaivske), 1 egg processing plant Imperovo Foods	Principal outputs	Internal and external



AVANGARDCO'S KEY VALUE-ADDING ACTIMVITIES EXTRACTING VALUE ACROSS VALUE CHAIN

Suppliers

Grain suppliers
We work closely with farmers to secure stable grain supplies and favourable prices

One-day old chick suppliers
We work with Hy-Line Int. to breed high quality parent flock

Compound fodder suppliers
We work with suppliers to ensure in-time supply to all our facilities on the territory of Ukraine.

Key processes and facilities

- Animal feed is the primary cost component in the production of shell eggs. We have our own feed mills to produce a high quality feed. Approximately 80% of Avangardco's needs are covered by own feed mills.
- We grew breeder flock at our rearing farms from one-day old chicks supplied by Hy-Line Int. This ensures the breeding of the required number of high quality parent flock and their timely delivery to factories.
- We have increased our egg processing capacity, allowing us to manage the peaks and troughs of demand and to produce added-value products.
- We have invested in two new poultry complexes to enhance, efficiency, quality and safety. They are fully automated, in compliance with European quality standards and are an integral part of the Company's growth strategy.
- We will use manure from our farms in our new biogas plants to generate energy and reduce waste disposal costs.

Products

- We are developing branded products and dry egg products which add value to our business.

Customers

- We are increasing our collaboration with national and multinational food manufacturers.
- We are strengthening our relationships in new sales channels (e.g. export, retail), whilst continuing to do business with traditional wholesalers

HOW OUR VERTICALLY-INTEGRATED MODEL WORKS

PRINCIPIAL INPUTS

In line with its strategy of vertical integration, Avangardco is largely self-sufficient in terms of core production materials, producing internally all of the hatching eggs and approximately 80% of the animal feed required for its shell egg production. Avangardco's principal inputs from third-party suppliers are feed grains, animal feed and breeder flock. Avangardco does not itself cultivate grain in any significant quantities and has no plans to do so.

KEY PROCESSES AND FACILITIES

SHELL EGGS

SHELL EGG PRODUCTION FACILITIES

Avangardco's shell egg production facilities include 19 farms for laying hens serviced by 3 breeder farms, 10 farms for rearing young laying hens, and 6 fodder mills. Avangardco seeks to modernise its egg production facilities and equipment where possible, sourcing the latest equipment from leading suppliers in order to reduce costs.

SHELL EGG PRODUCTION STAGES

Shell eggs are produced at Avangardco's facilities in three principal stages:

- breeding and incubation of chicks,
- rearing of young laying hens; and
- laying of shell eggs.

BREEDER EGG FLOCK MANAGEMENT

Avangardco keeps two types of flock:

- laying flock for the commercial production of shell eggs; and
- breeder (parent) flock to provide a source of pullets to replace the laying flock.

Avangardco acquires most of its breeder flock from one supplier (Hy-Line International) in order to unify vaccination and technological processes at its farms and to benefit from Hy-Line's flock management technical support.

BREEDING AND INCUBATION OF CHICKS

All hatching eggs are produced by Avangardco's breeder flock. Avangardco acquires all of its breeder flock as one-day old chicks, which are transported directly to breeder farms by supplier. At approximately 13-14 weeks pullets and cockerels are moved to breeder flock rearing facilities, where they are kept until they reach the end of the production cycle. Breeder flocks are capable of egg production at approximately 19 weeks, although eggs for hatching are sourced only from approximately 24-25 weeks onwards.

Hatching eggs are moved to Avangardco's hatcheries where they are sorted and placed into incubation. Eggs which are not used for incubation are sold. After about 18 days, chicks are hatched, sorted and the newly hatched pullets are immediately vaccinated.

REARING OF YOUNG LAYING HENS

One day old pullets from Avangardco's hatcheries are transferred to Avangardco's young laying hen farms where they are reared. At approximately 13-16 weeks, chickens are transferred to Avangardco's farms as mature laying hens.

LAYING OF SHELL EGGS

Laying hens have an estimated productivity of around 350 shell eggs per production cycle of approximately 80 weeks. Shell eggs are sorted by category, packed and sent to storage facilities. Avangardco's increased use of automated facilities has generated significant cost savings through improved grading and reduced breakage. Each laying hen farm is equipped with a short-term storage facility.

Avangardco also operates three long-term egg storage facilities. Each long-term storage facility consists of multiple compartments, the temperatures of which are regulated automatically. This allows Avangardco to manage its storage facilities according to the volume of shell egg deliveries from its farms.

FLOCK MANAGEMENT

Although practices for the management and maintenance of breeder and laying flock differ, there are certain common features applicable to both. For both flocks Avangardco uses caged production and automated systems to create optimal conditions for the growth of its flock with respect to light, temperature and air circulation, and the supply of food and water. It also continuously monitors the process according to high and recognised standards: feeding, body weight, survival rate, egg-laying capacity, egg size etc.

EGG PRODUCTS

EGG PROCESSING PRODUCTION FACILITIES

Some of Avangardco's shell eggs are processed at Imperovo processing plant, which specialises in the production of egg products and which has been recently modernised.

PRODUCTION PROCESS AT IMPEROVO FOODS

The main technological processes at Imperovo include: treatment of shell eggs, breaking and separation, treatment of liquid egg products, pasteurisation, preservation and packaging of pasteurised liquid egg products, treatment and fermentation of the liquid egg products before drying, spray drying, packaging of dry products and drying of egg shells.

Imperovo's technological processes follow strict hygiene standards, for example, from the monitoring of shell eggs required for the production of egg products to the strict separation into high and low care production areas and automated, in-line cleaning processes.

Imperovo's processing plant has its own long-term storage facility which is capable of holding Imperovo's requirements for shell eggs for one week and is supported, when required, by other long-term storage facilities.

SLAUGHTERED POULTRY MEAT AND BY-PRODUCTS

At the end of the production cycle, when breeder flock and laying flock are approximately 65 and 80 weeks old respectively, they are either sold to third parties through wholesalers for further processing, or slaughtered at Avangardco's facilities, using fully automated processes. Slaughtered poultry is moved to third party freezing facilities.

ANIMAL FEED PRODUCTION

The animal feed production process starts with the procurement of high quality raw materials which are tested according to strict quality control standards. Avangardco's nutritionists develop a wide variety of animal feed types with various vitamin and protein contents according to the birds' age and breed. Animal feed is delivered by Avangardco's own trucks to its farms. New fodder mills are being built at the Avis and Chornobaivske egg production complexes to support Avangardco's expansion and in order for Avangardco to become increasingly sufficient in animal feed production.

PRINCIPAL OUTPUTS

CORE PRODUCTS

Avangardco's core business is the production of shell eggs and dry egg products.

SHELL EGGS

Avangardco produces white and brown shell eggs, from chickens only, which are sold to wholesalers, local and national retailers and exported. Its products range from unpackaged eggs to packaged eggs both branded and for private label.

DRY EGG PRODUCTS

From its shell eggs, Avangardco produces a variety of dry egg products, such as egg powder, yolk powder and white (albumen) powder, which is sold to local and global food manufacturers.

OTHER PRODUCTS AND SERVICES

LIVE POULTRY

Avangardco produces and sells breeder flock and laying flock at the end of their production cycle to third parties through wholesalers for use in the meat industry. Avangardco also sells one-day old laying hens and young laying hens to third parties through wholesalers.

ANIMAL FEED

Avangardco produces high quality animal feed, which now accounts for around 80% of its internal feed requirements.

POULTRY MANURE

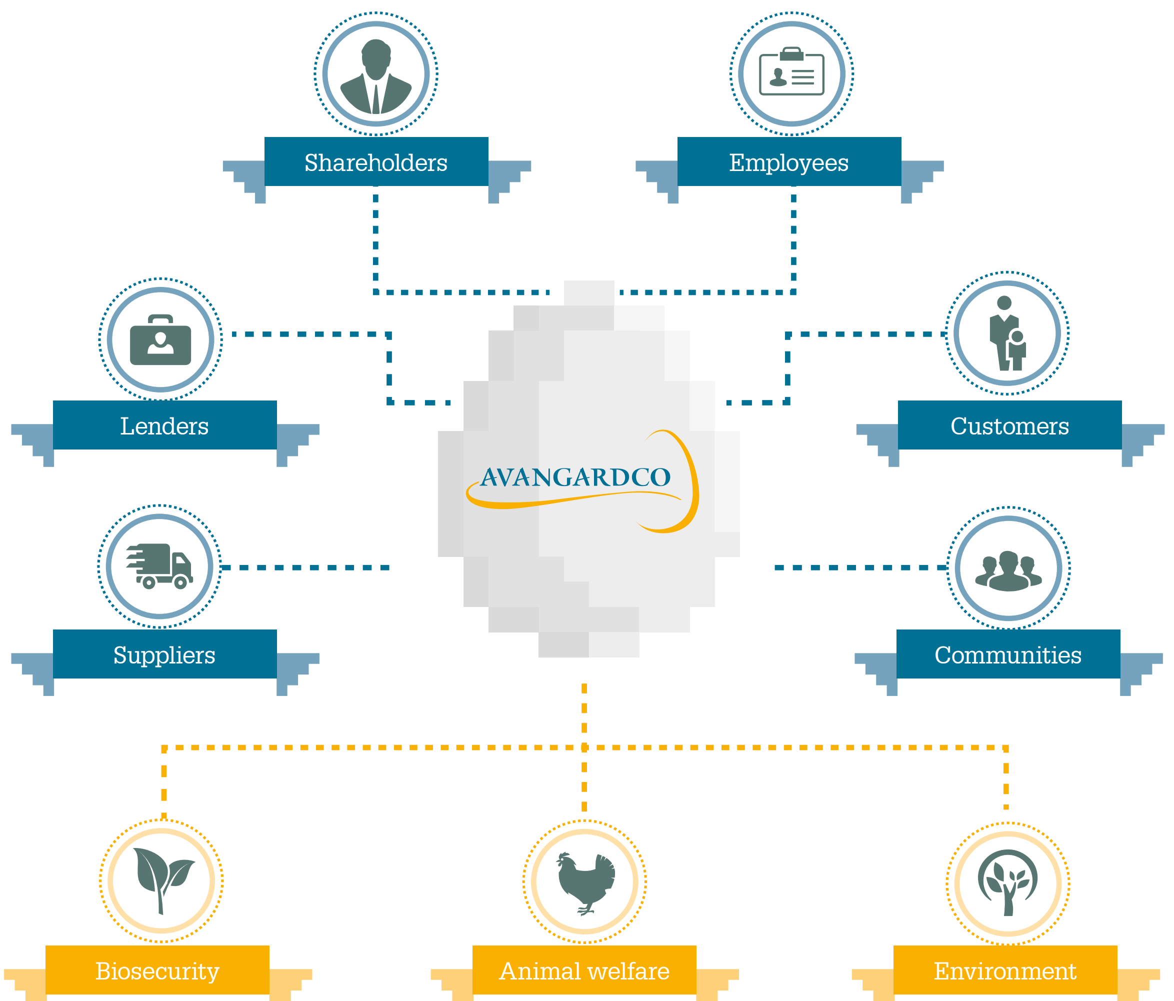
Avangardco sells insignificant amounts of manure to third parties. It is planning to use poultry manure internally at its new biogas plants to generate "green" energy.

OTHER SERVICES:

Avangardco also provides certain services to third parties, such as mixing of animal feed and transportation services.

OUR STAKEHOLDERS AND KEY AREAS OF FOCUS

As a public Company, an industry leader and a socially responsible business, we are aware of our responsibilities to a wide range of stakeholders that have a legitimate interest in our business. We have a responsibility to understand the most material areas of interest for each of our stakeholders and to measure and report on these areas. We make every effort to align the company's business interests with the particular interests of the various classes of stakeholders.



STAKEHOLDERS

Customers We work with a range of national and international customers; we must ensure excellent customer service in order to retain their business and grow with them.	We put our customers first in all that we do. We work closely with our customers to understand and develop their product and service requirements, including providing them with information to meet their own sustainable development requirements.
Suppliers We work with a number of key suppliers whose products (e.g. grain for fodder) is vital for us to run our business sustainably.	We treat our key suppliers as partners in our business. We jointly conceive and deliver projects that leverage both partners' strengths and contribute to our shared growth.
Shareholders We owe a duty of care to our shareholders and strive to meet their expectations	We provide our shareholders with timely information disclosure and are as transparent as possible in our dealings with them. We keep them informed as much as possible about our business plans, for example, through quarterly earnings announcements and calls and site visits. We upload our corporate website with a variety of investor tools and information, such as the latest press releases and management presentations, annual reports, a data book, investor bulletins, fact sheets and an investor calculator.
Lenders We must maintain strong relationships with our lenders to ensure that we have a strong, long-term financial platform to support our future growth.	We meet our debt obligations to our lenders (e.g. banks and bondholders) on time and demonstrate solid creditworthiness. We keep them informed as much as possible about our business plans. (Please see Shareholders (above) for an insight into our information disclosure).

Employees
We employ around 4,500 people in whose development we must invest to ensure they stay with the business and help us achieve our long-term strategic vision.

Our human resources management policy is aimed at attracting and retaining highly competent personnel at all levels. We manage by objectives and reward top performers and employees who demonstrate loyalty and commitment to our business. We also provide our people with extensive professional development opportunities.

We provide competitive salaries and bonuses, as well as extensive benefits, e.g. shuttle buses to work, corporate mobile phones and bonuses in kind (our products).

The Company does not consider age, colour, ethnic origin, gender, political views, religious beliefs or sexual orientation a barrier to employment or promotion.
We invest in a wide range of programmes and training for the sustainable professional and personnel development of our employees.

The Company has established a talent pool of young specialists and specialists, recruiting talented students while they pursue diplomas in skill sets relevant to the Company. The Company also offers some permanent jobs once the university course is completed.

We also carry out employee team building events. For example, a team representing Avangardco took part in the "Chestnut Run" sports and charity marathon in Kiev (with money raised from the event donated to the Center of Cardiology and Cardiac Surgery of Ukraine for the purchase of essential drugs and equipment); traditional football games are organised between Avangardco and ULF teams; and New Year holidays with employees from all regions are spent at the ski resort in Bukovel.

Communities
We must understand, respect and support the communities in which we operate

Avangardco undertakes a variety of local and national activities. In 2013, the Company:

- supported schools and kindergartens in areas close to its poultry farms
- contributed to the opening of a Heart Center, in the Kherson Hospital named after A.S. Luchanskoho, by equipping the cardio unit with the necessary equipment .
- supported the "Empire of young talents" III Open Championship in Rhythmic Gymnastics in Kiev
- supplied the Kyiv Oncology Hospital with orthopaedic mattresses to improve conditions for children during their stay in hospital
- provided summer and winter vacations to the children and old people of Makarov village
- provided medicines and necessary staff to old people and orphans living in Lypivtsi, Hornohorodtsi, Korolivtsi and Severynivtsi
- supplied a secondary school with computers and other equipment at the Barvinok preschool
- was a sponsor of the 32nd Rhythmic Gymnastics World Championship held in Ukraine

KEY AREAS

Biosecurity
Millions of consumers eat our eggs and egg products. We have a responsibility to provide safe and healthy products to the end consumer. We also have a responsibility to ensure that our employees work in a safe environment.

To minimize the risk of disease among our flocks and the onset of epidemics, we apply a wide range of measures in accordance with best international practices.

We have strict controls in place that prevent contact between our flock and disease carriers, e.g. wild birds and rodents. We keep our birds indoors and each production facility is surrounded by a disinfection barrier and has strictly controlled access and is located between 300 and 1,200 metres from the nearest settlement. We use a separate breeding method for different aged birds to prevent the transmission of infection from older birds to younger birds. Between production runs, production areas are thoroughly cleaned and disinfected. We have a large number of poultry houses within each poultry farm and our poultry farms are located far apart, which facilitates the ability to implement emergency isolation should a contagious disease break out.

We control feed supply and minimise contact with humans and aim to control the risk of disease through the careful selection of breeding flock that is more resistant to disease, in compliance with Hy-Line's recommendations on vaccinations.

We vaccinate all chickens at our hatcheries in accordance with Ukrainian law.

Employees at our breeding and production facilities are prohibited from keeping birds at their households.

We constantly monitor the health of our employees and birds.

All employees undergo mandatory training prior to beginning their employment and receive regular updates and training on biosecurity measures. Our employees' knowledge of biosecurity procedures is monitored on a regular basis. The Company also has specialized laboratories staffed with highly skilled personnel.

Environment
We must respect the environment in which we operate and we are committed to running our operations with minimal environmental impact.

As part of our commitment to respecting the environment we focus on key areas which are relevant to our operations. We monitor our ecosystem and rigorously enforce applicable environmental regulations and stringent corporate policies.

Manure

We dispose of manure in a safe and environmentally sustainable manner. As part of our investment programme, we are building two large-scale biogas plants that can recycle chicken manure into green energy. For more information see the case study below.

Odour

We reduce odour by using advanced manure removal and disposal methods. We are also introducing automated air ventilation systems at our poultry houses.

GHG emissions

We have invested in biogas plants to recuperate and recycle our carbon emissions by converting them to clean energy.

We house our birds in modern cage systems which provide a more comfortable environment, better air quality and less exposure to disease. For more information about how we protect and monitor the health of our birds, please read Biosecurity above.

Animal welfare

We must provide a comfortable and safe environment for our flock

PROTECTING THE ENVIRONMENT AND REDUCING ENERGY COSTS

As a part of our investment program we are constructing two biogas plants at our Avis and Chornobaivske production facilities. The plants are designed to be state-of-art and unique in Ukraine and Europe. Biogas plants at these sites will enable the Company to dispose of manure from poultry operations safely and sustainably, also providing economic benefits should the Company decide to sell the green tariff energy produced by the plants.

We used innovative technology and worked with leading equipment suppliers to build the biogas plants to meet our specific requirements. We cooperated with our suppliers, MT Energy (Germany) and Bigadan A/S (Denmark), to research and develop the best technology for Avangardco's needs, given the number of technical challenges associated with the production of biogas from chicken manure. The chosen technology of methane manure fermentation does not incur any additional energy costs, as the biogas offsets the heat energy required to produce it. The installed electric capacity of the biogas units will be 8Mwe at Avis and 9MWe at Chornobaivske. The projects are expected to be finished in 2014

This pioneering project provides benefits not just to Avangardco but also to Ukraine as a whole. Our biogas plants have been developed in line with Ukraine's Strategy for Increasing Efficiency and according to:

- State socio-economic development program for 2013-2014 (replacement of natural gas with alternative fuels)
- State target economic program for energy efficiency and renewable energy sources and promotion of alternative fuels for 2010-2015 (3% reduction in energy consumption annually)
- Energy Strategy since 2006 (reduction of energy consumption by 51.3% to 2030)
- New energy strategy project (reduction of total energy consumption of 63 TWh by 2030)

Relevant regulatory frameworks:

- The law on Energy Conservation
- The law on Alternative Energy Sources
- The law on Alternative Fuels

SUSTAINABLE DEVELOPMENT
Recognising our long-term responsibilities

OUR APPROACH TO SUSTAINABLE DEVELOPMENT

Our mission is to promote global public health by giving consumers access to affordable, healthy and safe eggs and egg products. We aim to achieve this by following our vision to become the leading global producer of eggs. We strongly believe that the only way to fulfil our mission and our vision is by creating long-term value for our shareholders and other stakeholders alike by operating in a sustainable and responsible way. Our values help guide us to operate in a sustainable manner.

QUALITY
We run our business with a focus on quality. Whilst our other competitive advantages may help to attract clients, it is, ultimately, the quality of our products and service that helps us retain them.

TRANSPARENCY
We run our business in the spirit of transparency and we remain accountable to our stakeholders, both as a public company and as socially and environmentally responsible corporation.

SUSTAINABILITY
We run our business in a sustainable way, ensuring that our focus on innovation, quality, efficiency and safety enables us to continue to create value for customers and shareholders.

SAFETY
We run our business with a focus on safety to ensure that our operations and products are safe for our employees, our consumers and our environment.

EFFICIENCY
We run our business as efficiently as possible in order to maintain a sustainable business and to create long-term value for our customers and shareholders.

INNOVATION
We run our business with innovation in order to be as efficient as possible in our dynamically changing modern world.

COMMITMENT
We run our business in the spirit of commitment to do as we promise.

Our risks

We have a comprehensive risk management framework in place that helps us to identify and manage all key risks affecting our business.

OUR APPROACH TO RISK MANAGEMENT

We consider risk management to be an integral part of our overall strategic management. Our core strengths and our strategy help us not only to achieve our goals, but also to identify, assess and effectively manage risks that we encounter.

Our risk management system is built on the shared responsibility of all our key functions. We encourage all employees to fulfill their individual roles, whilst keeping our risk management approach at front of mind, and to identify, report and address risks which are within their remit.

OUR PRINCIPAL RISKS

Our business and its operations are subject to numerous risks and uncertainties, many of which are beyond our control. The list below is a description of the known factors that may materially affect our business, financial position or operational results and is based on the Board's current understanding. Due to the very nature of risk this list is not exhaustive. New risks may emerge and the severity or probability associated with known risks may change over time.

OUR RISK CATEGORIES

We categorise our risks as follows and according to our ability to manage and influence them.

Risk categories	Avangardco's abilty to manage risk
Market	Medium
Operational	Strong
Financial	Medium
Shareholder	Low
Labour	Medium
Regulatory	Low
Political	Low

MARKET RISKS

OVERVIEW:

Ukraine's egg market is highly seasonal on both the demand and supply side. In Ukraine's domestic market the demand for industrially-produced shell eggs reaches its peak during the autumn and winter months, followed by a decrease in demand during late spring and until the beginning of July, when there is a trend for households to keep their own hens and to stop buying eggs from the market. Supply is also affected by seasonality as the flock needs to be replaced regularly, and laying capacity also varies with flock age. Industrial producers need to forecast demand accurately in order to plan for fluctuations.

Ability of Avangardco to manage market risks: MEDIUM

Risk	Potential impact	Mitigation
Seasonal fluctuations in demand	The failure to predict demand accurately can have severe consequences, especially if actual sales fall below production levels as eggs are a perishable product with a maximum life of 28 days. If sales decline sharply after a peak period, e.g. Easter, losses can be incurred.	Avangardco owns three specialized long-term storage warehouses with an aggregate storage capacity of 300 mln eggs, where eggs can be stored for up to 180 days in refrigerated conditions. In addition, each rearing site has a short-term storage facility. In the low domestic season, Avangardco can increase its exports. Avangardco can use any surplus of eggs in its egg processing facilities, Imperovo Foods. This facility can already process up to 6 mln eggs per day and the Company is increasing its capacity to 10 mln eggs per day. Whilst egg processing is an operating segment in its own right it is also very important to the success of Avangardco's fresh egg business. Dry egg products have the advantage of a much longer shelf life and can be stored from 6 months to 2 years.
Seasonal fluctuations in supply	Failure to manage the flock size in order to meet periods of high or low demand may incur losses.	Avangardco's vertically-integrated business with a hatchery, pullet and laying operations means that it is not significantly affected by seasonal fluctuations in supply risk.
Competition	Competition in the egg production industry could adversely affect Avangardco's business.	Loss of Avangardco's dominant market share is highly improbable due its unique competitive strengths. None of our competitors in the Ukrainian market operates a comparable vertically-integrated production system. Our system enables us to achieve large-scale production, effective business control and management, a competitive balance between the price and quality of products, and capacity to grow sales in all the markets we cover. We continue to improve the quality of our products and diversify our product range to meet the needs of our customers.
Feed costs	Feed costs are volatile and increases in these costs can adversely impact operational results.	Cost inflation is kept in check through the Company's policy of forward grain purchasing. The Company makes prepayments to small scale farmers to enable them to sow and harvest. In exchange, the farmers commit to supply fixed quantities at a fixed price, which is at a discount to the spot price. The grain purchased in this way is used throughout the year in Avangardco's feed mills. The Company has contracts with about 100 grain suppliers in order to avoid over-dependence on any supplier.
Loss of sales	Failure to sell all eggs and egg products may lead to financial losses.	We have a broad customer base and logistics infrastructure, which can service regional and seaborne markets. This provides flexibility should a particular region experience a decline in demand. We have a large export network consisting of 33 countries around the world Our export markets are diversified geographically (Asia, MENA and CIS). We are awaiting permission to enter the EU market. Our non-branded and branded shell eggs are sold in main national and regional retail chains all over Ukraine and we are developing our sales through these channels.
Counterparty risk	Instability of the Company's counterparties, including its major customers, could lead to lower sales volumes or financial losses and adversely affect its future financial results.	Our Company has long-term agreements with key customers, with fixed mutually secured commercial terms. Avangardco is the only supplier of eggs in Ukraine capable of consistently supplying the required volume of eggs to retail chains. In the egg processing segment, we work with some of the largest industrial customers, which ensure stable and / or increasing sales volumes. Avangardco has over 500 wholesale customers that operate across the whole of Ukraine. The Company regularly monitors existing and new wholesalers. To attract new and promote existing wholesalers, we develop long-term mutually beneficial cooperation programs.

OPERATIONAL RISKS

OVERVIEW:

The Company's operations are subject to risks associated with the Company's ability to control production and to keep up seamless operations. The Company operates a large number of facilities that produce food products. Management and security controls at each production stage require experienced personnel and strict biosecurity measures. The Company's failure to control internal operating process properly may have an adverse impact on its business, financial condition and results of operations. Management believes that it is taking the necessary steps to effectively mitigate operational risks.

Ability of Avangardco to manage operational risks: STRONG

Risk	Potential impact	Mitigation
Outbreaks of livestock diseases	The Company's agroindustrial business is subject to the risk of outbreaks of livestock disease, which could have a material, adverse effect on Avangardco's business.	Divisions of the Company regularly carry out the necessary sanitary and veterinary controls to prevent dangerous diseases. Production facilities are surrounded by a sanitary cordon and located at considerable distances from each other. The Company strictly controls access to its facilities. Employees and vehicles are disinfected prior to entering production areas. Each production facility is surrounded by a disinfection barrier. Avangardco has implemented strict biosecurity measures at its fodder production facilities and also applies these measures to its waste disposal procedures. New production facilities are highly automated, which minimizes any human contact.
Product contamination	If Avangardco's products become contaminated, the Company may be subject to product liability claims and product recalls.	The Company regularly carries out the necessary control measures to prevent contamination of its products. A strict quality control system is implemented at all stages of production and product distribution. To date there have been no cases of product contamination at the Company.

FINANCIAL RISKS

OVERVIEW:

The Company is not a finance company. Therefore it uses financial instruments as and when necessary in order to obtain finance for its activities and not for the purpose of receiving income. In the course of its business activities the Company uses the following financial instruments: cash and cash equivalents, loans to and from related parties, accounts receivable, bonds, bank loans, finance leases and accounts payable. Management believes that it is taking the necessary steps to maintain the stability and growth of the Company in the current market conditions. At the moment Avangardco is self-financed and no external financing is planned.

Ability of Avangardco to manage financial risks: MEDIUM

Risk	Potential impact	Mitigation
Credit risk	Credit risk is the risk of financial loss for the Company in the event of a non-fulfilment of financial obligations by a client or counterparty under the respective agreement	The Company's exposure to credit risk regarding trade accounts receivable is primarily dependent on the specific characteristics of each client. The Company has long-standing relationships with the majority of its clients. The Company's policy for credit risk management is based on a systematic analysis of its debtors, including: analysis of solvency, determination of the maximum amount of risk related to one customer or a Company of customers and control over timeliness of debt repayment.
Liquidity risk	Liquidity risk is the risk of the Company's failure to fulfill its financial obligations at the date of maturity.	The Company's approach to liquidity management is to ensure, to the extent possible, that there is always sufficient liquidity for the Company to meet its financial obligations on time (both in normal and abnormal conditions), by avoiding unacceptable losses or risking damage to the Company's reputation. The Company's aim is to maintain a balance between continuous financing and flexibility in its usage of bank loans and settlements with suppliers. Working capital needs are satisfied by cash flows from operating activities as well as loans if cash flows are insufficient to settle liabilities.
Foreign currency risk	Foreign currency risk is the risk of change in the value of financial instruments due to changes in foreign exchange rates.	Management does not use derivative financial instruments to hedge foreign currency risks and does not follow the official policy for distribution of risks between liabilities in one or another currency. However, in the period of receiving new borrowings and loans, management uses its own estimates to take the decision as to which currency of denomination will be more favourable for the Company during the expected period until maturity. The Company carries out a sensitivity analysis of income (or loss) of the Company before tax to the possible changes in foreign currency rates.
Interest rate risk	Interest rate risk is connected with a possibility of changes in the value of financial instruments resulting from changes in interest rates.	At present, the Company's approach to the limitation of interest rate risk consists of borrowings at fixed interest rates. For variable rate borrowings, interest is linked to LIBOR or EURIBOR. The Company carries out a sensitivity analysis to changes of LIBOR or EUROLIBOR.
Currency devaluation risk	Currency devaluation can adversely affect the Company's financial results	The cost of sales of the Company is denominated in local currency – the hryvnia. Export revenue is denominated in dollars and partially hedges the risks from debt in foreign currency. Avangardco is actively developing and increasing its share in export, which leads to an increase in foreign currency earnings and reduces foreign exchange risks (for example, the risk of repayment foreign currency debt obligations).

SHAREHOLDER RISKS

OVERVIEW:

Avangardco has been and will continue to be controlled by a majority shareholder whose interests could conflict with those of holders of GDRs.

Ability of Avangardco to manage shareholder risks: LOW

Risk	Potential impact	Mitigation
Risks connected to the main shareholder	In September 2011, in order to restructure and rationalize his ownership in agricultural assets Mr. Bakhmatyuk made a decision to transfer his 77.5% shareholding in Avangardco IPL to Ukrlandfarming PLC.	Upon ULF's IPO, Avangardco's minority shareholders will be given the opportunity to swap their shares into ULF shares at a premium. Avangardco continues to operate as a separate entity and honour its commitment to avoid related-party transactions.

LABOUR RISKS

OVERVIEW:

Avangardco employs around 4,500 people and considers its employees to be a strategic asset. The Company takes great care in selecting, motivating and rewarding its employees to achieve the necessary performance.

Ability of Avangardco to manage labour risks: MEDIUM

Risk	Potential impact	Mitigation
Risk of industrial action	The risk of industrial action and a potential shut down of production facilities would incur significant losses, given the perishable nature of the Company's products.	Avangardco's workers are not unionised and collective bargaining agreements are in place at all operating facilities.
Employee turnover risk	A significant loss of trained and skilled employees would slow down the Company's realization of its strategic growth plans.	Employee turnover is low among key personnel. We provide extensive professional development opportunities. Avangardco invests in a wide range of programmes and training for the sustainable professional and personnel development of its employees. The Company has established a talent pool of young specialists, specialists, recruiting talented students while they pursue diplomas in skill sets relevant to the Company. The Company also offers some permanent jobs once the university course is completed. We are committed to providing flexible working hours and benefits.
Severance payment risk	Large-scale severance payments would result in a significant cost to the Company.	Severance arrangements are in line with legislation and are not onerous.

REGULATORY RISKS

OVERVIEW:

The nature and scope of future legislation and regulation affecting the markets in which Avangardco operates cannot be predicted and there can be no assurance that current regimes, subsidies and market protection will continue indefinitely in their current forms. Agricultural markets and agricultural production generally are subject to prevailing political and social policies.

At times, governments impose production and selling restrictions and limitations in the form of quotas, tariffs and other mechanisms to protect national producers both at international and domestic levels.
Avangardco currently benefits from a range of government subsidies and tax benefits which cannot be guaranteed in the long term.

Ability of Avangardco to manage regulatory risks: LOW

Risk	Potential impact	Mitigation
Changes in the Ukrainian tax system	Avangardco, through its agricultural subsidiaries, currently benefits from two key indirect subsidies from the Ukrainian government: the payment of fixed agricultural tax (FAT), a special VAT treatment. Changes to the Ukrainian tax system may significantly increase Avangardco's tax burden.	There is no guarantee that the special VAT and FAT regimes will not be discontinued in the future. However, the potential for tax benefits to be lifted appears slight as they are sector wide.
Export restrictions implemented by the Ukrainian authorities	Ukraine may introduce quotas and/or export tariffs in connection with the sales of shell eggs and egg products outside Ukraine that may prevent Avangardco from increasing its market share of export markets.	There can be no guarantee that the Government will not impose further limitations and restrictions in the future or, if imposed, that it will grant quotas to exporters of agricultural commodities, such as Avangardco. However, the Company believes that there are currently no plans to impose further quotas for the export of shell eggs and egg products.

POLITICAL RISKS

OVERVIEW:

Ukraine is a young country with a developing democracy which requires considerable economic, political and legal transformation to be undertaken.

As is common in developing countries the political situation in the country can be unstable from time to time.

Ability of Avangardco to manage political risks: LOW

Risk	Potential impact	Mitigation
Risk of sovereign default	Sovereign default could adversely affect Avangardco's ability to meet some of its obligations.	In the event of sovereign default, Avangardco will continue to service its debt obligations, as it has a low debt burden and a sufficient amount of revenue in foreign currency The Company's revenue in foreign currency is enough to pay both for the use of financial resources in foreign currency and to repay its obligations under the stated terms. Avangardco is actively developing and increasing its share in export, which leads to an increase in foreign currency earnings and reduces foreign exchange risks.
Political instability	If political instability continues or intensifies it could negatively affect both the Ukrainian economy and Avangardco's operations.	Avangardco considers that Ukraine will be able to overcome the challenges it is currently facing and stabilize in the near future. To date, the Company's financial results have not been negatively affected as a result of any political instability.
Loss of territory integrity	The Company operates in 14 regions of Ukraine and the Autonomic Republic of Crimea. Loss of territory integrity of Ukraine may cause regulatory and other difficulties that may affect operating activities of the Company.	Management believes that it will be able to retain its private property.

Corporate governance

CORPORATE GOVERNANCE STATEMENT

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

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

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

AVANGARDCO'S CORPORATE GOVERNANCE SYSTEM

BOARD COMPOSITION AND BALANCE

The Company's Board consists of three Directors and one independent non-executive Director.

The current Board of Directors are as follows:
Nataliya Vasylyuk – Chairwoman of the Board
Oleg Bakhmatyuk – Board member
Oleg Pohotsky – Independent non-Executive Director
Iryna Marchenko – Board member, Chief Executive Officer

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

BOARD OF DIRECTORS' RESPONSIBILITIES AND MEETINGS

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

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

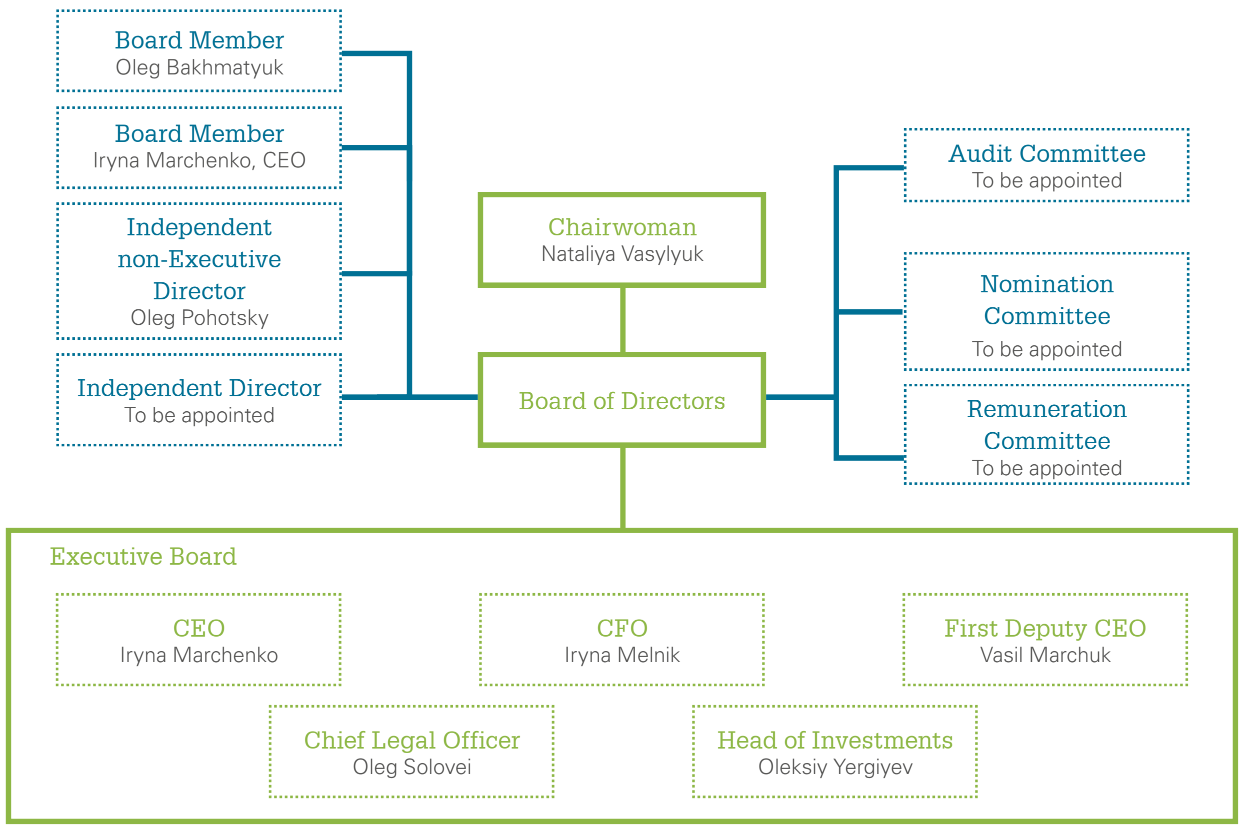
BOARD COMMITTEES

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

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

Committee decisions are taken by a majority vote and, in the event of equal votes, the Committee Chairman has the casting vote.

CORPORATE GOVERNANCE STRUCTURE



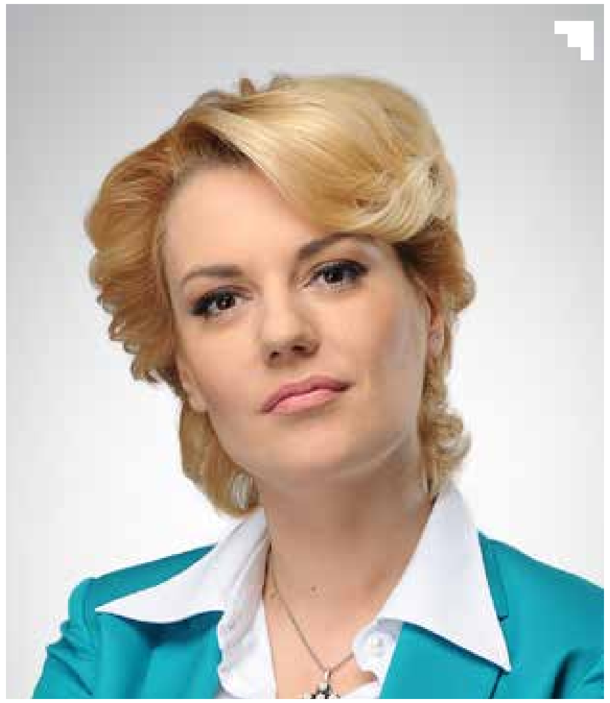
REMUNERATION OF THE BOARD OF DIRECTORS

The total remuneration paid to Avangardco's Board of Directors and management (including senior management of its subsidiaries) is paid in the form of salaries and bonuses. Under the terms of their contracts, the payment of pensions and other benefits to Board members and other senior executives upon termination of their employment with Avangardco is not provided.

AVANGARDCO IPL'S KEY CORPORATE GOVERNANCE PRINCIPLES :

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

Board of Directors



NATALIYA VASYLYUK
Chairwoman of the Board

Length of service

Nataliya Vasylyuk joined the Company in 2007. Between 2007 and 2010 she served as the CEO of Agroholding Avangard LLC and from April 2010 to January 2013 she served as CEO and member of the Board of Directors of AVANGARDCO IPL. Nataliya Vasylyuk has been Chairwoman of the Board since 30 January 2013.

Skills and experience:

Nataliya Vasylyuk obtained a Finance and Accounting Diploma at the Ivano-Frankivsk National Technical University of Oil & Gas in 2005. She began her career in 2004 as sales and marketing director at Prykarpattya Financial Company LLC. From 2004 to 2007, she served as CFO at in Stanislavska Trade Company LLC.

OLEG BAKHMATYUK
Board member

Length of service

Oleg Bakhmatyuk founded AVANGARDCO IPL in 2003 and UkrLandFarming PLC in 2007. Between 2010 and 2013 Mr. Bakhmatyuk was the Chairman and member of the Board of Directors of AVANGARDCO IPL. Since 2013 Mr. Bakhmatyuk has been a member of the Board of Directors of AVANGARDCO IPL. Since 2010 Mr. Bakhmatyuk has also served as the Chairman and CEO of UkrLandFarming PLC.

Skills and experience:

Mr. Bakhmatyuk graduated from the Economy and Law Institute in Chernivtsi with a Business Management degree and from the Institute of Economics and Law, with a degree in business administration. Oleg Bakhmatyuk owns several other companies in the food, transport, real estate and finance sectors.

OLEG MICHAEL POHOTSKY
Independent
non-executive Director

Length of service:

Oleg Pohotsky has served as an independent non-executive Director of the Company since 2011.

Skills and experience:

Mr. Pohotsky holds an MBA from the Harvard University Graduate School of Business and a Juris Doctor degree from the University of Miami Law School. He also holds a BSChE degree from Clarkson University. Mr. Pohotsky has been the managing partner of Right Bank Partners, a corporate governance and strategy advisory firm. He serves as Chairman of the Board of the H&Q Healthcare and Life Sciences Funds and as a director of the New America High Income Fund. All three closed-end funds are NYSE-listed. Mr. Pohotsky also serves on the Board of Advisors of Kaufman & Co., a Boston-based boutique investment banking firm and holds the position of Senior Advisor to Governance Metrics International.

IRYNA MARCHENKO
Chief Executive Officer

Length of service:

Iryna Marchenko joined the Company in 2007 and served as CFO until the end of 2012. In January 2013, she took over as Chief Executive Officer.

Skills and experience:

Iryna Marchenko graduated from the Kyiv Municipal Management Academy in 2004 with an accounting and audit degree. She obtained an ACCA IFRS Diploma in 2008.

Executive board members

IRYNA MARCHENKO
Chief Executive Officer

Length of service:

Iryna Marchenko joined the Company in 2007 and served as CFO until the end of 2012. In January 2013, she took over as Chief Executive Officer.

Skills and experience:

Iryna Marchenko graduated from the Kyiv Municipal Management Academy in 2004 with an accounting and audit degree. She obtained an ACCA IFRS Diploma in 2008.

IRYNA MELNIK
Chief Financial Officer

Length of service:

Iryna Melnik joined the Company in 2010 as a Deputy Chief Financial Officer and became the Chief Financial Officer of the Company in 2013.

Skills and experience:

Iryna Melnik graduated from the Economy Faculty of Stefanik Prykarpattya National University in 2002 with a degree in business economics. She was appointed financial director of Stanislavska Trading Company in 2005 and director of Ukrmyaso in 2007.

VASIL MARCHUK
First Deputy CEO

Length of service:

Vasil Marchuk joined the Company in 2010 as First Deputy CEO.

Skills and experience:

Mr. Marchuk graduated from Ivano-Frankivsk National Technical University of Oil & Gas in 1994 with degrees in mechanical engineering and accountancy. He held management posts in various companies from 1995 and from 1997 he was financial director at Prykarpattoblenergo. He was appointed deputy chairman for financial and economic matters at Ivano-Frankivskgas in 2001 and in 2004 he became chairman of Lvivgas. He became head of the Ukrainian Association of Regional Gas Distribution Companies in 2010.

OLEG SOLOVEI
Chief Legal Officer

Length of service

Oleg Solovei joined the Company in 2011 as Chief Legal Officer.

Skills and experience:

Mr. Solovei graduated from Taras Shevchenko National University of Kyiv in 1998 with a diploma in law. He was appointed head of the Kyivenergo Property and Material Relations Department in 2001. He became head of administration at the Social Insurance against Temporary Incapacity Fund in 2005 and was appointed head of the legal department at Ukrprofzdravnitsa in 2006.

OLEKSIY YERGIYEV
Head of Investments

Length of service

Oleksiy Yergiyev joined the Company in 2013 as Head of Investments.

Skills and experience:

Oleksiy Yergiyev has held the position of Advisor to the CEO of UkrLandFarming since May 2013. Prior to his current engagement he spent five years in the Investment Banking Division of Troika Dialog in Ukraine, on capital raising and working on M&A deals in agriculture, food processing, retail, financial services, metals and mining and other industries. Before Troika, Mr. Yergiyev worked in the Corporate Finance Department of Ernst & Young and in the Investment Banking Department of Millenium Capital. Mr. Yergiyev has a MA degree from the Kyiv Institute of International Relations of the Kyiv State University.

Investor information

COMMITTED TO TIMELY AND TRANSPARENT COMMUNICATION

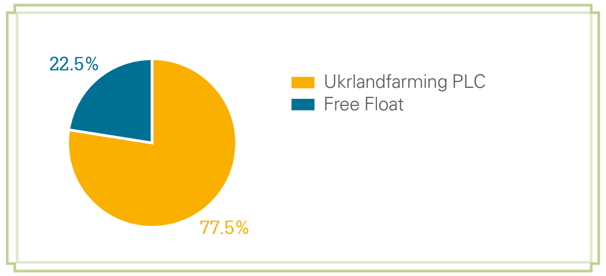
In this section of the report, we provide information about our shares, bonds, dividends, credit ratings and Investor Relations activities in 2013. This overview accompanies more detailed information available in the Investor Relations section of our corporate website.

At the year end 2013, the Company's share capital consisted of
6,387,185
common shares

SHAREHOLDER STRUCTURE

Our share capital structure and principal shareholders are set out below. Our principal shareholder since September 2011 is UkrLandFarming PLC, following the decision of our main shareholder and original founder of the Company, Mr Bakhmatyuk, to transfer his 77.5% shareholding in AVANGARDCO IPL into this business in order to restructure and rationalize his ownership in agricultural assets. At the year end 2013, the Company's share capital consisted of 6,387,185 common shares, with a free float of 22.5%.

Share Capital Structure



CREDIT RATINGS

Since 2010, our ratings have been assigned by Fitch Ratings. On February 13, 2014 Fitch Ratings downgraded our ratings, following the agency's rating action on Ukraine's sovereign ratings.

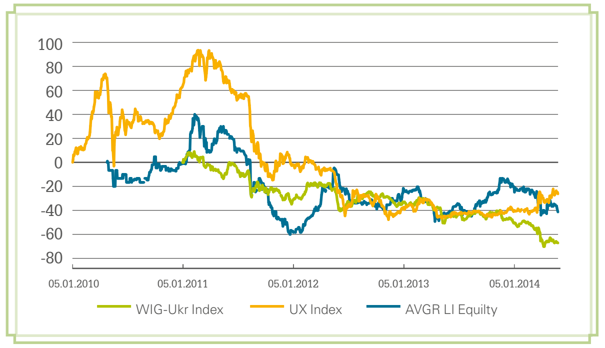
	Rating	Outlook
Long-term FC issuer default rating (IDR)	CCC	Negative
Long-term LC issuer default rating (IDR)	B- (ukr)	Negative
National Long-term rating	AA+ (ukr)	Stable
FC Senior Unsecured Notes Rating	CCC	
Recovery Rating	RR4	
Ukraine's sovereign rating	CCC	Negative

FitchRatings

SHARE AND BOND PERFORMANCE

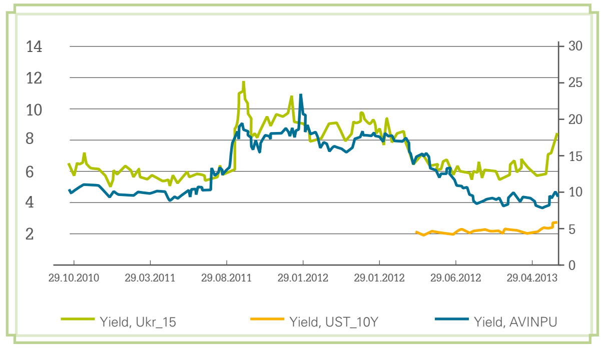
GDR PERFORMANCE

Our shares, in the form of Global Depositary Receipts (GDRs), have been trading on the London Stock Exchange since May 2010, with ticker AVGR. Our GDR performance against the WIG-Ukraine (WIG-Ukr) and the Ukrainian Equities Indexes (UX) is presented in the chart below.



BOND PERFORMANCE

Our Eurobond issue for approximately $200 mln with a maturity on 29 October 2015 was included in the official list of the UK Listing Authority (UKLA) and admitted to trading on a regulated market of the London Stock Exchange on 1 November 2010. Our bond performance is presented in the chart below.



DIVIDEND POLICY

At our AGM on 12 September 2013, we adopted and communicated a new dividend policy, which is to make dividend payments of between 15% and 40% of net income determined on the basis of the annual consolidated financial statements under the International Financial Reporting Standards (IFRS). This dividend policy demonstrates our commitment to creating value for our shareholders. At the AGM the dividend pay-out ratio for dividend pay outs in 2014 on the basis of the 2013 financial results was set at 25%. The Company plans to approve the payment of dividends at its next AGM in 2014.

New dividend policy sets dividend payments of between
15%-40%
of net income

DIVIDEND POLICY PRINCIPLES:

- Based on the balance between the interests of the Company and its shareholders with a view to increase the capitalisation of the Company;
- Executable only provided there is cash available;
- Providing for smoothing of the amount over time to avoid sharp drops or increases in the dividend when possible;
- Accounting for the Company's view of its performance, market conditions, financing and capital investments requirements and other relevant factors.

The current share price of Avagardco IPL is available on the corporate web-site:
➔ http://avangard.co.ua/eng/for-investors/share-information/

INVESTOR ENGAGEMENT

During 2013, our IR team ran a comprehensive investor engagement programme, which included organising meeting with investors, hosting site visits and taking part in a variety of worldwide investor conferences. Each year, Avangardco organises a formal Company presentation and site visit for investors and analysts. In 2013, this coincided with the Company's 10th anniversary celebrations and also included an introduction to our parent company.

ANNUAL INVESTOR DAY 27-29 JUNE 2013

- Presentation by senior management with Q&A session
- Tour of parent company UkrLandFarming operations (including grain elevator, distribution facilities and crop fields)
- Tour of Imperovo Foods
- Tour of Avis
- Avangardco's 10th anniversary celebrations

"It was easy to see that Mr. Bakhmatyuk was making an effort to be as transparent and open as possible. […]The invitation to all minority shareholders and analysts to a corporate party speaks to the company's willingness to be completely open. That's the major take away from the trip – Oleg Bakhmatyuk is putting significant effort towards improving his investor profile and to addressing the concerns investors have about himself or his companies. "

Photos and quote from a blog made by SP Advisors, one of the attendees on the trip.

To see the full blog about the Investor Day: ➔
http://www.spadvisors.eu/en/n/blog/item_11/

AVANGARDCO'S 2013 INVESTOR CONFERENCE PARTICIPANTS

- Sberbank. The Russia Forum 2013 (Moscow)
- Bank of America Merrill Lynch. Emerging Markets Corporate Conference (Miami)
- BCP Securities. VIII Annual Moscow Investor Conference (Moscow)
- Warsaw Stock Exchange. IPO Summit (Warsaw)
- Wood&Co Agri Conference (Warsaw)
- Sberbank CIB "Russia: The Inside Track" One-on-One Conference (London)
- Citi. Frontier Markets (London)
- Emerging Europe Conference, Wood&Co (Prague)

FINANCIAL CALENDAR

The financial calendar for the year is set out on our website at: ➔
http://avangard.co.ua/eng/for-investors/financial-calendar

Please consult our website for the latest details.

INVESTOR RELATIONS TEAM

We have a dedicated Investor Relations team which is committed to providing timely and detailed information to our shareholders, bondholders and analysts, as permitted by the UK Listing Rules, by following best practice information disclosure.

In 2013, Avangardco started to announce quarterly financial results, accompanied by earnings calls. We have a wide equity and fixed analyst coverage and details of analysts are provided on the Investor Relations section of our website.

In this section we also upload a variety of investor tools and information, such as the latest press releases and management presentations, annual reports, a data book, investor bulletins, fact sheets and an investor calculator.

In December 2013, our commitment to leading IR practices was strengthened by the appointment of Oleksiy Yergiyev, who joined Avangardco as Head of Investments. In this role his responsibilities include overseeing the Company's strategy, raising capital, corporate finance and investor relations alongside serving as an advisor to Oleg Bakhmatyuk, CEO and owner of UkrLandFarming PLC and Avangardco's major shareholder.

RECOGNITION FOR AVANGARDCO'S INVESTOR RELATIONS WEBSITE

In 2013 Avangardco received a best practice award from Concorde Capital for its information disclosure and consistently outstanding online IR standards.

According to Concorde Capital's survey "Investor Relations Online – 2013", Avangardco's website is one of the most informative IR websites among Ukrainian companies and was the only website to score the maximum number of points in the experts' evaluation.

Concorde Capital, a leading investment company based in Ukraine, conducts the "Investor Relations Online" survey annually. The survey analyses the websites of Ukrainian issuers based on the quality of information and disclosure to local and foreign investors. In 2013, the survey reviewed the websites of 100 companies.

CONTACT US

For all investor queries please contact us by phone or email. We are committed to answering your questions as quickly and as thoroughly as we can.

INVESTOR RELATIONS CONTACT

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Mobile: +38 067 223 46 88
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Olga Sarana
Analyst
Phone: +38 044 393 40 50
Mobile: +38 067 238 02 82
E-mail: ir@avangardco.ua

CEO review of 2013

Iryna Marchenko
Chief Executive Officer

Revenues increased by 5% to
US $ 661
mln

Net profit increased by 4% to
US $ 238
mln

EBITDA margin
46%

In 2013 the Company produced more than
7.019
bln eggs

"2013 was another successful year and confirms the effectiveness of our development strategy."

OVERVIEW

2013 was another successful year for AVANGARDCO IPL. During the year the Company produced more than 7 bln eggs and about 23 thou tons of dry egg products. Revenues increased by 5% to US $ 661 mln, net profit increased by 4% to US $ 238 mln, and we recorded an EBITDA margin of 46%.

DEVELOPING A STRONG AND DIVERSIFIED CUSTOMER BASE

In 2013, we celebrated our 10th anniversary. During this time we have built a successful business with world-class operations and developed a strong and diversified customer base. Our products are now sold in 33 countries in the Middle East and Africa, Asia and the CIS, as well as in our home market, Ukraine. Our export sales increased and, in 2013, accounted for 29% of our total revenue compared to 20% of total revenue in 2012. In 2014 we will continue to develop our sales channels, paying special attention to developing sales to retail outlets and our export sales. In the Ukrainian market we plan to maintain our current market share. In our export business, we plan to increase the volume of products sold to existing export markets and enter new ones.

KEY INVESTMENT PROJECTS COMPLETED

The most significant achievement for the Company in 2013 was the completion of the construction of our two egg laying poultry farms, "Avis" and "Chornobaivske". Together these farms can house over 11 mln laying hens. Using the latest technology and equipment from the leading world manufacturers, these new farms will enable us to decrease product breakages during the manufacturing process, improve the flock's survival rate and living conditions, minimize errors from human intervention and reduce utility costs. Together, these factors will not only increase our production efficiency but also reduce our production and sales costs.

We also successfully completed an expansion project at our egg processing factory "Imperovo Foods", doubling our egg processing capacity from 3 mln pcs to 6 mln pcs per day. To keep pace with expected demand, we plan to increase the plant's capacity further to 10 mln pcs per day. The increasing global consumption and demand for egg products is driven primarily by the development of industrial food production, with food manufacturers preferring egg products to shell eggs for food safety reasons, ease of transportation. Our ongoing capacity expansion and our proven relationships with national and global food manufacturers mean we are very well placed to meet the anticipated growth in demand.

STRATEGY CONTINUES TO DELIVER RESULTS

Our successful results in 2013 once again confirm the effectiveness of the Company's development strategy. Now in the final implementation stage of our major investment projects, the Company is the largest producer of eggs and egg products in Ukraine and Eurasia. It has developed a wide sales network both in Ukraine and globally and, as seen in our latest results, has demonstrated steady financial and operational growth.

THE POLITICAL SITUATION IN UKRAINE[1]

Since November 2013, Ukraine has been subject to political instability. We would like to assure our stakeholders that to date the political situation has not affected our business. We continue to operate as normal and demand for our products remains stable both in our domestic and export markets. We continue to monitor the political situation and will update the markets on any changes.

STRATEGIC PRIORITIES FOR THE COMING YEAR

In 2014, the Company will continue commissioning its facilities at the "Avis" and "Chornobaivske" poultry farms and expanding its egg product processing capacity at "Imperovo Foods".

The Company will pay special attention to the distribution of products and pricing, as well as cost control, taking into account significant UAH devaluation.

As far as the Company's assets in Crimea are concerned, AVANGARDCO IPL plans to limit their use until the situation in the region has stabilized.

In 2014, the Company will continue to expand its distribution network across all channels, including developing its retail channel, as well as further penetrating the market with "Kvochka"-branded products. Our export strategy involves expanding into new export markets including the EU market.

Starting from 2013 as a result of the significant increase in the production of dry egg products the Company has been actively developing its distribution. The Company is negotiating with new customers and introducing loyalty programmes for its clients. In 2014 we will continue to develop this area.

OUTLOOK

In 2014, the Company expects stable demand for eggs in Ukraine and a growing demand for eggs and egg products in global markets. The Company expects moderate growth in prices for shell eggs and egg products during the year.

Given the completion of our recent investments, our ongoing egg processing capacity expansion and our unwavering focus on our strategic priorities, we are in an excellent position to meet the growing market demand for our products.

[1] In early 2014, Ukraine witnessed a change of nearly all key government members. On 22 February 2014 the Parliament of Ukraine voted for a reinstatement of the 2004 Constitution and the dismissal of the incumbent President. Elections to vote for a new President are scheduled to take place in May 2014.

Investment programme

2013 represented a major landmark in our investment programme – as planned, we finished the construction phase of two poultry complexes and the first stage of capacity expansion at our egg processing plant.

INVESTING IN FUTURE GROWTH

In the last few years we have invested significant capital in expanding our capacities to ensure that we can meet predicted future growth.

2013 represented a major landmark as we completed the construction phase of two poultry complexes at "Avis" and "Chornobaivske".
We also successfully executed the first capacity expansion phase at "Imperovo Foods", our egg processing plant. Despite the scale of the investments we have managed to continue operating at capacity with no disruption.

KEY BENEFITS OF INVESTMENT:

These assets have no equals anywhere in the world and are of national importence as they:

- **Represent the largest egg farms ever built in Ukraine and Europe;**
- **Enable Ukraine to claim a leading position in the global market for eggs and egg products;**
- **Support the dynamic development of Ukraine's agriculture;**
- **Promote national economic growth;**
- **Contribute to improving Ukraine's global ranking and reputation.**

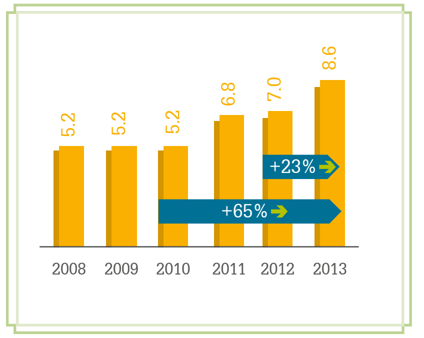
Breakdown of Capital Expenditures, US $ mln

Name of shareholder	Before IPO	2010-2013	2014E	Total
Avis	124.0	237.6	8.4	370.0
Chornobaivske	147.0	205.0	16.0	368.0
Imperovo Foods	-	160.0	0.0	160.0
Total expansion CAPEX	271.0	602.6	24.4	898.0
Maintenance CAPEX	-	61.0	39.0	100.0

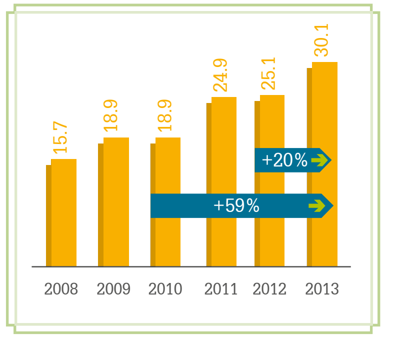
SIGNIFICANT CAPACITY INCREASE

In 2013 the Company's shell egg production and hen laying capacity increased by 23% and 20% respectively versus 2012.

Shell Egg Production Capacity, bln pcs



Capacity of Laying Hens, mln heads



8.6 bln pcs egg production capacity

30.1 mln laying hens capacity

10 mln eggs processed per day

IMPROVED EFFICIENCY, PRODUCT CONSISTENCY AND SUSTAINABILITY CREDENTIALS

- **The Company's investment in state-of-the-art technology improves the production process and the Company's ability to serve large global retailers and manufacturers. Initiatives such as the installation of biogas units improve costs and sustainability credentials.**
- **Synergies are realised through the high level of partial vertical integration.**
- **The production sites are fully compliant with European standards. "Imperovo Foods" has passed all the necessary audits to export to the EU once Ukraine gains permission.**
- **Modern technologies, combined with the vertically-integrated production process, reduce losses in the production process, minimize the negative impact of any human factor and lower the final cost of eggs and dry egg products.**
- **Equipment from leading European suppliers: Salmet International GmbH (Germany), Officine Facco & C.Spa (Italy), Big Dutchman GmbH (Germany), MOBA BV (Netherlands), Andritz Feed & Biofuel A/S (Denmark), CimBria Unigrain A/S (Denmark), Buhler AG (Switzerland), Meyn Food Processing Technology BV (Netherlands), MT Energie (Germany), Bigadan A/S (Denmark).**

NATIONAL PRESENCE AND EXPORT POTENTIAL

The Company has truly nationwide presence to service strong demand in its domestic market. The new investments have also been located close to national borders, making the plants ideally suited for the Company's plans to develop export sales.

For example, eggs produced at "Avis" are sent to "Imperovo Foods" (just 200 km away) to be processed into dry egg products, which are then exported. "Chornobaivske" is conveniently located 35 km from the Black sea, facilitating the Company's egg exports to it main export markets, the Middle East and North Africa. Products can be shipped by sea to Turkey in a day and then transported across land to the Middle East and North Africa. We can also send products relatively quickly to Central Africa. For example, eggs from Ukraine to Angola arrive in 35-37 days, whereas a delivery of eggs from Brazil to Angola takes 45-47 days.

AVIS SHELL EGG PRODUCTION COMPLEX

Avis egg production complex

Rearing site, capacity 2.635 mln hens

KEY FACTS:

LOCATION:
Khmelnytsky region

CURRENT INVESTMENT PROJECT:
Construction of new poultry farm including fodder complex and biogas unit

STATUS:
The construction phase of the eggs production complex was completed on schedule and is currently in the commissioning phase, prior to launch

EXPECTED COMPLETION DATE:
The eggs production complex is already operational and in 2014 will be run according to the production plans of the Company

US $ 370 mln

Total estimated investment in site (expansion CAPEX) by end 2014

1,616 mln eggs

Production capacity

5.2 mln laying hens

Production capacity

Feed mill

MOBA robot

Industrial site, capacity 5.202 mln hens

Packing and sorting facility

CHORNOBAIVSKE EGG PRODUCTION COMPLEX

Chornobaivske egg production complex

Rearing site, capacity 2.410 mln hens

KEY FACTS:

LOCATION:
Kherson region

CURRENT INVESTMENT PROJECT:
Construction of new poultry farm including fodder complex and biogas unit

STATUS:
The construction phase of the eggs production complex was completed on schedule and is currently in the commissioning phase, prior to launch

EXPECTED COMPLETION DATE:
The eggs production complex is already operational and in 2014 will be run according to the production plans of the Company

US $ 368 mln

Total estimated investment in site (expansion CAPEX) by end 2014

1,865 mln eggs

Production capacity

6.0 mln laying hens

Production capacity

MOBA egg grading and packing equipment

Rearing site

Packing and sorting facility

Industrial site, capacity 5.977 mln hens

IMPEROVO FOODS EGG PROCESSING PLANT

Raw materials analysis

Dry egg products testing

KEY FACTS:

LOCATION:

Ivano-Frankovsk region

CURRENT INVESTMENT PROJECT:

Two-phase capacity expansion plan

STATUS:

The first phase of the capacity expansion plan has been successfully completed and the second stage is underway. The construction works are carried out without any need to stop production.

EXPECTED COMPLETION DATE:

2014.

US $ 160 mln

Total estimated investment in site (expansion CAPEX) by end 2014

6 mln pcs per day

Current processing capacity

10 mln pcs per day

Anticipated production capacity

For more information about our biogas projects → Our stakeholders and key areas of focus page 34

Eggs separation

Quality control

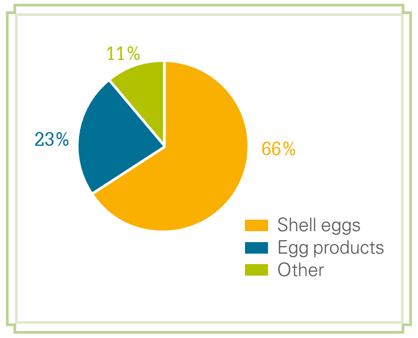
Cooling process

SANOVO tanks

Operational review of 2013

The main operational activity of the Company is the production and sale of shell eggs and dry egg products. In 2013, the volume of shell eggs produced amounted to 7,019 mln eggs (2012: 6,287 mln eggs), a year-on-year increase of 12%. At our egg processing plant, we processed 1,864 mln eggs (2012: 1,078 mln eggs), an annual increase of 73%. This translated into a production of 22.9 thousand tons of dry egg products (2012: 14.1 thousand tons), up 63%. In this section we provide more information about our business by segment.

Total Company Revenue by Segment, %



OPERATIONAL HIGHLIGHTS AT A GLANCE:

Total poultry flock up 18% to
32.5
mln heads
2012: 27.5 mln heads

Revenue from exports increased by 49% to
$ 190.7
mln
2012: US $ 127.8 mln

Volume of processed shell eggs increased by 73% to
1.9
mln eggs
2012: 1.1 mln

Population of laying hens increased by 18% to
27.0
mln heads
2012: 22.8 mln heads

Branded sales up 19% to
42.9
mln units
2012: 36.2 mln pcs

Dry egg products volume production increased by 63% to
22.9
thou tons
2012: 14.1 thou tons

Production volume of shell eggs increased by 12% to
7.0
bln eggs
2012: 6.3 bln eggs

33.0%
of shell eggs sold to supermarkets
2012: 35.0%

SHELL EGGS SEGMENT

In 2013, shell egg production grew by 12%. Total sales to third parties decreased as a result of increasing internal sales of shell eggs for further processing, in line with our long-term strategy .

SHELL EGGS OPERATING SEGMENT: KEY FACTS:

Key operating sites
19 poultry farms, "Avis" and "Chornobaivske" in Khmelnytsky and Kherson regions, Ukraine

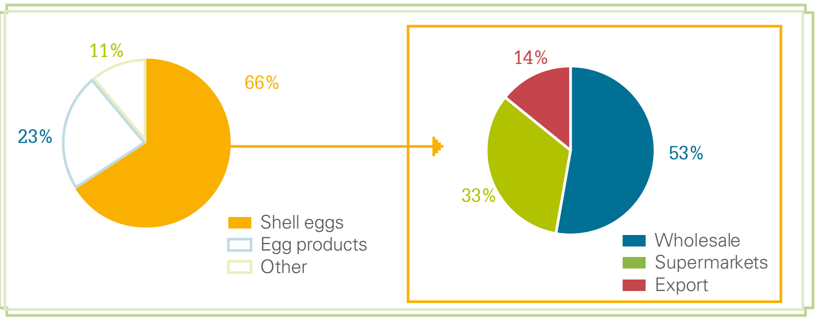
Key activities in 2013
Construction of two operating sites completed (final commissioning stage)
Brand development and customer loyalty programs

Market positions
No. 1 producer in Ukraine
Ukraine's no. 1 exporter
Market leader in Ukraine and Eurasia

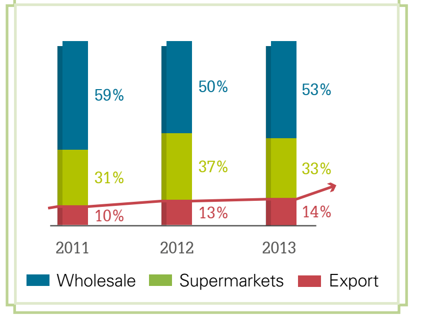
Key export regions
Middle East and North Africa, Central and West Africa, the CIS countries

Total Company Revenue by segment, %

Total Shell Egg Revenue by sales channel, %



Shell Eggs Revenue 2011-2013, %



WE INCREASED OUR TOTAL POULTRY FLOCK

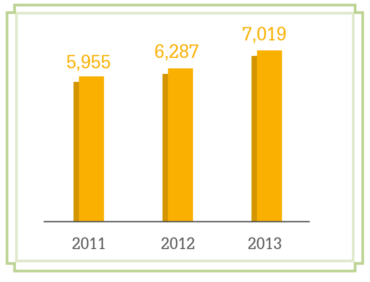
As at 31 December 2013, the total poultry flock was up by 18% year on year to 32.5 mln heads (2012: 27.5 mln heads) and the population of laying hens increased by 18% year on year to 27.0 mln heads (2012: 22.8 mln heads). In 2013, the increase in poultry flock was the result of the launch of new capacity and the placing of poultry flock at our new poultry farms "Avis" and "Chornobaivske". At the year end 2013, 38% of the total poultry flock and 34% of the total population of laying hens were housed in new poultry complexes.

Total flock	Units	As at 31.12.2013	As at 31.12.2012	Change, %
Total poultry flock	Heads (mln)	32.5	27.5	18%
Laying hens	Heads (mln)	27.0	22.8	18%

WE ARE CONSTANTLY INCREASING THE PRODUCTION VOLUME OF SHELL EGGS

In 2013, the production volume of shell eggs increased by 12% year on year to 7,019 mln pcs (2012: 6,287 mln pcs) due to the increase in the population of laying hens. We remain the largest shell egg producer in Ukraine with a share of 57% of industrial egg production.

Shell Egg Production 2011-2013, mln pcs



In 2013 production volume of shell eggs increased by 12% year on year to 7,019 mln eggs

HOW WE IMPROVE SHELL EGG SALES

SALES TO THIRD PARTIES

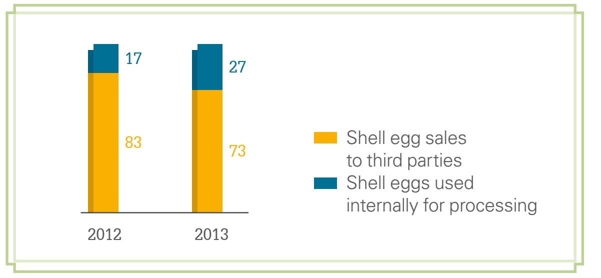
Shell egg sales to third parties decreased by 2% in volume at 5,093 mln pcs (2012: 5,223 mln pcs). This decrease reflects the increased amount of shell eggs used for internal egg processing for the production of dry egg products. This is in line with our strategy and corresponds to a significant increase in processing capacity at "Imperovo Foods" as part of our recent investment program.

EXPORT SALES

In 2013, exports of eggs decreased by 3% to 499 mln pcs (2012: 516 mln pcs) due to the fact that a significant proportion of shell eggs produced were sent for further processing in order to produce dry egg products.

The main export markets in 2013 were the countries of the Middle East and North Africa, Central and West Africa, and the CIS countries. The Company is one of the largest exporters of eggs in these regions

Breakdown of shell eggs use (volume), %



RETAIL SALES

In 2013, the share of shell egg sales through modern retail chains (supermarkets) represented 33% of total sales to third parties (2012: 35%). The Company sells its products to the majority of national and regional retailers across Ukraine. The Company's products are also widely sold through traditional retail outlets. We remain focused on increasing of our share of eggs sold through modern supermarket channels.

Branded sales

In 2013, the Company increased the sales of packaged eggs under its umbrella brand "Kvochka" to 42.9 mln pcs (2012: 36.2 mln pcs). This was due to a greater presence of branded products in retail chains and traditional retail outlets in Ukraine, as well as a growing recognition of the "Kvochka" brand among Ukrainian customers. Kvochka branded products are now sold to 16 national and 12 regional chains in Ukraine.

Average sales price

The average selling price of shell eggs was 0.69 UAH per pcs, excluding VAT (2012: 0.70 UAH per pcs, excluding VAT). The year-on-year decrease of 1% was due to the unusually high price for eggs witnessed in the second quarter of 2012, sparked by the reaction of global markets to the implementation the EU Directive in January 2012.

Avangardco's average egg price 2011-2013 UAH per pcs

In 2013 the average selling price of shell eggs was 0.69 UAH

DRY EGG PRODUCTS

2013 represented a year of dynamic growth for our dry egg products segment, with a 73% increase in processing volumes and a doubled export volumes.

DRY EGG PRODUCTS OPERATING SEGMENT KEY FACTS:

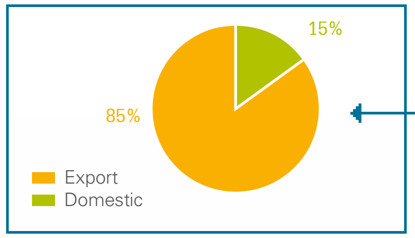
Key operating sites
Imperovo Foods in the Ivano-Frankovsk region, Ukraine

Market share/positions
No. 1 in Ukraine with a market share of over 91%

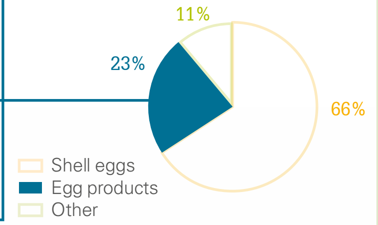
Key activities in 2013
Stage one of capacity expansion completed
Active targeting of new business opportunities

Key export regions
Middle East and North Africa region and Asia

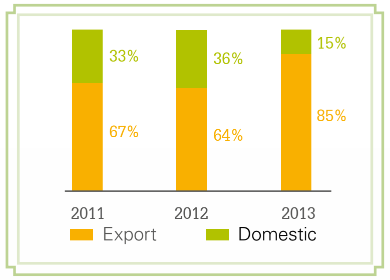
Total Dry Egg product Revenue by Channel, %



Total Company revenue by Segment, %



Dry Egg Product Revenue 2011-2013, % Export versus Domestic Sales

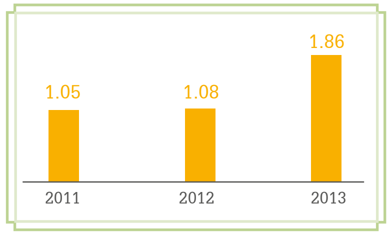


PRODUCTION

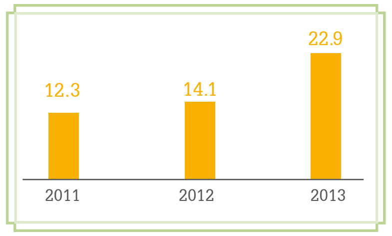
In 2013 the volume of processed shell eggs increased by 73% year-on-year to 1,864 mln pcs (2012: 1,078 mln pcs) due to the increased processing capacities at "Imperovo Foods" processing plant.

In volume terms dry egg products production increased by 63% and amounted to 22,915 tons (2012: 14,066 tons). The Company is the clear leader in Ukraine with a market share of over 91%.

Number of Eggs Processed, bln pcs



Production of Dry Egg Products, thou tons



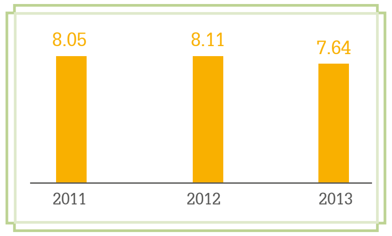
EXPORT SALES

In 2013, the Company exported 1.4 mln eggs in the form of dry egg products (2012: 0.6 mln eggs). During the reporting period, the Company exported dry egg products to the Middle East and North Africa region and Asia

AVERAGE SALES PRICE

In 2013, the average sales price for dry egg products decreased by 6% year on year to US $ 7.64 per kg (2012: US $ 8.11 per kg) due to a significant increase in export sales volumes to new and existing customers and changes in the product mix.

Average Sales Price of Dry Egg Products, US $ per kg



OTHER SALES

The remaining 11% of the Company's consolidated revenue was attributed to the Company's non-core activities associated with its vertically integrated production process, including production and sales of day-old chicks, young laying hens, poultry meat, feed, organic fertilizer and and other items which together amounted to US $ 71.3 mln in 2013 (2012: US $ 64.4 mln).

Financial review of 2013

"Our increase in profit has been achieved through tight control of our input and operational costs and our changing product mix, which reflects our strategic move towards value added products."

Iryna Melnik
Chief Financial Officer

Since 2009 we have demonstrated the strong financial performance

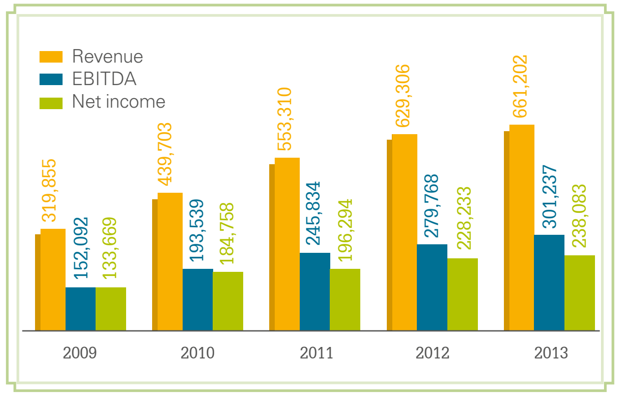
KEY FINANCIALS 2013 VERSUS 2012, % CHANGE

EBITDA: **+8%** 2013 v 2012

Revenue: **+5%** 2013 v 2012

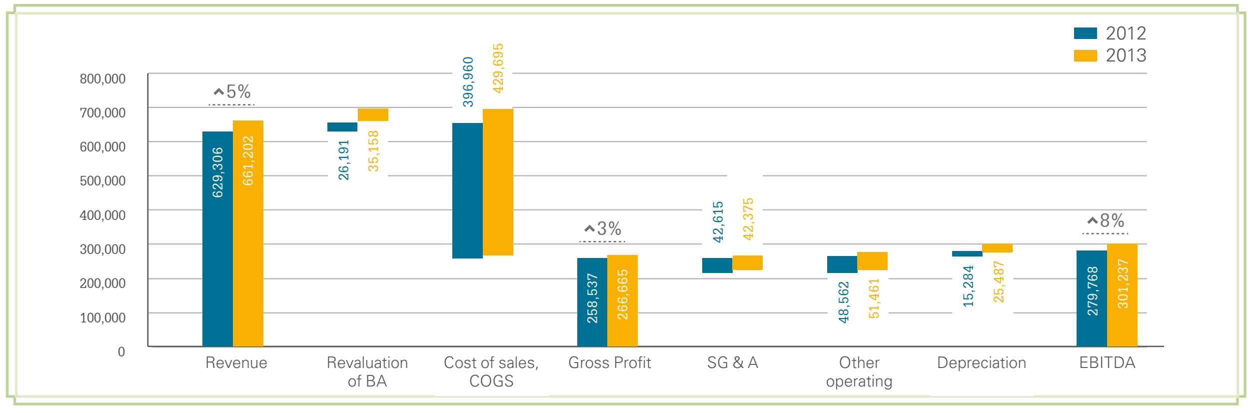
Net income: **+4%** 2013 v 2012

Revenue, EBITDA and Net Income Growth 2009-2013 , US $



FINANCIAL RESULTS AT A GLANCE:

Revenue-EBITDA Bridge in 2012-2013, US $



REVENUE

In 2013, the Company's consolidated revenue amounted to US $ 661.2 mln (2012: US $ 629.3 mln). Consolidated revenue growth of 5% compared with the previous year was due to the growth in production of eggs and dry egg products, as well as increased sales of dry egg products, including for export.

Company's consolidated revenue

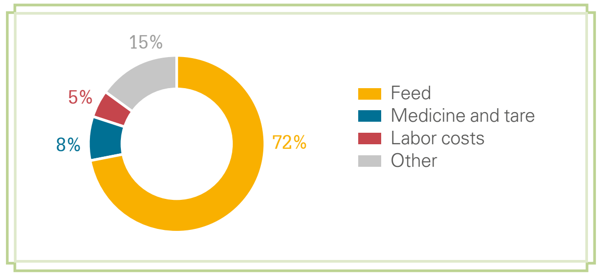
COST OF GOODS SOLD (COGS)

In 2013, our cost of sales increased by 8% and amounted to US $ 429.7 mln (2012: US $ 397.0 mln) owing to the increase in sales volumes.

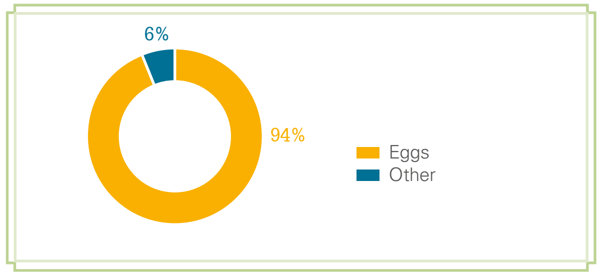
	2013	2012
Cost of finished goods sold:	-428,141	-395,004
Raw materials	-354,379	-324,260
Payroll of production personnel and related taxes	-20,313	-23,098
Depreciation	-24,556	-14,639
Services provided by third parties	-28,670	-32,824
Other expenses	-223	-183
Cost of goods sold and services rendered	-1,554	-1,956
Total	-429,695	-396,960

The largest element of our COGS is raw materials. Within this, the main cost is made up of a variety of grains and other ingredients used in our fodder mills.

COGS Analysis for Shell Eggs 2013, % Breakdown by Key Component



COGS Analysis for Dry Egg Products 2013, % Breakdown by Key Component



Fodder is the main cost component in shell egg production and accounted for 72% of the total COGS in 2013. Fodder components can be broken down into grains (wheat and/or corn), oilseeds (soybean and/or sunflower), lime and other components. Avangardco has the advantage of being able to produce feed at its own fodder mills and, in 2013, the Company covered 80% of its internal feed requirements through its own production. In 2014, Avangardco is planning to expand the capacity of its fodder mills. The fodder cost also consists of medicine and tare (7%), labor (5%), and other costs (15%).

Eggs accounted for 94% of Avangardco's total dry egg product COGS in 2013.

The Company managed to maintain these costs at the stable level primarily due to favorable grain prices, long-term relationships with key suppliers, an effective forward purchase policy and good cost control systems within its vertically integrated operations.

PROFIT AND EBITDA

Gross profit increased by 3% and amounted to US $ 266.7 mln (2012: US $ 258.5 mln). The increase in gross profit was achieved through stable production costs and an increase in sales of dry egg products. Gross profit margin was 40% (2012: 41%) and EBITDA increased by 8% to US $ 301.2 mln (2012: US $ 279.8 mln). Our EBITDA margin increased to 45.6% (2012: 44.5%). Our stable level of profitability confirms once again the effectiveness of our development strategy and our ability to benefit from the strong vertical integration of operations, which allows us to control costs at each stage of production.

Net income in 2013 increased by 4% to US $ 238.1 mln (2012: US $ 228.2 mln). Net profit margin was 36%.

Units	2012	2013	Change, %
Revenue, US $ mln	629,306	661,202	5%
Gross Profit, US $ mln	258,537	266,665	3%
Gross Profit Margin, %	*41.1*	*40.3*	
EBITDA, US $ mln	279,768	301,237	8%
EBITDA Margin, %	*44.5*	*45.6*	
Operating Profit, US $ mln	264,484	275,750	4%
Operating Margin, %	*42.0*	*41.7*	
Net Profit, US $ mln	228,233	238,083	4%
Net Profit Margin, %	*36.3*	*36.0*	

CASH FLOW AND DEBT POSITION

2013 marked the end of an intensive capital investment program and we anticipate a considerable decrease in capital expenditure going forward. As a direct result we expect to see an improvement in our future cash flow.

$'000	2011	2012	2013
Net OCF (operating activities)	185,861	277,450	187,438
CapEx (investing activities)	-161,629	-320,955	-184,684
	24,232	-43,505	2,754

In 2013, net cash flow from operating activities was US $ 187.4 mln (2012: US $ 277.5 mln) due to the increase in trade accounts receivable, prepayments and inventories.

Net cash used in investing activities decreased by 42% year-on-year and amounted to US $ 184.7 mln (2012: US $ 321.0 mln) following the completion of the Company's large-scale capital investment programme in 2013.

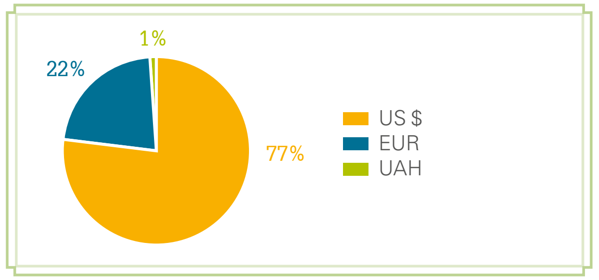
Net cash used in financing activities was US $ 49.5 mln compared to US $ 16.5 mln received in 2012. The increase was due to the repayment of Ukrainian bonds and other loans.

DEBT STRUCTURE

As of December 31, 2013 the Company's total debt decreased to US $ 322.8 mln (December 31, 2012: US $ 352.2 mln). Net debt at the end of the reporting period amounted to US $ 166.0 mln (December 31, 2012: US $ 147.9 mln). The increase in net debt was due to the decrease in cash in the accounts of the Company in connection with the implementation of its planned investments projects

$'000	2012	2013	Change, %
Total Debt	352,232	322,828	-8%
Long-term	201,031	258,628	29%
Short-term	119,391	50,000	-58%
Current portion of long-term	31,810	14,200	-55%
Net Debt	147,934	166,024	12%
			Covenant
Net debt/LTM EBITDA	0.5	0.6	-
Total debt/LTM EBITDA	1.3	1,1	<=3.0

Debt Portfolio Breakdown
by Currency year end 2013, %



The Company continues to ensure that its debt is managed as efficiently as possibly and considers that it has a balanced debt structure. Most of its debt is held in US $ and EUR. The majority of debt as at year end 2013 was held in Eurobonds, which accounted for 61% of total debt. The Company has low financial leverage, which is in line with its Eurobond covenants.

The Company continues to generate cash and its strong cash position augurs well for its planned bond repayment in October 2015. Given its strong cash position the Company also plans to make its first divided payments in 2014.

DIVIDENDS

At the Annual General Meeting of the Company on September 12, 2013 a new dividend policy was adopted. A payout ratio in 2014 is set at 25% of the profits of the Company on the basis of financial results in 2013. The dividend payment date will be approved at a shareholders meeting in 2014.

Report and Consolidated Financial Statements For the year ended 31 December 2013

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:

Nataliya Vasylyuk (Chairwoman of the Board)
Oleg Bakhmatyuk (Member of the Board)
Oleg Michael Pohotsky (Non Executive Director)
Iryna Marchenko (Chief Executive Officer)
Oksana Prosolenko (Head of Business Development, resigned on 12 September 2013)

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Str.
1087 Nicosia, Cyprus

BANKERS:

UBS AG
Postfach, CH-8098 Zurich

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

Financial Initiativa
7/9 Schorsa Str.
Kyiv, Ukraine

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

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of AvangardCo Investments Public Limited (the "Company") for the year ended 31 December 2013, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Members of the Board of Directors:

- Nataliya Vasylyuk
- Oleg Bakhmatyuk
- Oleg Michael Pohotsky
- Iryna Marchenko

Person responsible for the preparation of the consolidated financial statements for the year ended 31 December 2013:

- Iryna Melnyk

12 March 2014

BOARD OF DIRECTORS' REPORT

The Board of Directors of AvangardCo Investments Public Limited (the "Company") presents to the members its annual report together with the audited consolidated financial statements of the Company and of its subsidiaries (together with the Company referred to as "the Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Group are:

- keeping of laying hens, production and selling of eggs,
- incubation (production of one-day-old chicks), rearing young layers,
- production and selling of mixed fodder and
- processing of eggs and selling of egg products.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 8 of the consolidated financial statements.

The profit for the year attributable to the owners of the Company amounted to USD 236,032 thousand (2012: USD 225,448 thousand) which the Board of Directors recommends to be transferred to the revenue reserve.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The financial performance of the Group for the year as presented in the consolidated statement of comprehensive income of the consolidated financial statements is considered satisfactory. The Group recorded a profit of USD 238,083 thousand compared to a profit of USD 228,233 thousand in the previous year. The Group's total assets also increased to USD 1,818,913 thousand from USD 1,578,328 thousand mainly as a result of increase in profitability.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year (2012: USD nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group are disclosed in notes 38 and 40 of the consolidated financial statements.

SHARE CAPITAL

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

BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2013 and at the date of this report are presented on page 1.

Nataliya Vasylyuk was appointed Chairwoman of the Board of Directors on 30 January 2013.

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

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

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

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are presented in note 41 of the consolidated financial statements.

BRANCHES

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

RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 34 of the consolidated financial statements.

INDEPENDENT AUDITORS

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

By Order of the Board of Directors,
Nataliya Vasylyuk
Chairwoman of the Board

Nicosia, 12 March 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVANGARDCO INVESTMENTS PUBLIC LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AvangardCo Investments Public Limited (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 7 to 74, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information .

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR 'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing . Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 and 4 is consistent with the consolidated financial statements.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Maria A. Papacosta, FCCA

Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and
Registered Auditors Esperidon 14

1087 Nicosia Cyprus

12 March 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(in USD thousand, unless otherwise stated)

	Note	31 December 2013	31 December 2012
ASSETS			
Property, plant and equipment	5	1,103,630	920,072
Non-current biological assets	6	76,678	46,724
Deferred tax assets	18	3,059	1,966
Other non-current assets		373	391
Total non-current assets		1,183,740	969,153
Inventories	8	193,382	177,886
Current biological assets	6	60,648	56,889
Trade accounts receivable, net	9	88,972	55,551
Prepaid income tax	18	85	18
Prepayments and other current assets, net	10	30,845	11,966
Taxes recoverable and prepaid	7	104,439	102,567
Cash and cash equivalents	11	156,804	204,298
Total current assets		635,175	609,175
TOTAL ASSETS		1,818,915	1,578,328
EQUITY			
Share capital	12	836	836
Share premium	12	201,164	201,164
Capital contribution reserve		115,858	115,858
Retained earnings		1,132,803	899,357
Foreign currency translation reserve		(68,194)	(68,135)
Equity attributable to owners of the Company		1,382,467	1,149,080
Non-controlling interests		64,631	18,115
Total equity		1,447,098	1,167,195
LIABILITIES			
Long-term loans	13	61,495	3,969
Long-term bond liabilities	14	197,131	195,779
Deferred tax liabilities	18	44	72
Deferred income	32.1	4,743	5,047
Long-term finance lease	21	1	1,283
Total non-current liabilities		263,414	206,150
Short-term bond liabilities	22	-	25,023
Current portion of non-current liabilities	17	14,504	32,114
Short-term loans	15	50,000	94,368
Trade payables	19	15,084	24,435
Other accounts payable	20	28,815	29,043
Total current liabilities		108,403	204,983
TOTAL LIABILITIES		371,817	411,133
TOTAL EQUITY AND LIABILITIES		1,818,915	1,578,328

On 12 March 2014 the Board of Directors of AvangardCo Investments Public Limited authorised these consolidated financial statements for issue.

Nataliya Vasylyuk
Chairwoman

Iryna Marchenko
Director, CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(in USD thousand, unless otherwise stated)

		Year ended	
	Note	31 December 2013	31 December 2012
Revenue	24	661,202	629,306
Profit from revaluation of biological assets at fair value	6	35,158	26,191
Cost of sales	25	(429,695)	(396,960)
GROSS PROFIT		266,665	258,537
General administrative expenses	27	(16,746)	(22,559)
Distribution expenses	28	(25,630)	(20,056)
Income from government grants and incentives	32.1	299	305
Income from special VAT treatment	32.2	55,198	46,484
Other operating (expenses)/income, net	29	(4,036)	1,773
PROFIT FROM OPERATING ACTIVITIES		275,750	264,484
Finance income	31	124	680
Finance costs	30	(38,887)	(36,936)
PROFIT BEFORE TAX		236,987	228,228
Income tax credit	18	1,096	5
PROFIT FOR THE YEAR		238,083	228,233
OTHER COMPREHENSIVE INCOME:			
Items that will never be reclassified to profit or loss			
Effect of translation into presentation currency		(60)	(377)
Effect from changes in ownership		41,880	
TOTAL COMPREHENSIVE INCOME		279,903	227,856
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		236,032	225,448
Non-controlling interests		2,051	2,785
PROFIT FOR THE YEAR		238,083	228,233
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		233,387	225,074
Non-controlling interests		46,516	2,782
TOTAL COMPREHENSIVE INCOME		279,903	227,856
Earnings per share, USD (basic and diluted)		37	35

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital (1)	Capital contribution reserve (3)	Share premium (2)	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
As at 1 January 2012	836	115,858	201,164	673,909	(67,761)	924,006	15,333	939,339
Comprehensive income								
Profit for the year	-	-	-	225,448	-	225,448	2,785	228,233
Effect from translation into presentation currency	-	-	-	-	(374)	(374)	(3)	(377)
Total comprehensive income	-	-	-	225,448	(374)	225,074	2,782	227,856
As at 31 December 2012	836	115,858	201,164	899,357	(68,135)	1,149,080	18,115	1,167,195
As at 1 January 2013	836	115,858	201,164	899,357	(68,135)	1,149,080	18,115	1,167,195
Comprehensive income								
Profit for the year	-	-	-	236,032	-	236,032	2,051	238,083
Effect from translation into presentation currency	-	-	-	-	(59)	(59)	(1)	(60)
Effect from changes in ownership	-	-	-	(2,586)	-	(2,586)	44,466	41,880
Total comprehensive income	-	-	-	233,446	(59)	233,387	46,516	279,903
As at 31 December 2013	836	115,858	201,164	1,132,803	(68,194)	1,382,467	64,631	1,447,098

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

(2) Companies incorporated in Cyprus which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.
The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

(3) In the year ended 31 December 2009, the beneficial owner made an Additional Capital Contribution of the amount of UAH 925,122,311 (USD equivalent is USD 115,858 thousand), in his capacity as an owner. This transaction was carried out under a debt for equity swap agreement resulting in a contibuton but no issue of shares.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

(in USD thousand, unless otherwise stated)

		Year ended	
	Note	31 December 2013	31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		236,987	228,228
Adjustments for:			
Depreciation of property, plant and equipment	5	25,487	15,284
Change in allowance for irrecoverable amounts	29	683	375
Other provisions		131	134
Loss on disposal of current assets	29	377	527
Loss on disposal of property, plant and equipment	29	365	28
Impairment of current assets	29	1,123	846
Other income		-	(2,054)
Effect of fair value adjustments on biological assets	6	(35,158)	(26,191)
Gains realised from accounts payable written-off		(296)	(861)
Amortization of deferred income on government grants		(299)	(302)
Discount on long-term bonds amortization		1,352	1,216
Interest income		(124)	(680)
Interest payable on loans		28,770	32,176
Operating profit before working capital changes		259,398	248,726
Increase in trade receivables		(33,272)	(4,082)
(Increase)/decrease in prepayments and other current assets		(9,785)	14,573
Increase in taxes recoverable and prepaid		(1,872)	(26,269)
(Increase)/decrease in inventories		(16,030)	27,210
Decrease in deferred income		(5)	(2)
Decrease/(increase) in other non-current assets		18	(34)
(Decrease)/increase in trade payables		(9,055)	7,402
Decrease in biological assets		479	25,121
Decrease in finance leases		(2,552)	(2,553)
Increase/(Decrease) in other accounts payable		7,342	(2,615)
Cash generated from operations		194,666	287,477
Interest paid		(7,136)	(9,946)
Income tax paid		(92)	(81)
Net cash generated from operating activities		187,438	277,450
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments and receipts - property, plant and equipment		(184,808)	(321,635)
Interest received		124	680
Net cash used in investing activities		(184,684)	(320,955)
CASH FLOWS FROM FINANCING ACTIVITIES:			
New loans received		85,334	97,048
Repayment of loans		(88,516)	(61,603)
Interest paid for bonds issued		(22,043)	(25,335)
Repayment of short-term bonds		(25,023)	-
Blocked deposit		794	6,380
Net cash (used)/generated from financing activities		(49,454)	16,490
Net decrease in cash		(46,700)	(27,015)
Cash and cash equivalents at 1 January		203,504	230,640
Effect from translation into presentation currency		-	(121)
Cash and cash equivalents at 31 December	11	156,804	203,504

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION

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

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 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 December 2013 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 80% of its own fodder. 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.

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

Company name	Principal Activity	Country of registration	Ownership interest (%) 31 December 2013	Ownership interest (%) 31 December 2012
PJSC Avangard	Keeping of technical laying hen, production and selling of eggs	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%
PJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98.00%	98.00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited		Ukraine	100.00%	100.00%
LLC Yuzhnaya - Holding		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%

Company name	Principal Activity	Country of registration	Ownership interest (%) 31 December 2013	Ownership interest (%) 31 December 2012
ALLC Donetska Ptakhofabryka	Keeping of technical laying hen, production and selling of eggs	Ukraine	100.00%	100.00%
LLC Areal-Snigurivka		Ukraine	100.00%	100.00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		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 Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry	Ukraine	99.00%	99.00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard		Ukraine	99.00%	99.00%
SC Rogatynska Ptakhofabryka of PJSC Avangard		Ukraine	99.00%	99.00%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		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 Cross-PF Zoraya		Ukraine	89.00%	89.00%
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 LLC PF Volnovaska		Ukraine	100.00%	100.00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	97.00%	97.00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99.00%	99.00%
PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	100.00%	80.00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	99.00%	72.00%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	100.00%	100.00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93.00%	93.00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	94.00%	99.00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100.00%	100.00%
LLC Imperovo LTD	Rental services	Ukraine	94.00%	99.00%

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6,387,185 ordinary shares as at 31 December 2013 with nominal value of € 0.10 per share.

The shares were distributed as follows:

	31 December 2013		31 December 2013	
Owner	Number of shares	Ownership interest (%)	Number of shares	Ownership interest (%)
Quickcom Limited	1	-	1	-
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	3	-	3	-
	6,387,185	100.0%	6,387,185	100.0%

As at 31 December 2013 and 31 December 2012 the interests in Quickcom Limited, Omtron Limited, Tanchem Limited, Mobco Limited, UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

Owner	Ownership interest (%) as at 31 December 2013	Ownership interest (%) as at 31 December 2012
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%
UkrLandFarming Plc	100%	100%

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The 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

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of all companies of the Group is the Ukrainian Hryvnia ("UAH"). The currency of Cyprus is the Euro, but the principle exposure of the parent undertaking is through its Ukrainian subsidiaries, and therefore the functional currency of the Company is also considered to be UAH. 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 Company's translation reserve.

2.4 GOING CONCERN BASIS

These consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The consolidated financial statements do not comprise any adjustments in case of the Group's inability to continue as a going concern.

2.5 STANDARDS AND INTERPRETATIONS

Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2013, the Group adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the consolidated financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2013. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IFRS 10 ''Consolidated Financial Statements'' (effective the latest, as from the commencement date of its first financial year starting on or after 1 January 2014).
- IFRS 11 ''Joint Arrangements'' (effective the latest, as from the commencement date of its first financial year starting on or after 1 January 2014).
- IFRS 12 ''Disclosure of Interests in Other Entities'' (effective the latest, as from the commencement date of its first financial year starting on or after 1 January 2014).
- Investment Entities - Amendments to IFRS 10, 12 and IAS 27 (effective the latest, as from the commencement date of its first financial year starting on or after 1 January 2014).
- Transition Guidance - Amendments to IFRS 10, 11 and 12 (effective the latest, as from the commencement date of its first financial year starting on or after 1 January 2014).
- IAS 27 (Revised) ''Separate Financial Statements'' (effective the latest, as from the commencement date of its first financial year starting on or after 1 January 2014).
- IAS 28 (Revised) ''Investments in Associates and Joint ventures'' (effective the latest, as from the commencement date of its first financial year starting on or after 1 January 2014).
- IAS 32 (Amendments) ''Offsetting Financial Assets and Financial Liabilities'' (effective for annual periods beginning on or after 1 January 2014).
- IAS 36 (Amendments) ''Recoverable Amount Disclosures for Non-Financial Assets'' (effective for annual periods beginning on or after 1 January 2014).
- IAS 39 (Amendments) ''Novation of Derivatives and Continuation of Hedge Accounting'' (effective for annual periods beginning on or after 1 January 2014).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 7 (Amendments) ''Financial Instruments: Disclosures'' – ''Disclosures on transition to IFRS 9'' (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 ''Financial Instruments'' (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 ''Financial Instruments: Hedge accounting and Amendments to IFRS 9, IFRS 7 and IAS 39)'' (effective for annual periods beginning on or after 1 January 2015).
- IFRS 14 ''Regulatory Deferral Accounts'' (effective for annual periods beginning on or after 1 January 2016).
- IAS 19 (Amendments) ''Defined Benefit Plans: Employee Contributions'' (effective for annual periods beginning on or after 1 July 2014).
- Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 July 2014).
- Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 July 2014).
- IFRIC 21 ''Bank Levies'' (effective for annual periods beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group.

3. ACCOUNTING POLICIES

Changes in accounting policies

Exept for the changes below, the Group has consistently applied the accounting policies set out in this note to all years presented in these consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to achieve consistent application of the accounting policies applied by the Group.

The nature and effects of the changes are explained below:

a) Fair value measurement

The Group has adopted International Financial Reporting Standard 13 "Fair Value Measurement" with a date of initial application of 1 January 2013.

IFRS13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see Note 39).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

b) Presentation of items of Other Comprehensive Income (OCI)

A result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company AvangardCo Investments Public Limited and the financial statements of the companies controlled by the Company as at 31 Decenber 2013.

Transactions under common control

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies of an organisation in order to receive benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of any potential voting rights currently or potentially exercisable or arising from potential conversion are taken into account when assessing control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

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

Combinations of businesses under common control

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

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

Acquisitions of business not under common control

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

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

Transactions eliminated by consolidation

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

Non-controlling interests(NCI)

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

Business combinations and goodwill

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

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

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

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

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

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

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

3.2 FOREIGN CURRENCY TRANSLATION

(a) Transactions and balances

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

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

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

Currency	31 December 2013	Weighted average for the year ended 31 December 2013	31 December 2012	Weighted average for the year ended 31 December 2012
US dollar to Ukrainian Hryvnia	7.9930	7.9930	7.9925	7.9908

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

(b) Presentation currency

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

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

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

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

3.3 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Expenses after the initial recognition of property, plant and equipment

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

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

Subsequent measurement of property, plant and equipment

After initial recognition as an asset, the Group applies the model of accounting for the property, plant and equipment at historical cost, net of accumulated depreciation and any accumulated losses from impairment, taking into account estimated residual values of such assets at the end of their useful lives. Such cost includes the cost of replacing significant parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced from time to time, the Group recognises such parts as individual assets with specific estimated useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying value of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

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

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

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

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

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

Derecognition

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

Impairment

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

Assets under construction and unistalled equipment

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

3.4 FINANCIAL INSTRUMENTS

(i)Non-derivative financial assets

The Group classifies its non-derivative financial assets as loans and accounts receivable and available-for-sale financial assets.

The classification depends on the purposes for which the financial assets were acquired. Management takes decision concerning the classification at initial recognition and reviews such classification for reliability at each reporting period.

(a) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Such assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents and trade and other accounts receivable.

Loans issued by the Group are financial assets resulting from delivering cash to the borrower. Loans issued are accounted for at amortised cost using the effective interest method, less any impairment losses.

(b) Available for sale financial assets

Available for sale financial assets, are non-derivative financial assets that are designated as available for sale or are not classified into any other category of financial assets. Available for sale financial assets are recognised at fair value plus directly attributable transaction costs.

Investments which Management plans to hold for an indefinite period of time, and which may be sold to improve liquidity or due to changes in interest rates, are classified as available for sale financial assets. These assets are included into non-current assets unless the Group has an obvious intention to hold these assets for a period less than twelve months from the reporting period, and if selling these assets will not result from the need of increasing the working capital, in which case they will be included into current assets. Available for sale financial assets are recorded at fair value through equity and changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income.

Impairment loss on available for sale financial assets is recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayments and amortization and the current fair value, less impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to the application of the effective interest method are reflected as a component of interest income. If in a subsequent period the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized then the impairment loss is reversed, with the amount of reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

Initial recognition

All financial assets and liabilities are recognised at fair value plus transaction costs. The best confirmation of fair value at initial recognition is transaction price. Gains or losses on initial recognition are reflected only if the difference between fair value and transaction price is confirmed by other actual and regular market transactions carried out with the same instruments or with such estimation of which the valuation technique is based on open market data.

All acquisitions and sales of financial instruments which are to be carried out on a regular basis, set by regulations or marketing agreements (acquisitions and sales carried out under regular transaction procedures) are recognised at the date of transaction.

Change in value of an asset which is measured at fair value between one date of committing to purchase the assets and settlement date, is recognised either in profit or loss (for assets classified at fair value through profit or loss), or in equity (for assets classified as available-for-sale).

Principles of fair value measurement

Fair value of financial instruments is based on their market price prevailing at the reporting period without deduction of transaction costs.

In case the market price is not available, the fair value of an instrument is determined using pricing or discounted cash flow models.

When using a discounted cash flow model, the determination of future cash flows is based on the best estimates of management, and the discount rate is represented by the market interest rate for similar instruments prevailing at the reporting period. When using pricing models, the inputs are based on average market data prevailing at the reporting period.

Subsequent measurement

After the initial recognition all available for sale investments, are measured at fair value except for any instruments which are not traded on an active market and for which fair value cannot be measured reliably; such instruments are measured at cost plus transactions costs less impairment losses.

Loans and accounts receivable, are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest method. Premium and discount, including initial transaction costs, are included in the carrying amount of the corresponding instrument and amortised using the effective interest method.

Impairment of financial assets

At each reporting period the Group measures whether there is any objective evidence of impairment of financial assets or group of financial assets. A financial asset or group of financial assets is considered to be impaired if and only if there is objective evidence of impairment as a result of one or more events which occurred after initial recognition of the asset and that loss event, had an impact on the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

Impairment evidence may comprise indicators that a debtor or group of debtors is in significant financial difficulties, is unable to repay the debt or makes inaccurate payments of interest or principal amount of debt, and also the probability of bankruptcy or any other financial reorganisation. In addition, such evidence includes other observable data indicating a decrease in expected cash flows from the financial asset which is subject to reliable measurement, for example, an overdue debt. For an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for a financial asset measured at amortised cost at both a specific asset and collective level. All individually significant assets are measured for specific impairment. Those found not to be specifically impairment are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risks characteristics.

In assessing collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial assets at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted using the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after at the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Derecognition

The financial assets are derecognised if the term of contractual rights for cash flows from financial assets expires, or the Group transfers all the significant risks and benefits from asset ownership.

(ii)Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date which is the date that the Group becomes a party to the contractual provision for the instrument. The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs using the effective interest method.

Other financial liabilities comprise loans and borrowings, bonds liabilities, bank overdrafts and trade and other payables.

(a) Loans and borrowings

Loans and borrowings are financial liabilities of the Group resulting from raising borrowings. Loans and borrowings are classified as short-term liabilities except for cases when the Group has vested right to defer the liabilities at least by 12 months from the reporting period.

Initial recognition

Financial liabilities are initially recognised at fair value adjusted for directly related transaction costs in case of loans and borrowings.

Subsequent measurement

Trade and other accounts payable initially recognised at fair value is subsequently accounted for at amortized value using the effective interest method.

Borrowings initially recognised at fair value of liability net of transaction costs are subsequently reported at amortised cost; any difference between the amount of received funds and amount of repayment is reported within interest expenses during the period in which borrowings were received under the effective interest method.

Derecognition

The financial liabilities are derecognised if the term of contractual obligations expires, contractual obligations fulfilled or agreement cancelled.

3.5 BONDS

Bonds consists of capital securities and are presented at amortised cost. The amortized cost is the fair value of securities issued after the deduction of interest payments plus the cumulative amortization using the effective interest method of any difference between the initial amount and the amount of maturity.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and allocate revenue or interest expense over the relevant period. The real interest rate is the rate that exactly discounts estimated future cash payments or receipts at the expected term of the financial instruments on when appropriate, a shorter period to the net book value of the financial asset or financial liability.

3.6 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined as the estimated selling price less estimated costs of completion and preliminary estimated distribution and selling costs. The cost of inventories is based on the first-in-first-out (FIFO) principle.

The cost of inventories comprises all expenses for acquisition, processing and other expenses incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes the cost of raw materials, direct labour and other production costs, and also corresponding part of production overheads.

The Group regularly reviews inventories to determine whether there are any indicators of damage, obsolescence, slow movement, or a decrease in net realisable price. When such events take place, the amount by which inventories are impaired, is recognised in profit or loss.

Impairment of inventories

At each reporting period, the Group assesses the necessity to impair obsolete and surplus inventory and supplies.

Cost of inventories may be irrecoverable if the realisable value for such inventories has decreased due to their damage, whole or partial obsolescence or resulting from changes in market prices. Cost of inventories may be irrecoverable if possible costs for completion or sale have increased.

Raw and other materials in inventories are not written-off below cost, if finished goods, in which they will be included, will be sold at cost or above. However, when decrease in price for raw materials indicates that cost of finished goods will exceed the net realisable value, raw materials are written-off to net realisation values.

3.7 BIOLOGICAL ASSETS

The following groups of biological assets are distinguished by the Group:

- replacement poultry (non-current asset);
- commercial poultry (current asset);
- other biological assets (current asset);

(a) Non current assets - assets with useful life of more than a year. Age of livestock poultry is between 1 – 194 days old.

(b) Current assets - assets with useful life within one year. Age of livestock poultry is between 195 – 560 days old.

The Group performs a biological asset measurement at initial recognition and as at each reporting period, at fair value less any estimated expenses for sale, except in the cases, were fair value cannot be determined reliably. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

The difference between the fair value less estimated costs to sell is recognised in profit or loss.

The Group includes the following elements into cost of laying hens in the process of growing:

- Animal feed
- Depreciation of property, plant and equipment related to the process of growing
- Wages and salaries of personnel related to the process of growing
- Other expenses directly related to the process of growing

Determination of the fair value of biological assets

Due to an absence of an active market for laying hens in Ukraine, to determine the fair value of biological assets, the Group uses the discounted value of the asset's expected net cash flows.

Determination of the fair value of agricultural produce

Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the profit or loss in the period in which it arises.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at banks, cash in hand, cash in transit and issued letters of credit. The bank deposits are held without a specific maturity, are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

3.9 IMPAIRMENT OF NON-CURRENT ASSETS

The Group assesses at each reporting period the carrying value of its non-current assets to determine whether there is any objective evidence that non-current assets are impaired. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The expected recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs to sell and its value in use. In estimating value in use, the future cash flows are discounted to present value using a pre-tax discount that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

If the expected recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) shall be reduced to its recoverable amount. That reduction is an impairment loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease. If the impairment loss is reversed subsequently, the carrying value of an asset (or cash-generating unit) increases to the revised and estimated amount of its recoverable amount, where increased carrying value does not exceed the carrying value which could be determined only in the case where no impairment loss for an asset (or cash-generating unit) was recognised in the previous years. Reversal of the impairment loss is recognised as profit immediately.

3.10 VALUE ADDED TAX (VAT)

There are two rates of value added taxes: 20% – on import and sales of goods and services in the territory of Ukraine and 0% - on export of goods and rendering of services and works outside Ukraine.

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.

VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods by the company.

The Group's entities apply the special VAT taxation treatment prescribed by the Tax Code of Ukraine, which entered into force on 1 January 2011, regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers.

For goods and services supplied at the 20% tax rate, revenue, expenses and assets are recognised net of VAT amount, unless:

- the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables that are stated including the value added tax.

The Group classifies VAT recoverable arising from its operating activities and its capital expenditures. The balance of VAT recoverable may be realised by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.11 INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting period. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting period.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.12 REVENUE RECOGNITION

Revenue includes the amount of compensation received or to be received for realisation of products and services in the course of the ordinary activities of the Group. Revenue is recognised net of value added tax, returns, trade discounts and intragroup transactions.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards have been transferred to the customer, recovery of the consideration is probable, the associated cost and possible return of goods and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting period. The stage of completion is assessed by reference to surveys of work performed.

3.13 INTEREST INCOME/EXPENSE

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying value of the financial asset or liability. Interest income is included in finance income to the statement of comprehensive income. Foreign currencies gain and loss are reported on a net basis as either a finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.14 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A lease is classified as finance lease, when, according to lease terms, the lessee assumes all the significant risks and benefits associated with ownership of the relevant assets. All other leases are classified as operating leases.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.15 DISTRIBUTION OF DIVIDENDS

The amount payable to the owners of the Company in the form of dividends is recognised as a liability in the financial statements of the Group in the period the dividends were approved by the owners of the Company.

3.16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily requires significant time to be prepared for use in accordance with the group's intentions or for sale, are capitalised as the part of initial value of such asset. All other borrowing costs are expensed in the period they were incurred. Borrowing costs include interest payments and other expenses incurred by the Group related to borrowings.

3.17 GOVERNMENT GRANTS

Recognition of government grants

The Group recognises government grants when received.

The Group recognises the government grants as other operating income in the same periods as the corresponding expenses, which they compensate, on a systematic basis:

- All grants, compensating the expenses of the preceding periods, shall be recognised by the Group in full in the period of their receipt as other operating income;
- All grants, related to assets not depreciated, such as a land site, shall be correlated by the Group with the expenses to fulfill the obligations. Where a grant in the form of provision of a land site is conditional on construction of a building on the site, the Group divides the recognition of the grant as other operating income over the whole useful life of the building;
- All grants, related to the amortised assets, shall be recognised by the Group as a decrease in the expenses for amortisation during the periods, when the amortisation of these assets is accrued.

Accounting for government grants for agricultural activities

The Group recognises unconditional state grants related to biological activities as income only in cases when such government grants are receivable. A contingent government grant, is recognised by the Group as income only after the fulfilment of respective conditions.

Return of the government grants

If subsidies are returned partially or completely, the amount to be returned shall be deducted from the remaining unused amount of the government subsidies. If an amount, exceeding the unused part of the government subsidies, is to be returned, the Group shall immediately reflect the amount of such excess as the expenses in the reporting period.

3.18 CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recognised in the consolidated financial statements. Such liabilities are disclosed in the notes to the consolidated financial statements, with the exception of when the probability of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed in the notes in such cases when there is a possibility of receiving economic benefits.

3.19 PROVISIONS

A provision is a liability of uncertain amount or timing. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.20 SHARE CAPITAL

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of share capital issued is transfered to share premium. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

3.21 OPERATING SEGMENTS

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Group is organised by reportable segments and this is the primary format for segmental reporting. Each segment provides products or services which are subject to risks and rewards that are different from those of other segments.

3.22 EVENTS AFTER THE REPORTING PERIOD

The Group adjusts the consolidated financial statements amounts if events after the reporting period demand adjustments. Events after the reporting period requiring adjustments of the consolidated financial statements amounts relate to the confirmation or contradiction of the circumstances prevailing at the reporting period, as well as estimates and judgments of management, which are made under conditions of uncertainty and incompleteness of information at the reporting period. If non-adjusting events that occurred after the reporting period are significant, non-disclosure of information about them may affect the economic decisions of users which are made on the basis of these financial statements. Accordingly, the Group discloses the nature of such events and estimates of their financial effect or states the impossibility of such estimate for each material category of non-adjusting events that occurred after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, information about significant area of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are disclosed below:

4.1 BASIS OF CONSOLIDATION (TRANSACTIONS UNDER COMMON CONTROL)

Control is the ability to govern an entity's financial and operating policies with the aim of receiving benefits from its activities. Where control over subsidiaries and the parent company belongs to the ultimate beneficial owner, these transactions are considered to be combinations of business under common control, which are outside the scope of IFRS3: "Business combinations".

4.2 FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average production of eggs over lifecycle of poultry
- Average productive life of livestock poultry
- Estimated future sales price
- Projected production costs and costs to sell
- Discount rate
- Mortality rate

4.3 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group estimates the remaining useful life of property, plant and equipment at least once a year at the end of the fiscal year. Should the expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors". These estimates may have a significant effect on the carrying value of property, plant and equipment and depreciation recognised in the consolidated statement of comprehensive income.

4.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is the most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4.5 VAT RECOVERABLE

Management classified VAT recoverable balance as current based on expectations that will be realised within twelve months from the reporting period. In addition management assessed whether the allowance for irrecoverable VAT needs to be created.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT input over VAT output in the normal course of business.

4.6 IMPAIRMENT OF RECEIVABLES

The Group provides for doubtful debts to cover potential losses when a customer may be unable to make necessary payments. In assessing the adequacy of provision for doubtful debts, management considers the current economic conditions in general, the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of provision for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

Group approach is used in calculating the impairment of receivables:

Group approach - receivables are grouped, and turnover is analysed for the group as a whole, rather than on each individual debt separately. Based on the analysis of accounts receivable according to the previous reporting period data for the share of uncollectible receivables, interest is calculated for calculation of reserve for doubtful debt of current reporting period. Subsequently, to calculate the provision of doubtful debt of current reporting period, interest is applied to outstanding balance for the current period, less the amount of accounts receivable, provision for which is calculated on an individual basis.

The amount of impairment in respect of doubtful debt is reported in the statement of comprehensive income in other operating expenses.

Bad debts which are recovered are written-off from the consolidated statement of financial position along with a corresponding adjustment to the provision for doubtful debts, and the recovered amount is recognised in profit or loss.

The Group does not accrue provisions for doubtful debts on balances with intragroup parties regardless of the origin date of current debt, as these would be eliminated on consolidation.

4.7 LEGAL PROCEEDINGS

The Group's management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have a significant effect on the future results of operating activity.

4.8 IMPAIRMENT OF OBSOLETE AND SURPLUS INVENTORY

The Group assesses the necessity to impair obsolete and surplus inventory and supplies. To estimate the amount of impairment against obsolete and surplus inventory and supplies, the following approach is used:

Inventory turnover (for each type) = Credit turnover on the accounts of inventories transferred to the production (for the reporting period) / Average carrying value on the accounts of inventories (for the reporting period).

Finished goods turnover = Credit turnover on the accounts of finished goods sold on the spot (for the reporting period)/ Average carrying value on the accounts of finished goods (for the reporting period).

Inventory storage period = Duration of reporting period/ Inventory turnover

The Group distinguishes all inventories into 4 types depending on storage period or turnover index:

Type	Storage period, months	Turnover index	% of reserve
1	under 3	above 1	0
2	from 3 to 6	from 0.5 to 1	30
3	from 6 to 9	from 0.33 to 0.5	50
4	above 12	under 0.33	100

4.9 DEFERRED TAX ASSETS

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective regions in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets are reviewed at each reporting period and reduced to the extent where no longer exists any probability for sufficient taxable profit to be received, which enables realising the whole number of or a part of deferred tax assets. Estimate of probability includes judgments, which are based on expected characteristics of activity. To estimate the probability of utilising deferred tax assets in future, various factors are used, including previous years' results, operating plans, expiry of tax losses recovery, strategies of tax planning. Should actual results differ from the estimates, and should such estimates need to be reviewed in future periods, this can negatively influence the financial position, financial results and cash flows. Should the estimated utilisation of deferred tax assets be reduced, such reduction is to be recognised in profit or loss.

4.10 CONTINGENT LIABILITIES

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is based on Management's judgments and estimates of the outcomes of such future events. In particular, the tax laws in Ukraine are complex and significant management judgement is required to interpret those laws in connection with the tax affairs of the Group, which may be rebutted by the tax authorities.

4.11 IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS

The ongoing global financial and economic liquidity crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

4.12 MEASUREMENT OF FAIR VALUES

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
As at 1 January 2013	3,464	301,995	48,381	101,353	6,340	3,100	521,381	986,014
Acquisitions	-	501	557	24	30	75	208,233	209,420
Disposals	-	(223)	(158)	(2)	(34)	(37)	(9)	(463)
Foreign currency translation	(1)	(19)	(3)	(8)	-	-	(22)	(53)
Internal transfers	-	60,713	203	5,044	316	119	(66,395)	-
Reclassification	-	30	111	-	-	(30)	(111)	-
As at 31 December 2013	3,463	362,997	49,091	106,411	6,652	3,227	663,077	1,194,918
Accumulated depreciation								
As at 1 January 2013	-	22,612	6,441	32,658	2,851	1,380	-	65,942
Depreciation charge	-	12,719	4,308	7,154	770	536	-	25,487
Depreciation eliminated on disposal	-	(37)	(63)	-	(10)	(27)	-	(137)
Foreign currency translation	-	(2)	-	(2)	-	-	-	(4)
Reclassification	-	22	4	-	-	(26)	-	-
As at 31 December 2013	-	35,314	10,690	39,810	3,611	1,863	-	91,288
Net book value								
As at 31 December 2013	3,463	327,683	38,401	66,601	3,041	1,364	663,077	1,103,630
As at 1 January 2012	3,465	173,848	22,042	91,371	5,306	2,460	264,936	563,428
Acquisitions	-	17,383	1,071	47	854	448	406,874	426,677
Disposals	-	(4)	(52)	-	(33)	(17)	(3,731)	(3,837)

Cost	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Foreign currency translation	(1)	(86)	(13)	(33)	(2)	(1)	(118)	(254)
Internal transfers	-	110,854	25,915	9,423	215	173	(146,580)	-
Reclassification	-	-	(582)	545	-	37	-	-
As at 31 December 2012	3,464	301,995	48,381	101,353	6,340	3,100	521,381	986,014
Accumulated depreciation								
As at 1 January 2012	-	17,220	4,671	25,778	2,156	909	-	50,734
Depreciation charge	-	5,399	1,959	6,727	715	484	-	15,284
Depreciation eliminated on disposal	-	-	(24)	-	(19)	(13)	-	(56)
Foreign currency translation	-	(7)	(2)	(10)	(1)	-	-	(20)
Reclassification	-	-	(163)	163	-	-	-	-
As at 31 December 2012	-	22,612	6,441	32,658	2,851	1,380	-	65,942
Net carrying value								
As at 31 December 2012	3,464	279,383	41,940	68,695	3,489	1,720	521,381	920,072

As at 31 December 2013 and 31 December 2012 the property, plant and equipment that was used as security for long-term and short-term loans was as follows:

	Carrying value of security as at	
	31 December 2013	31 December 2012
Buildings and structures	81,346	66,520
Machinery and equipment	161	5,914
Equipment for biological assets	7,123	10,054
Vehicles	221	265
Other equipment	4	293
Assets under construction-in-progress and uninstalled equipment	41,430	46,288
	130,285	129,334

As at 31 December 2013 and 31 December 2012 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 7,784 thousand and USD 10,486 thousand respectively. The carring amount of contractual commitments is presented in Note 21.

At each reporting period, the Group reviews the book values of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). As at 31 December 2013 and 31 December 2012 the recoverable amount was estimated at the lower of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate of 20%. As a result, no impairment indications were identified in the years ended 31 December 2013 and 2012.

6. BIOLOGICAL ASSETS

	Note	31 December 2013	31 December 2012
Non-current biological assets			
Replacement poultry	a), b)	76,678	46,724
		76,678	46,724
Current biological assets			
Commercial poultry	a), b)	60,646	56,886
Other biological assets	c)	2	3
		60,648	56,889
Total		137,326	103,613

a) Commercial poultry and replacement poultry were as follows:

	31 December 2013		31 December 2012	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	2,370	13,833	-	-
Hy-Line	28,244	117,673	27,020	100,843
Hisex	1,288	3,288	499	2,767
Brown Nick	630	2,530	-	-
	32,532	137,324	27,519	103,610

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

As at 1 January 2012	103,217
Acquisitions	50,051
Increase in value as a result of increase in weight/number	60,292
Net change in fair value	26,191
Decrease in value resulting from assets disposal	(47,124)
Effect from translation into presentation currency	(35)
Decrease in value resulting from hens slaughtering	(88,815)
Other changes	(167)
As at 31 December 2012	103,610
As at 1 January 2013	103,610
Acquisitions	114,401
Increase in value as a result of increase in weight/number	132,523
Net change in fair value	35,158
Decrease in value resulting from assets disposal	(97,157)
Effect from translation into presentation currency	-
Decrease in value resulting from hens slaughtering	(150,903)
Other changes	(308)
As at 31 December 2013	137,324

Due to the absence of an active market for laying hen in Ukraine, to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 25.0% prevailing as at 31 December 2013 was applied (for the year ended 31 December 2012: 25.0%).

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

c) Other current biological assets include pigs, bees and sheep.

Regulatory and environmental risk

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

7. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as at 31 December 2013 and 31 December 2012 were as follows:

	Note	31 December 2013	31 December 2012
VAT settlements	a)	104,346	102,455
Other taxes prepaid		93	112
		104,439	102,567

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.

8. INVENTORIES

Inventories as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Raw and basic materials	132,264	144,752
Work-in-progress	606	1,153
Agricultural produce	2,150	2,417
Finished goods	33,939	11,487
Package and packing materials	13,997	6,168
Goods for resale	6,350	8,707
Other inventories	4,076	3,202
	193,382	177,886

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

The Group produced shell eggs in the quantity of 7,018,584,086 (2012: 6,287,065,555 items) which have fair value amounted to USD 605,883 thousand (2012: USD 550,752 thousand).

In 2012 raw and basic materials with carrying amount 32 thousand were pledged as a security for the Group's loans (Note 16).

9. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts reveivable as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Trade receivables-gross	89,040	55,768
Provision for doubtful debts	(68)	(217)
	88,972	55,551

As at 31 December 2013 an amount of USD 11,077 thousand or 12.5% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2012–see note 38).

The fair values of trade accounts receivable due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade accounts receivable is reported in note 38 of the consolidated financial statements.

10. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Prepayments	18,144	9,823
Provision for doubtful debts	(1,213)	(765)
Other non-trade accounts receivable	13,914	2,908
	30,845	11,966

The exposure of the Group to credit risk and impairment losses in relation to prepayments and other current assets is reported in note 38 of the consolidated financial statements.

11. CASH AND CASH EQUIVALENTS

Prepayments and other current assets as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Cash in banks	154,771	202,249
Cash in hand	33	49
Other bank accounts in foreign currency	2,000	2,000
Cash and cash equivalents	156,804	204,298
Less blocked deposit		
Other bank accounts in foreign currency	-	(794)
Cash and cash equivalents represented in consolidated statement of cash flows	156,804	203,504

Blocked deposit represents letter of credit opened with banks under the contracts for purchase of property, plant and equipment.

The exposure of the Group to credit risk and impairment losses and to liquidity risk in relation to cash and cash equivalents is reported in note 38 of the consolidated financial statements.

12. SHARE CAPITAL

	31 December 2013		31 December 2012	
	Number of shares	Share capital, USD ths	Number of shares	Share capital, USD ths
Authorised				
Ordinary shares Euro 0,10 each	6,500,000	908	6,500,000	908
Issued and fully paid				
As at 31 December	6,387,185	836	6,387,185	836

On 22 April 2010 the Company increased its authorized share capital by 1,500,000 ordinary shares of EUR 0.10 per share

In May and June 2010 the Company issued 1,387,185 ordinary shares with nominal value EUR 0.10 per share.

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

13. LONG-TERM LOANS

Long-term loans as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Long-term bank loans in national currency	2,860	4,290
Long-term bank loans in foreign currency	70,448	27,832
Total loans	73,308	32,122
Commodity credit	1,109	1,109
	74,417	33,231
Current portion of non-current liabilities for bank loans in national currency	(1,430)	(1,430)
Current portion of non-current liabilities for bank loans in foreign currency	(11,492)	(27,832)
	61,495	3,969

a) As at 31 December 2013 and 31 December 2012 the long-term bank loans by maturities were as follows:

	31 December 2013	31 December 2012
Less than one year (current portion) (note 17)	12,922	29,262
From 1 to 2 years	13,165	1,430
From 2 to 3 years	12,619	1,430
From 3 to 4 years	10,133	-
From 4 to 5 years	6,375	
Over 5 years	18,094	-
	73,308	32,122

b) As at 31 December 2013 and 31 December 2012 the long-term bank loans by currencies were as follows:

	31 December 2013	31 December 2012
Long-term bank loans in UAH	2,860	4,290
Long-term bank loans in USD	-	27,832
Long-term bank loans in EUR	70,448	-
	73,308	32,122

c) As at 31 December 2013 and 31 December 2012 the interest rates for long-term bank loans were as follows:

	31 December 2013	31 December 2012
Long-term bank loans denominated in UAH	14%	14-21%
Long-term bank loans denominated in USD	-	11%
Long-term bank loans in EUR	1.5%+EURIBOR-1.75%+EURIBOR	-

Interest rates for long-term bank loans are fixed rates.

d) Commodity credit in the amount of USD 1,109 thousand is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboprodiktiv" and OJSC "Ptakhohospodarstvo Chervonyi Prapor" for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. In case of default after the maturity of the loan the Group's companies are subject to fine and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine, applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments. The commodity credit does not have a maturity date.

The exposure of the Group to interest rate risk and liquidity risk in relation to loans and borrowings is reported in note 38 of the consolidated financial statements.

14. LONG-TERM BOND LIABILITIES

Long-term bond liabilities as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Par value	200,000	200,000
Discount on issued bonds	(2,869)	(4,221)
	197,131	195,779
Coupon payable	3,462	3,462

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.

Surety providers of the bonds were as follows: (1) LLC Areal Snigurivka, (2) CJSC Agrofirma Avis, (3) LLC Torgivelniy Budynok Bohodukhivska Ptahofabryka, (4) CJSC Chernivetska Ptakhofabryka, (5) OJSC Ptakhohospodarstvo Chervonyi Prapor, (6) APP CJSC Chornobaivske, (7) CJSC Avangard, (8) ALLC Donetska Ptakhofabryka, (9) SC Gorodenkivska Ptakhofabryka, (10) LLC Imperovo Foods, (11) PSPC Interbusiness, (12) SC Rohatynska Ptahofabryka, (13) SC Ptakhofabryka Lozuvatska, (14) LLC PF Volnovaska, (15) PJSC Cross P/F Zorya.

The exposure of the Group to interest rate risk and liquidity risk in relation to long term-bond liabilities is reported in note 38 of the consolidated financial statements.

15. SHORT-TERM LOANS

Short-term loans as at 31 December 2013 and 31 December 2012 were as follows:

	Note	31 December 2013	31 December 2012
Short-term loans in national currency		-	32
Short-term bank loans in foreign currency	a), b), c)	50,000	94,336
		50,000	94,368

a) As at 31 December 2013 and 31 December 2012 the short-term bank loans by maturity were as follows:

	31 December 2013	31 December 2012
Less than 3 months	-	-
From 3 to 6 months	50,000	94,336
	50,000	94,336

b) As at 31 December 2013 and 31 December 2012 the short-term bank loans by currencies were as follows:

	31 December 2013	31 December 2012
Short-term bank loans in USD	50,000	50,004
Short-term bank loans in EUR	-	44,332
	50,000	94,336

c) Short-term bank loans by currencies as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Short-term bank loans denominated in USD	10.25%	10.25%
Short-term bank loans denominated in EUR	-	1.5%+EURIBOR-1.75%+EURIBOR

The exposure of the Group to interest rate risk and liquidity risk in relation to short term borrowings is reported in note 38 of the consolidated financial statements.

16. SECURITIES

Long-term loans (Note 13) and short-term loans (Note 15) as at 31 December 2013 and 31 December 2012 were secured on assets as follows:

	31 December 2013	31 December 2012
Buildings and structures	81,346	66,520
Machinery and equipment	161	5,914
Equipment for biological assets	7,123	10,054
Vehicles	221	265
Other equipment	4	293
Assets under construction-in-progress and uninstalled equipment	41,430	46,288
Property, plant and equipment, total	130,285	129,334
Inventories	-	32
Total	130,285	129,366

As at 31 December 2012, 116,404,961 shares of APP CJSC Chornobaivske were pledged under long-term bank loans.

As at 31 December 2013 surety providers of the bonds of UkrLandFarming Plc were as follows: PJSC Agrofirma Avis , LLC Areal-Snigurivka, PJSC Chernivetska Ptakhofabryka, PJSC Chornobaivske, ALLC Donetska Ptakhofabryka, SC Gorodenkivska Ptakhofabryka of PJSC Avangard, LLC Imperovo Foods, PSPC Interbusiness, LLC Makarivska Ptakhofabryka, PJSC Ptakhofabryka Pershe Travnya, PJSC Ptakhohospodarstvo Chervonyi Prapor, LLC Slovyany, LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka, LLC PF Volnovaska.

17. CURRENT PORTION OF NON-CURRENT FINANCIAL LIABILITIES

The current portion of non-current financial liabilities as at 31 December 2013 and 31 December 2012 was as follows:

	31 December 2013	31 December 2012
Trade and other payables		
Deferred income (current portion)	304	304
Financial liabilities		
Current portion of finance lease liabilities	1,065	2,123
VAT included in current portion of finance lease liabilities	213	425
Current portion of non-current liabilities for bank loans in foreign currency	11,492	27,832
Current portion of non-current liabilities for bank loans in national currency	1,430	1,430
	14,504	32,114

The exposure of the Group to liquidity risk in relation to non-current financial liability is reported in note 38 of the consolidated financial statements.

18. DEFERRED TAX ASSETS AND LIABILITIES, INCOME TAX EXPENSE

The principal components of deferred tax assets and liabilities before netting off on a company basis as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Influence of temporary differences on deferred tax assets		
Property, plant and equipment, non-current assets	2,811	1,718
Provisions	205	181
Total deferred tax assets	3,016	1,899
Influence of temporary differences on deferred tax liabilities		
Deferred expenses	(1)	(5)
Total deferred tax liabilities	(1)	(5)
Net deferred tax assets	3,015	1,894

	31 December 2013	31 December 2012
Total deferred tax assets	3,059	1,966
Total deferred tax liabilities	(44)	(72)
Net deferred tax assets	3,015	1,894

PRINCIPAL COMPONENTS OF INCOME TAX EXPENSE

As at 31 December 2013 the rate of income tax in Ukraine was equal to 19% (31 December 2012: 21%)

	31 December 2013	31 December 2012
Current income tax	(25)	(64)
Deferred tax asset	1,121	70
Effect of translation into presentation currency	-	(1)
Income tax credit for the year	1,096	5

RECONCILIATION OF DEFERRED TAX LIABILITIES

	31 December 2013	31 December 2012
Balance as at 1 January	1,894	1,836
Deferred tax credit	1,121	70
Effect of translation into presentation currency	-	(12)
Balance as at 31 December	3,015	1,894

Reconciliation between income tax expense and accounting profit multiplied by the rate of income tax

	31 December 2013	31 December 2012
Accounting profit before tax	236,987	228,228
Less accounting profit of the companies being fixed agricultural tax payers	(294,850)	(252,424)
	(57,863)	(24,196)
Accounting loss of the companies being income tax payers at the rate 12,5%, 10%	(33,024)	(26,786)
Accounting profit/(loss) of the companies being income tax payers at the rate 19%, 21%	(24,839)	2,590
	(57,863)	(24,196)
Income tax, taxable at the rate of 12,5%, 10%	(4,128)	2,679
Income tax, taxable at the rate of 19%, 21%	(4,719)	(544)
Tax effect of allowances and income not subject to tax	9,943	(2,130)
Tax as per consolidated statement of comprehensive income - credit	1,096	5

As at 1 January 2012	-
Income tax accrued for the year	(64)
Income tax paid for the year	81
Effect of translation into presentation currency	1
As at 31 December 2012 / 1 January 2013	18
Income tax accrued for the year	(25)
Income tax paid for the year	92
Effect of translation into presentation currency	-
As at 31 December 2013	85

The income tax payers in 2013 and 2012 were the following companies: LLC "Rohatyn-Korm", OJSC "Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod", OJSC "Volhovatskiy Kombinat Khliboproduktiv",LLC"Kamyanets-Podilsky Kombikormovyi Zavod", LLC "Pershe Travnya Kombikormovyi Zavod", LLC "ImperovoFoods", LLC "Agrarnyi Holding Avangard", AvangardCo Investments Public Limited and LLC "Imperovo LTD".

All other companies of the Group were payers of the fixed agricultural tax.

According to the Tax Code of Ukraine, the taxation for the fixed agricultural tax payers is based on the agricultural area, which is submitted to a manufacturer of agricultural products in the property or for use.

19. TRADE PAYABLES

Trade payables as at 31 December 2013 and 31 December 2012 were as follows:

	Note	31 December 2013	31 December 2012
Trade payables		12,514	22,608
Short-term notes issued	a)	2,570	1,827
		15,084	24,435
Total deferred tax assets		3,016	1,899

a) As at 31 December 2013 and 31 December 2012 the short-term notes issued were represented by promissory, non interest-bearing, notes.

The exposure of the Group to liquidity risk in relation to trade payables is reported in note 38 of the consolidated financial statements.

20. OTHER ACCOUNTS PAYABLE

Other accounts payable as at 31 December 2013 and 31 December 2012 were as follows:

	Note	31 December 2013	31 December 2012
Accrued expenses for future employee benefits		1,575	1,453
Other accrued expenses		291	282
Wages and salaries and related taxes liabilities		2,569	3,070
Other taxes and compulsory payments liabilities	a)	2,034	3,113
Accounts payable for property, plant and equipment		5,721	13,546
Advances received from customers	b)	4,779	1,856
Interest payable		1,397	722
Accrued coupon on bonds		3,462	4,013
Other payables	c)	6,987	988
		28,815	29,043

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.

The exposure of the Group to liquidity risk in relation to other accounts payable is reported in note 38 of the consolidated financial statements.

21. FINANCE LEASE LIABILITIES

The principal components of deferred tax assets and liabilities before netting off on a company basis as at 31 December 2013 and 31 December 2012 were as follows:

	Minimum lease payments	Future finance charges	Current value of minimum lease payments
As at 31 December 2013			
Less than one year	1,141	76	1,065
Between one and five years	1	-	1
Total	1,142	76	1,066

	Minimum lease payments	Future finance charges	Current value of minimum lease payments
As at 31 December 2012			
Within a year	2,869	321	2,548
Between one and five years	1,356	73	1,283
Total	4,225	394	3,831

The finance lease liabilities also contain the VAT payments that are as follows:

	31 December 2013	31 December 2012
Short-term VAT payable	213	425
Long-term VAT payable	-	213
Total	213	638

Net carrying value of property, plant and equipment acquired via finance lease as at 31 December 2013 and 31 December 2012 was as follows:

	31 December 2013	31 December 2012
Equipment for biological assets	7,766	10,456
Vehicles	18	30
	7,784	10,486

Non-current assets under finance lease include equipment for biological assets, construction-in-progress and uninstalled equipment and vehicles with finance lease term of 3-4 years. Interest rate under finance lease agreements is LIBOR+8% per annum for the year ended 31 December 2013 and 31 December 2012. Finance lease agreements do not provide the possibility of changing the initial terms of agreements.

The exposure of the Group to interest rate risk and liquidity risk in relation to finance lease liabilities is reported in note 38 of the consolidated financial statements.

22. SHORT-TERM BOND LIABILITIES

Short-term bond liabilities as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Nominal value	-	25,023
	-	25,023

As at 31 December 2013 and 31 December 2012 current liabilities for bonds were presented as liabilities for A-type bonds with nominal value of USD 0 thousand and USD 25,023 thousand respectively, which was equivalent to UAH 200,000 thousand, issued by CJSC "Avangard" on 2 July 2008. Those bonds were issued in book-entry form in number of 200,000 items. The bonds issue were secured by SC "Zorya, LLC Cross-PF Zorya", LLC "Cross-PF Zorya",OJSC "Ptakhohospodarstvo Chervonyi Prapor", SC "Ptakhofabryka Lozuvatska", SC "Ptakhofabryka Chervonyi Prapor Poultry Farm, of OJSC Ptakhohospodarstvo Chervoniy Prapor", OJSC "Volnovaskyi Kombinat Khliboprodiktiv", OJSC "Vuhlehirskyi Eksperemental-nyi Kombikormovyi Zavod", ALLC "Donetska Ptakhofabryka", LLC "PF Volnovaska", SC "Ptakhohospodarstvo Lozuvatskoe", SC "Gorodenkivska Ptakhofabryka of CJSC Avangard", SC "Rogatynska Ptakhofabryka of CJSC Avangard", SC "Avangard-Agro of CJSC Avangard", CJSC "Chernivetska Ptakhofabryka", CJSC "Agrofirma Avis", LLC "Kamyanets-Podilsky Kombikormoviy Zavod", OJSC "Kirovskiy", LLC "Slovyany", OJSC "Ptakhofabryka Pershe Travnya", SC "Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding", LLC "Yuzhnaya Holding", LLC "Areal-Snigurivka". The Guarantors are fully responsible for the issuer's liabilities to bond holders.

Bond interest coupon is payable over 20 periods of 91 days each. The interest rate on the above mentioned bonds for the first-fourth coupon periods is set at 17% per annum. The procedure of interest rate determination for the fifth-eighth, ninth-twelfth, thirteenth-sixteenth and seventeenth-twentieth periods is set by the issuer board of directors based on market conditions, but not be less than the National Bank of Ukraine bank rate on the date of the decision of determining the interest rate. The bonds owner has the right to present the bonds to the issuer for payment on the following dates: 25 May 2009, 24 May 2010, 23 May 2011 and 21 May 2012, under the notification conditions. The bonds circulation period is from 2 July 2008 to 19 May 2013.

The exposure of the Group to interest rate risk and liquidity risk in relation to short term bond liabilities is reported in note 38 of the consolidated financial statements.

23. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is stated after (charging)/crediting the following items:

		Year ended	
	Note	31 December 2013	31 December 2012
Depreciation of property, plant and equipment	5	(25,487)	(15,284)
Loss on disposal of non current assets	29	(365)	(28)
Provisions for doubtful debts and amounts written off	29	(683)	(375)
Payroll and related expenses	33	(29,634)	(33,639)
Independent auditors' remuneration for statutory audit of annual accounts		(494)	(355)

24. REVENUE

Sales revenue for the year ended 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Revenue from finished goods	659,240	627,615
Revenue from goods sold and services rendered	1,962	1,691
	661,202	629,306

For the year ended 31 December 2013 USD 44,615 thousand (2012: USD 49,156 thousand) or 6.8% (2012: 7.8%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

25. COST OF SALES

Cost of sales for the year ended 31 December 2013 and 31 December 2012 was as follows:

	Note	31 December 2013	31 December 2012
Cost of finished goods sold	26	(428,141)	(395,004)
Cost of goods sold and services rendered		(1,554)	(1,956)
		(429,695)	(396,960)

26. COST OF SALES BY ELEMENTS

The cost of finished goods sold (Note 25) for the year ended 31 December 2013 and 31 December 2012 as follows:

	Note	31 December 2013	31 December 2012
Raw materials		(354,379)	(324,260)
Payroll of production personnel and related taxes	33	(20,313)	(23,098)
Depreciation		(24,556)	(14,639)
Services provided by third parties		(28,670)	(32,824)
Other expenses		(223)	(183)
	25	(428,141)	(395,004)

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.

27. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses for the year ended 31 December 2013 and 31 December 2012 were as follows:

	Note	31 December 2013	31 December 2012
Salaries and wages of administrative personnel	33	(8,563)	(8,391)
Services provided by third parties		(5,957)	(12,538)
Depreciation		(132)	(104)
Repairs and maintenance costs		(150)	(81)
Tax expenses, except for income tax		(444)	(338)
Material usage		(575)	(605)
Other expenses		(925)	(502)
		(16,746)	(22,559)

28. DISTRIBUTION EXPENSES

Distribution expenses for the year ended 31 December 2013 and 31 December 2012 were as follows:

	Note	31 December 2013	31 December 2012
Salaries and wages of distribution personnel	33	(758)	(2,150)
Transport expenses		(11,146)	(9,853)
Depreciation		(740)	(541)
Services provided by third parties		(11,425)	(4,854)
Packing materials		(1,002)	(1,939)
Repairs and maintenance costs		(61)	(68)
Other expenses		(498)	(651)
		(25,630)	(20,056)

29. OTHER OPERATING INCOME/(EXPENSES), NET

Other operating income/(expenses), net for the year ended 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Loss on disposal of current assets	(377)	(527)
Loss on disposal of non current assets	(365)	(28)
Impairment of current assets	(1,123)	(846)
Gain realised from writing-off of accounts payable	296	861
Losses on exchange	(2,359)	(5,932)
Foreign currency sale income	3,111	11,722
Provision for doubtful debts and amounts written off	(683)	(375)
Fines, penalties recognized	(1,366)	(1,114)
Other income	(1,170)	(1,988)
	(4,036)	1,773

30. FINANCE COST

Finance cost for the year ended 31 December 2013 and 31 December 2010 was as follows:

	31 December 2013	31 December 2012
Interest payable on loans	(7,811)	(9,951)
Capitalised interest	533	3,259
Total finance expenses on loans	(7,278)	(6,692)
Finance expenses on finance lease	(328)	(546)
Finance expenses on bonds (interest)	(22,844)	(25,484)
Other finance expenses	(8,437)	(4,214)
	(38,887)	(36,936)

31. FINANCE INCOME

Finance income for the year ended 31 December 2013 and 31 December 2012 includes the interest income from placement of deposits, amounted to USD 124 thousand and USD 680 thousand respectively.

32. GOVERNMENT GRANTS RECEIVED

32.1 INCOME FROM GOVERNMENT GRANTS AND INCENTIVES

Income from government grants and incentives received for the year ended 31 December 2013 and 31 December 2012 was as follows:

	Note	31 December 2013	31 December 2012
Amortization of deferred income on government grants	a)	299	305
		299	305

a) Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions

In compliance with the legislation of Ukraine, the agricultural producers received partial compensation of interest rates by loans received by agro-industrial enterprises from financial institutions based on competitiveness and compensation principles.

b) Partial compensation of complex agricultural equipment cost

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

c) Other grants

The item "Other grants" comprises the following grants: grants for sowing of winter crops, grants for meat, grants for maintaining parent flock.

32.2 INCOME FROM SPECIAL VAT TREATMENT

Income from special VAT treatment received for the year ended 31 December 2013 and 31 December 2012 amounted to USD 55,198 thousand and USD 46,484 thousand respectively.

According to the Tax Code of Ukraine agricultural enterprises (those with a relative value of agricultural products in total sales not less than 75% for the previous 12 months) have a tax benefit for VAT on agriculture transactions. Positive VAT balance (positive difference between tax liability and tax credit) from agricultural transactions shall be recognized as government grants on special VAT treatment and transferred to special current account in a financial institution and negative balance (negative difference between tax liability and tax credit) is not subject to budgetary refund and credited to the tax credit for the next reporting (tax) period.

All members of the Group that met the criteria for the use of these VAT benefits except: from (LLC Rohatyn-Korm, LLC Kamyanets-Podilsky Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, OJSC Volnovaskyi Kombinat Khliboprodiktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited).

33. PAYROLL AND RELATED TAXES

Other operating income/(expenses), net for the year ended 31 December 2013 and 31 December 2012 were as follows:

	Note	31 December 2013	31 December 2012
Salary		(18,583)	(21,095)
Contributions to state funds		(11,051)	(12,544)
	23	(29,634)	(33,639)

		Year ended	
	Note	31 December 2013	31 December 2012
Payroll of production personnel and related taxes	26	(20,313)	(23,098)
Salaries and wages of administrative personnel	27	(8,563)	(8,391)
Salaries and wages of distribution personnel	28	(758)	(2,150)
		(29,634)	(33,639)

	Year ended	
	31 December 2013	31 December 2012
Average number of employees, persons	4,549	5,575

34. 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.

The Group enters into transactions with both related and unrelated parties. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

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

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

Salary costs of key management personnel for the year ended 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Salary	2,430	1,951
Contributions to state funds	720	564
	3,150	2,515

Outstanding amounts of the Group for transactions with related parties as at 31 December 2013 and 31 December 2012 were as follows:

	Outstanding balances with related parties as at	
	31 December 2013	31 December 2012
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	59	1
D. Companies in which activities are significantly influenced by the Group's owners	10,386	47
	10,445	48
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	76	2
D. Companies in which activities are significantly influenced by the Group's owners	184	10
	260	12
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	9,913	12,103
	9,913	12,103
Short-term loans		
D. Companies in which activities are significantly influenced by the Group's owners	-	32
	-	32
Trade accounts payable		
C. Companies in which the Group's owners have an equity interest;	12	2
D. Companies in which activities are significantly influenced by the Group's owners	198	12
	210	14
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	45	5
D. Companies in which activities are significantly influenced by the Group's owners	717	16
	762	21

On 2nd July 2013 UkrLandFarming Plc acquired a direct shareholding percentage of 7.11% in the share capital of LLC Imperovo Limited partially through contribution of technological equipment for elevators.

From 2nd July 2013 therefafter the share capital of LLC Imperovo Limited was increased through contributions from other Group companies, therefore the direct shareholding percentage of UkrLandFarming Plc was decreased to 4.72% at 31 December 2013.

As at 31 December 2013 Prepayments and other current assets, net include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 9,926 thousand.

The Group's transactions with related parties for the year ended 31 December 2013 and 31 December 2012 were as follows:

	Transactions with related parties for the year ended	
	31 December 2013	31 December 2012
Sales revenue		
C. Companies in which the Group's owners have an equity interest;	16	14
D. Companies in which activities are significantly influenced by the Group's owners	1,046	254
	1,062	268
General administrative expenses		
C. Companies in which the Group's owners have an equity interest;	(67)	(88)
D. Companies in which activities are significantly influenced by the Group's owners	(126)	(228)
	(193)	(316)
Distribution expenses		
C. Companies in which the Group's owners have an equity interest;	(455)	(19)
D. Companies in which activities are significantly influenced by the Group's owners	(395)	(198)
	(850)	(217)

	Transactions with related parties for the year ended	
	31 December 2013	31 December 2012
Other operating income/(expenses), net		
C. Companies in which the Group's owners have an equity interest;	117	(63)
D. Companies in which activities are significantly influenced by the Group's owners	(11)	(47)
	106	(110)
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	118	289
	118	289

For the year ended 31 December 2013 and 31 December 2012 transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 2,221 thousand and USD 948 thousand respectively. All those services were provided on market terms.

35. OPERATING SEGMENTS

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

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

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

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

Reportable segment information for the year ended 31 December 2013 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	681,136	135,270	279,740	153,110	7,878	-	1,257,134
Intra-group elimination	(244,322)	(90,210)	(255,522)	-	(5,878)	-	(595,932)
Revenue from external buyers	436,814	45,060	24,218	153,110	2,000	-	661,202
Income from revaluation of biological assets at fair value	26,296	8,862	-	-	-	-	35,158
Other operating income/(expenses)	(3,032)	(434)	(616)	2,187	(2,141)	-	(4,036)
Income from government grants and incentives	299	-	-	-	-	-	299
OPERATING PROFIT/(LOSS)	223,315	10,071	(7,796)	60,958	(10,798)	-	275,750
Finance income	85	7	9	17	6	-	124
Finance costs,	(4,458)	-	-	(5,196)	(29,233)	-	(38,887)
including:							-
Interest payable on loans	(652)	-	-	(5,196)	(1,430)	-	(7,278)
Income tax (expense)/credit	-	-	(261)	1,384	(27)	-	1,096
NET PROFIT/(LOSS) FOR THE YEAR	218,942	10,078	(8,048)	57,163	(40,052)	-	238,083
TOTAL ASSETS	2,689,258	100,595	526,735	716,109	591,226	(2,805,008)	1,818,915
Capitalised expenses	153,472	7,651	13,103	2,513	32,682		209,420
Depreciation	12,826	1,075	421	10,459	706	-	25,487
TOTAL LIABILITIES	941,016	16,431	463,284	421,590	343,449	(1,813,953)	371,817

Reportable segment information for the year ended 31 December 2012 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	608,880	65,837	219,757	106,644	6,861	-	1,007,979
Intra-group elimination	(150,572)	(41,105)	(183,221)	-	(3,775)	-	(378,673)
Revenue from external buyers	458,308	24,732	36,536	106,644	3,086	-	629,306
Income from revaluation of biological assets at fair value	19,633	6,558	-	-	-	-	26,191
Other operating income/(expenses)	(1,902)	563	(2,580)	395	5,297	-	1,773
Income from government grants and incentives	301	4	-	-	-	-	305
OPERATING PROFIT/(LOSS)	229,932	2,902	(4,471)	49,666	(13,545)	-	264,484
Finance income	405	37	15	-	223	-	680
Finance costs,	(7,491)	(24)	-	(5,296)	(24,125)	-	(36,936)
including:							-
Interest payable on loans	(771)	(21)	-	(5,296)	(604)	-	(6,692)
Income tax expense	-	-	(50)	23	32	-	5
NET PROFIT/(LOSS) FOR THE YEAR	222,848	2,915	(4,507)	44,393	(37,416)	-	228,233
TOTAL ASSETS	1,970,074	86,004	466,936	302,426	49,631	(1,296,746)	1,578,328
Capitalised expenses	299,071	743	510	791	170	-	301,285
Depreciation	12,654	1,032	344	600	654	-	15,284
TOTAL LIABILITIES	665,873	17,505	416,310	329,885	310,365	(1,328,805)	411,133

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

	Revenue from external customers For the year ended		Non-current assets As at	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Ukraine	470,482	501,540	1,183,740	967,187
Middle East and North Africa	124,898	86,543	-	-
Far East	41,989	17,626	-	-
Central and West Africa	21,199	21,276	-	-
Rest of the World	2,633	2,321	-	-
Total	661,202	629,306	1,183,740	967,187

36. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2013 and 31 December 2012 was based on profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows

	Year ended	
	31 December 2013	31 December 2012
Profit attributable to the owners of the Company:		
(in USD thousands)		
Profit attributable to the owners of the Company	236,032	225,448
Weighted average number of shares:		
Weighted average number of ordinary shares at 31 December	6,387,185	6,387,185
Earnings per share (USD)	37	35

Earnings per share is the profit for the year after taxation divided by the weighted average number of shares in issue for each year.

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

37. CONTINGENT AND CONTRACTUAL LIABILITIES

Economic environment

Main operating activity of the Group is carried out within Ukraine. Laws and other regulatory acts affecting the activities of entities in Ukraine may be subject to changes during short periods of time. As a result, assets and operating activity of the Group may be exposed to risk in case of any unfavourable changes in political and economic environment.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances. Any unexpected deterioration in the areas described above may negatively affect the Group's activities.

Taxation

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with it, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and penalties.

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in the Ukrainian tax jurisdiction. The Company's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group's uncertain tax positions are reassessed by Management at every reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting period.

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later. Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, respectively, the Tax Code also changes various other taxation rules.

While the Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future, as of the date these financial statements were authorized for issue management was in the process of assessing its effects of its adoption on the operations of the Group.

Pension and other liabilities

Most of the Group's employees receive pension benefits from the Pension Fund, Ukrainian state organization, in accordance with the regulations and laws of Ukraine. Group is obliged to deduct a certain percentage of salaries to the Pension Fund to pay pensions.

As at 31 December 2013 and 31 December 2012 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

Legal matters

In the course of its economic activities the Group is involved in legal proceedings with third parties. In most cases, the Group is the initiator of such proceedings with the purpose of preventing from losses in the economic sphere or minimize them.

The Group's management considers that as at the reporting period, active legal proceedings on such matters will not have any significant influence on its financial position.

38. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

a) credit risk;
b) liquidity risk;
c) market risk;
d) livestock disease risk.

Risk management framework

The Company's board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group is not a finance company, thus it uses financial instruments as may be necessary in order to obtain finance for its activities, not for the purpose of receiving income. In the process of its activities the Group uses the following financial instruments: cash and cash equivalents, loans to and from related parties, accounts receivable, bonds, bank loans, finance leases and accounts payable.

The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value). This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.

Additional disclosures of quantitative information are presented in many other sections of these consolidated financial statements, including:

- information on finance income and expenses is disclosed in Notes 30, 31 (all finance income and expenses are recognised as a part of profit or loss for the year, other than interest capitalised which is allocated to the cost of the relevant asset);
- information on cash is disclosed in Note 11;
- information on trade and other accounts receivable is disclosed in Notes 9, 10;
- information on trade and other accounts payable is disclosed in Notes 19, 20;
- information on significant terms of borrowings and loans granting is disclosed in Notes 13, 15, 17;
- information on timing and terms of effective contracts for finance lease is disclosed in Note 21;
- information on significant conditions of issued bonds is disclosed in Note 14, 22.

A) CREDIT RISK

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

Exposure to credit risk

The carrying value of financial assets represents the maximum exposure to credit risk. Maximum level of credit risk as at 31 December 2013 and 31 December 2012 was presented as follows:

Financial assets	31 December 2013	31 December 2012
Cash and cash equivalents	156,804	204,298
Trade accounts receivable	89,040	55,768
Total	245,844	260,066

The majority of the Group's cash and cash equivalents as at 31 December 2013 are held with banks which are rated A2 as per Moody's Rating Agency and the minority is held with financial institutions rated as B1, Ba1, B2, Baa2, Caa3 and financial institutions in Ukraine which are not rated.

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during the year ended 31 December 2013 and 2012 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the year ended 31 December 2013 USD 44,615 thousand or 6.8% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2013 USD 11,077 thousand or 12.5% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the year ended 31 December 2012 USD 49,156 thousand or 7.8% from the Group's revenue is refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2012 USD 7,632 thousand or 13.7% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

Trade receivables as at 31 December 2013 and 31 December 2012 by dates of origin were presented as follows:

31 December 2013	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	over one year	TOTAL
Carrying value of trade accounts receivable	31,198	22,631	18,118	6,459	2,638	7,920	8	88,972

31 December 2012	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	over one year	TOTAL
Carrying value of trade accounts receivable	52,554	2,215	590	71	84	37	-	55,551

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

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

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

B) LIQUIDITY RISK

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

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

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

Exposure to liquidity risk, 31 December 2013

Non-derivative financial liabilities	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(134,371)	-	(67,743)	(47,280)	(19,348)
Finance lease (including VAT)	(1,142)	-	(1,141)	(1)	-
Current liabilities for bonds	(3,462)	-	(3,462)	-	-
Long-term bond liabilities	(240,000)	-	(20,000)	(220,000)	-
Trade accounts payable	(15,084)	(15,084)	-	-	-
	(394,059)	(15,084)	(92,346)	(267,281)	(19,348)

Exposure to liquidity risk, 31 December 2012

Non-derivative financial liabilities	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(133,878)	-	(130,634)	(3,244)	-
Finance lease (including VAT)	(4,225)	-	(2,869)	(1,356)	-
Current liabilities for bonds	(27,194)	-	(27,194)	-	-
Long-term bond liabilities	(260,000)	-	(20,000)	(240,000)	-
Trade accounts payable	(24,435)	(24,435)	-	-	-
	(449,732)	(24,435)	(180,697)	(244,600)	-

C) MARKET RISK

Market risk is the risk of negative influence of changes in market prices, such as foreign exchange rates and interest rates, on revenue position of the Group or on the value of the Group's available financial instruments.

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits. Description of the Group's exposure to such market components as currency risk and interest rate risk, is given below.

I) FOREIGN CURRENCY RISK

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

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2013 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Long-term bond liabilities	197,131	-	197,131
Short-term bank loans (including overdrafts)	50,000	-	50,000
Long-term bank loans	-	70,448	70,448
Trade accounts payable	263	847	1,110
Accounts payable for property, plant and equipment	6	5,576	5,582
Other accounts payable	24	26	50
Cash and cash equivalents	(143,152)	(3,621)	(146,773)
Trade accounts receivable	(32,098)	-	(32,098)
Accrued coupon on bonds	3,462	-	3,462
Net exposure to foreign currency risk	75,636	73,276	148,912

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2012 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Long-term bond liabilities	195,779	-	195,779
Short-term bank loans (including overdrafts)	50,004	44,332	94,336
Trade accounts payable	264	517	781
Accounts payable for property, plant and equipment	15	6,995	7,010
Other accounts payable	-	69	69
Cash and cash equivalents	(193,904)	-	(193,904)
Trade accounts receivable	(6,371)	-	(6,371)
Other accounts receivable	-	(160)	(160)
Accrued coupon bond	3,462	-	3,462
Net exposure to foreign currency risk	49,249	51,753	101,002

Sensitivity analysis (foreign currency risk)

Below there is a sensitivity analysis of income (or loss) of the Group before tax to the possible changes in foreign currency rates. This analysis is conducted based on the assumption that all other variables and interest rates in particular, remain unchanged.

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2013			
USD	15%	(11,345)	(11,345)
EUR	10%	(7,328)	(7,328)

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2012			
USD	15%	(7,387)	(7,387)
EUR	10%	(5,175)	(5,175)

II) INTEREST RATE RISK

Interest rate risk is connected with a possibility of changes in value of financial instruments resulting from changes in interest rates.

At present, the Group's approach to limitation of interest rate risk consists of borrowings at fixed interest rates.

Structure of interest rate risk

As at 31 December 2013 and 31 December 2012 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	31 December 2013	31 December 2012
Instruments with fixed interest rate		
Financial liabilities	(249,991)	(304,069)
Instruments with variable interest rate		
Financial liabilities	(71,728)	(48,163)

Interest rate risk related to the liabilities with the floating interest arises from the possibility that changes in interest rates will affect the value of the financial instruments. For variable rate borrowings, interest is linked to LIBOR or EURIBOR.

As at 31 December 2013 and 31 December 2012 the Group's sensitivity to changes of LIBOR or EURIBOR by 5% was presented as follows:

Effect in USD thousand:	Increase/(decrease) of floating rate	Effect on profit before tax
31 December 2013		
LIBOR	5%	(1)
LIBOR	-5%	1
EURIBOR	5%	(14)
EURIBOR	-5%	14
31 December 2012		
LIBOR	5%	(1)
LIBOR	-5%	1
EURIBOR	5%	(8)
EURIBOR	-5%	8

The effect of interest rate sensitivity on owners' equity is equal to that on the consolidated statement of comprehensive income.

Such financial instruments as cash and cash equivalents, trade accounts receivable, financial assistance issued, interest receivable for deposits, prepayment for bonds, other non trading accounts receivable are not included in the table given below, since possible effect of changes in interest rate risk (discount rates) under these financial instruments is not material.

Capital management

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

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

To manage capital, the Group's management, above all, uses the calculations of the financial leverage coefficient (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 balance sheet plus the amount of net debt.

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

Financial leverage ratio calculation

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

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

As at 31 December 2013 and 31 December 2012 the Group's financial leverage coefficient was 10.3% and 11.2% respectively.

	Carrying value	
	31 December 2013	31 December 2012
Short-term loans	50,000	94,368
Long-term loans	61,495	3,969
Current portion of long-term loans	12,922	29,262
Long-term finance lease (including VAT)	1,280	3,831
Long-term bond liabilities	197,131	195,779
Short-term bond liabilities	-	25,023
Total borrowings	322,828	352,232
Cash and cash equivalents	(156,804)	(204,298)
Net debt	166,024	147,934
Share capital	836	836
Share premium	201,164	201,164
Capital contribution reserve	115,858	115,858
Retained earnings	1,132,803	899,357
Foreign currency translation reserve	(68,194)	(68,135)
Non-controlling interests	64,631	18,115
Total equity	1,447,098	1,167,195
Total amount of equity and net debt	1,613,122	1,315,129
Financial leverage coefficient	10.3%	11.2%

For the year ended 31 December 2013 and 31 December 2012 ratio of net debt to EBITDA amounted to:

	Year ended	
	31 December 2013	31 December 2012
PROFIT FOR THE YEAR	238,083	228,233
Income tax credit	(1,096)	(5)
Finance income	(124)	(680)
Finance expenses	38,887	36,936
EBIT (earnings before interest and income tax)	275,750	264,484
Depreciation	25,487	15,284
EBITDA (earnings before interest, income tax, depreciation and amortisation)	301,237	279,768
Net debt at the year end	166,024	147,934
Net debt at the year end / EBITDA	0.55	0.53

During the year there were no changes in the approach to capital management. The Group is not subject to external regulatory requirements regarding capital.

D) LIVESTOCK DISEASES RISK

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of disease which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

39. FAIR VALUES

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 1	Level 2	Level 3	Total
31 December 2013				
Financial Assets				
Biological Assets	-	-	137,326	137,326

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2013.

The fair value of biological assets is determined as the discounted value of net cash flows expected from assets.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for fair value measurement of biological assets.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. The valuation team assesses and documents the evidence obtained to support the conclusion that the valuation meets the requirements of IFRS, including the level in the fair value hierarchy. Significant valuation issues are reported to the Chief Financial Officer.

The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below:

	As at	
	31 December 2013	31 December 2012
Discount rate	25%	25%
Inflation rate	100.5%	100.6%

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

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

Effect in USD thousand:	Increase/decrease of rate	Effect on fair value of biological assets
31 December 2013		
Discount rate	1%	(1,303)
Discount rate	-1%	1,318
Inflation rate	0.5%	6,075
Inflation rate	-0.5%	(6,059)
31 December 2012		
Discount rate	1%	(923)
Discount rate	-1%	933
Inflation rate	0.5%	4,656
Inflation rate	-0.5%	(4,656)

There were no transfers to/from Level 3 of the fair value hierarchy during the year ended 31 December 2013.

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

Total gain or losses for the year as shown in the reconciliation (note 6) are presented on the face of the consolidated statement of comprehensive income as "Profit from revaluation of biological assets at fair value" (31 December 2013: USD 31,158 thousand).

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

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2013					
Financial Assets					
Cash and cash equivalents	-	156,804	-	156,804	156,804
Trade and other receivables	-	-	88,972	88,972	88,972
Financial Liabilities					
Trade payables	-	-	15,084	15,084	15,084
Bank loans	-	124,417	-	124,417	124,417
Long term bond liabilities	201,984	-	-	201,984	197,131

Assumptions in assessing fair value of financial instruments and assessment of their subsequent recognition

As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holding of a particular instrument.

As at 31 December 2013, the following methods and assumptions, which remained the same as the prior year, were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

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

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

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

As at 31 December 2013 the fair value of the above financial instruments approximated to their carrying amount besides long-term bonds whose fair value was USD 201,984 thousand (31 December 2012: USD 189,000 thousand).

40. RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state and has been progressively developing into a market economy. Although substantial progress has been made since independence in reforming Ukraine's economy, along with the country's political and judicial systems to some extent, Ukraine still lacks the necessary legal infrastructure and regulatory framework essential to support market institutions, effective transition to a market economy and broad-based social and economic reforms.

Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and this instability has continued into 2013. Despite signs of stabilisation, major concerns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centred on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

In 2014 there is unrest in the political environment of Ukraine and new presidential elections are in the pipeline. This unstable situation may negatively affect the economic environment of the country as well.

41. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period which affect the consolidated financial statements as at 31 December 2013.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 12 March 2014.