

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

**Condensed consolidated interim financial statements
(Unaudited)
For the 6 months ended 30 June 2014**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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AVANGARDCO INVESTMENTS PUBLIC LIMITED**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)

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

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Cyprus

LEGAL ADVISORS:

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London EC4Y 1HS
United Kingdom

Avellum Partners LLC
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INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Str.
1087 Nicosia, Cyprus

BANKERS:

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Deutsche Bank AG
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1100 AT Amsterdam

Financial Initiativa
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Kyiv, Ukraine

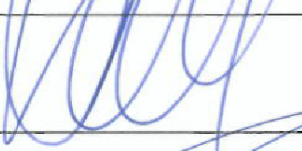

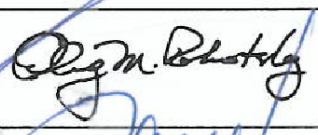
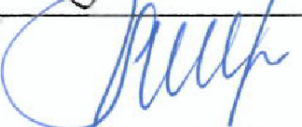
AVANGARDCO INVESTMENTS PUBLIC LIMITED

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

We, the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of AvangardCo Investments Public Limited (the "Company") for the 6 months ended 30 June 2014, based on our opinion, we confirm that, to the best of our knowledge the condensed consolidated interim financial statements that are presented on pages 5 to 36:

- (i) were prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting", and
- (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of AvangardCo Investments Public Limited and the businesses that are included in the consolidated accounts as a total.

Members of the Board of Directors:

Nataliya Vasylyuk	
Oleg Bakhmatyuk	
Oleg Michael Pohotsky	
Iryna Marchenko	

Person responsible for the preparation of the condensed consolidated interim financial statements for the 6 months ended 30 June 2014:

Iryna Melnyk	
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25 August 2014



KPMG Limited
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

TO THE MEMBERS OF

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AvangardCo Investments Public Limited (the "Company") and its subsidiary companies (together referred to as "the Group") as at 30 June 2014, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Emphasis of matter

We draw attention to notes 4 and 27 to the condensed consolidated interim financial statements, which describe the political and social unrest and regional tensions in Ukraine. The events referred to in notes 4 and 27 could negatively affect the Group results and financial position in a manner not currently determinable.

Board Members:

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniadis
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Peleties
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoullis, G.P. Savva, C.A. Kalias, C.N. Kallis
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides, G.V. Andreou
J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Syrimis
T.J. Yiasemides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

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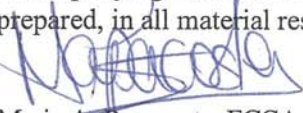
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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

25 August 2014

AVANGARDCO INVESTMENTS PUBLIC LIMITED

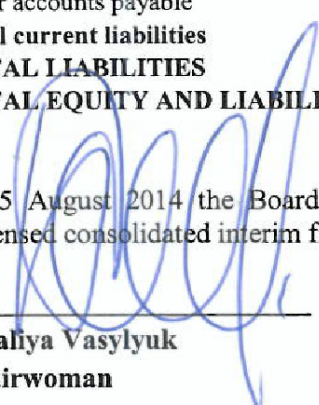
Condensed consolidated statement of financial position

AS AT 30 JUNE 2014

(in USD thousand, unless otherwise stated)

	Note	30 June 2014	31 December 2013
ASSETS			
Property, plant and equipment	5	761 469	1 103 630
Non-current biological assets	6	44 139	76 678
Deferred tax assets		2 652	3 059
Other non-current assets		253	373
Total non-current assets		808 513	1 183 740
Inventories	7	122 583	193 382
Current biological assets	6	44 585	60 648
Trade accounts receivable, net	8	64 258	88 972
Prepaid income tax		36	85
Prepayments and other current assets, net	9	11 034	30 845
Taxes recoverable and prepaid		87 201	104 439
Cash and cash equivalents	10	236 080	156 804
Total current assets		565 777	635 175
TOTAL ASSETS		1 374 290	1 818 915
EQUITY			
Share capital	11	836	836
Share premium	11	201 164	201 164
Capital contribution reserve		115 858	115 858
Retained earnings		1 184 421	1 132 803
Foreign currency translation reserve		(530 151)	(68 194)
Equity attributable to owners of the Company		972 128	1 382 467
Non-controlling interest		27 464	64 631
Total equity		999 592	1 447 098
LIABILITIES			
Long-term loans	12	82 400	61 495
Long-term bond liabilities	13	197 859	197 131
Deferred tax liabilities		28	44
Deferred income		3 097	4 743
Long-term finance lease		79	1
Total non-current liabilities		283 463	263 414
Current portion of non-current liabilities		12 044	14 504
Short-term loans	14	50 000	50 000
Trade payables		13 277	15 084
Other accounts payable	15	15 914	28 815
Total current liabilities		91 235	108 403
TOTAL LIABILITIES		374 698	371 817
TOTAL EQUITY AND LIABILITIES		1 374 290	1 818 915

On 25 August 2014 the Board of Directors of AvangardCo Investments Public Limited authorised these condensed consolidated interim financial statements for issue.


Nataliya Vasylyuk
 Chairwoman


Iryna Marchenko
 Director, CEO

The notes on pages 10 to 36 are an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of profit or loss and other comprehensive income
FOR THE 6 MONTHS ENDED 30 JUNE 2014
(in USD thousand, unless otherwise stated)

	Note	6 months ended	
		30 June 2014	30 June 2013
Revenue	16	262 680	304 288
Profit from revaluation of biological assets at fair value	6	9 049	20 717
Cost of sales	17	(190 932)	(206 400)
GROSS PROFIT		80 797	118 605
General administrative expenses		(6 907)	(8 614)
Distribution expenses		(10 798)	(10 510)
Income from government grants and incentives		118	157
Income from special VAT treatment	21	33 341	21 099
Other operating (expenses)/income, net	19	(28 602)	1 220
PROFIT FROM OPERATING ACTIVITIES		67 949	121 957
Finance income		83	67
Finance costs	20	(16 651)	(16 962)
PROFIT BEFORE TAX		51 381	105 062
Income tax credit		610	499
PROFIT FOR THE PERIOD		51 991	105 561
OTHER COMPREHENSIVE INCOME:			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		(499 497)	(61)
TOTAL COMPREHENSIVE INCOME		(447 506)	105 500
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		51 602	103 967
Non-controlling interests		389	1 594
		51 991	105 561
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(410 355)	103 908
Non-controlling interests		(37 151)	1 592
		(447 506)	105 500
Earnings per share, USD (basic and diluted)	24	8	16

The notes on pages 10 to 36 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity
FOR THE 6 MONTHS ENDED 30 JUNE 2014
(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	836	115 858	201 164	899 357	(68 135)	1 149 080	18 115	1 167 195
Comprehensive income								
Profit for the period	-	-	-	103 967	-	103 967	1 594	105 561
Effect from translation into presentation currency	-	-	-	-	(59)	(59)	(2)	(61)
Total comprehensive income	-	-	-	103 967	(59)	103 908	1 592	105 500
Balance at 30 June 2013	836	115 858	201 164	1 003 324	(68 194)	1 252 988	19 707	1 272 695
Balance at 1 January 2014	836	115 858	201 164	1 132 803	(68 194)	1 382 467	64 631	1 447 098
Comprehensive income								
Profit for the period	-	-	-	51 602	-	51 602	389	51 991
Effect from translation into presentation currency	-	-	-	-	(461 957)	(461 957)	(37 540)	(499 497)
Effect from changes in ownership	-	-	-	16	-	16	(16)	-
Total comprehensive income	-	-	-	51 618	(461 957)	(410 339)	(37 167)	(447 506)
Balance at 30 June 2014	836	115 858	201 164	1 184 421	(530 151)	972 128	27 464	999 592

The notes on pages 10 to 36 are an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2014
(in USD thousand, unless otherwise stated)

		6 months ended	
	Note	30 June 2014	30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		51 381	105 062
Adjustments for:			
Depreciation of property, plant and equipment	5	11 002	12 697
Change in allowance for irrecoverable amounts		115	283
Other provisions		(489)	(143)
(Profit)/Loss on disposal of current assets		(9)	55
Loss on disposal of property, plant and equipment		2 346	281
Impairment of current assets		845	468
Effect of fair value adjustments on biological assets	6	(9 049)	(20 717)
Gains realised from accounts payable written-off		(3 071)	(165)
Amortization of deferred income on government grants		(118)	(157)
Discount on long-term bonds amortization		728	655
Interest income		(83)	(67)
Interest payable on loans		14 702	16 327
Losses on exchange		34 192	-
Operating profit before working capital changes		102 492	114 579
Increase in trade receivables		(4 877)	(5 471)
Decrease/(increase) in prepayments and other current assets		10 887	(70 586)
(Increase)/decrease in taxes recoverable and prepaid		(19 074)	13 320
Decrease in inventories		9 368	30 990
(Decrease)/increase in deferred income		(126)	4
Decrease in other non-current assets		120	24
Increase/(decrease) in trade payables		3 539	(9 742)
Decrease in biological assets		13 559	20 261
Decrease in finance leases		(886)	(1 278)
Decrease in other accounts payable		(3 749)	(7 731)
Cash generated from operations		111 253	84 370
Interest paid		(5 005)	(4 998)
Income tax paid		(41)	(46)
Net cash generated from operating activities		106 207	79 326
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(33 686)	(75 978)
Interest received		83	67
Net cash used in investing activities		(33 603)	(75 911)

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Condensed consolidated statement of cash flows (cont.)
FOR THE 6 MONTHS ENDED 30 JUNE 2014
(in USD thousand, unless otherwise stated)

		6 months ended	
	Note	30 June 2014	30 June 2013
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans received		78 726	61 198
Repayment of loans		(56 595)	(73 030)
Interest paid for bonds issued		(10 000)	(11 686)
Repayment of short-term bonds		-	(25 023)
Blocked deposit		-	602
Net cash generated from/(used in) financing activities		12 131	(47 939)
Net increase/(decrease) in cash		84 735	(44 524)
Cash and cash equivalents at 1 January		156 804	203 504
Effect from translation into presentation currency		(5 459)	(12)
Cash and cash equivalents at 30 June	10	236 080	158 968

The notes on pages 10 to 36 are an integral part of these condensed consolidated interim financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2014**

(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 Anexartusias & Kyriakou Matsi, 3040 Limassol, Cyprus.

The condensed consolidated interim financial statements of the Company as at 30 June 2014 and for the 6 months ended 30 June 2014 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 June 2014 the production facilities of the Group include 32 poultry facilities (consisting of 19 farms for laying hens, 10 farms for rearing young laying hens and 3 breeder farms), 6 feed 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 69% 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the condensed consolidated interim financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2014**
(in USD thousand, unless otherwise stated)

1. General information (cont.)

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

Company name	Principal Activity	Country of registration	Ownership interest (%) 30 June 2014	Ownership interest (%) 31 December 2013
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 Travnnya		Ukraine	93,00%	93,00%
PJSC Chernivetska Ptakhofabryka		Ukraine	98,00%	98,00%
ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Areal-Snigurivka		Ukraine	100,00%	100,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100,00%	100,00%
PPB LLC Ptysecompleks		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 ChervonyiPrapor		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 Eksperimentalnyi Kombikormoviy Zavod		Ukraine	100,00%	100,00%
PJSC Volnovaskiy Kombinat Khliboproductiv		Ukraine	99,00%	99,00%
LLC Kamyanskyi-Podilsky Kombikormoviy Zavod		Ukraine	100,00%	100,00%
LLC Pershe Travnnya Kombikormoviy Zavod		Ukraine	93,00%	93,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	95,00%	94,00%
LLC Agrarniy Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Imperovo LTD	Rental services	Ukraine	95,00%	94,00%

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014

(in USD thousand, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 June 2014 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	30 June 2014		31 December 2013	
	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 30 June 2014 and 31 December 2013 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:

	Ownership interest (%) as at 30 June 2014	Ownership interest (%) as at 31 December 2013
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	100%

2. Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements for the 6 months ended 30 June 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and were not audited by the external independent auditors' of the Group. The condensed consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

2.2 Basis of measurement

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014

(in USD thousand, unless otherwise stated)

2. Basis of preparation (cont.)

2.3 Functional and presentation currency

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

2.4 Going concern basis

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

3. Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2013.

3.1 Foreign currency translation

(a) Transactions and balances

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

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

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

Currency	Weighted average for the 6 months ended 30			Weighted average for the 6 months ended	
	30 June 2014	June 2014	31 December 2013	30 June 2013	30 June 2013
US dollar to Ukrainian Hryvnia	11,8233	10, 2873	7,9930	7, 9930	7,9930
Euro	0,7350	0,7293	0,7239	-	-

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

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Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014 *(in USD thousand, unless otherwise stated)*

3. Accounting policies (cont.)

3.1 Foreign currency translation (cont.)

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 where such average exchange rate is not a reasonably approximate value reflecting cumulative influence of all exchange rates prevailing at the date of transaction, in which case income and expenses are translated at the exchange rates at the date of transaction);
- (3) All exchange differences are recognised in other comprehensive income.

4. Use of judgements and estimates

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2013.

4.1 Measurement of fair values

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

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, 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.

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4. Use of judgements and estimates (cont.)

4.1 Measurement of fair values (cont.)

- *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.

4.2 Ukrainian business environment

Ukraine has entered 2014 in a state of political crisis. The following reasons formed a background for this: authorities stopping Euro integration process, President usurping power, growing corruption of officials, simulated maintenance of economic and social stability based not on the economic growth, but at the expense of gold and foreign exchange reserves; and led to the political crisis in the country. As a result of unthoughtful ruling Ukrainian gold and foreign exchange reserves have significantly diminished.

A following stage of the crisis came with Crimea annexation and armed clashes in the Eastern regions of Ukraine. This resulted in significantly lower budget income and increase in budget deficit. Ukraine had to ask for financial assistance from international financial institutions and meet their requirements. One of such requirements was introduction of a floating (fluctuating) currency rate of Ukrainian hryvnia. Implementation of required steps has led to significant loss of currency value (up to 50%). Ukrainian economy has a negative trading balance, which leads to high foreign currency demand and fluctuations of national currency. Consequently, we cannot say that country situation is stable.

Although, in May 2014 Ukraine elected President, who has declared European integration strategy, which slightly stabilized situation in country, military conflict on the East of Ukraine and conflict related to Crimea annexation are still main destabilizing factors. It is extremely hard to forecast the crisis outcome for Ukraine.

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

Although, Group's management considers that all necessary actions are being performed to maintain financial stability of the Group in current situation, continuation of crisis may adversely affect results and financial position of the Group, but it is currently impossible to estimate the effect. These condensed consolidated interim financial statements reflect current management estimation of Ukrainian business environment influence on the financial position of the Group. Situation development may differ from management expectations. These financial statements were not adjusted to reflect events after the reporting period.

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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
Balance at 1 January 2014	3 463	362 997	49 091	106 411	6 652	3 227	663 077	1 194 918
Acquisitions	-	41	205	10	116	22	30 627	31 021
Disposals	-	(1 513)	(2)	(1 023)	-	(12)	(1)	(2 551)
Foreign currency translation	(1 122)	(117 413)	(15 929)	(34 342)	(2 170)	(1 047)	(218 783)	(390 806)
Internal transfers	-	45	(8)	-	-	6	(43)	-
Reclassification	-	-	-	-	-	-	-	-
Balance at 30 June 2014	2 341	244 157	33 357	71 056	4 598	2 196	474 877	832 582
Accumulated depreciation								
Balance at 1 January 2014	-	35 314	10 690	39 810	3 611	1 863	-	91 288
Depreciation charge	-	5 965	1 698	2 842	284	213	-	11 002
Depreciation eliminated on disposal	-	(76)	(1)	(119)	-	(10)	-	(206)
Foreign currency translation	-	(12 206)	(3 682)	(13 251)	(1 207)	(625)	-	(30 971)
Reclassification	-	-	4	-	-	(4)	-	0
Balance 30 June 2014	-	28 997	8 709	29 282	2 688	1 437	-	71 113
Net book value								
Balance at 30 June 2014	2 341	215 160	24 648	41 774	1 910	759	474 877	761 469

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5. Property, plant and equipment (cont.)

Cost	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Balance at 1 January 2013	3 464	301 995	48 381	101 353	6 340	3 100	521 381	986 014
Acquisitions	-	72	76	8	22	14	76 349	76 541
Disposals	-	(221)	(146)	(1)	(34)	(31)	-	(433)
Foreign currency translation	-	(19)	(3)	(6)	-	-	(25)	(53)
Internal transfers	-	60 511	111	-	-	87	(60 709)	-
Reclassification	-	30	111	-	-	(30)	(111)	-
Balance at 30 June 2013	3 464	362 368	48 530	101 354	6 328	3 140	536 885	1 062 069
Accumulated depreciation								
Balance at 1 January 2013	-	22 612	6 441	32 658	2 851	1 380	-	65 942
Depreciation charge	-	6 376	2 157	3 512	386	266	-	12 697
Depreciation eliminated on disposal	-	(34)	(55)	-	(8)	(22)	-	(119)
Foreign currency translation	-	(2)	(1)	(2)	-	(2)	-	(7)
Reclassification	-	-	-	-	-	-	-	-
Balance at 30 June 2013	-	28 952	8 542	36 168	3 229	1 622	-	78 513
Net carrying value								
Balance at 30 June 2013	3 464	333 416	39 988	65 186	3 099	1 518	536 885	983 556

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**Notes to the condensed consolidated interim financial statements
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5. Property, plant and equipment (cont.)

As at 30 June 2014 and 31 December 2013 the property, plant and equipment with carrying amount USD 85 784 thousand and USD 130 285 thousand were pledged as a security for Group's loans.

As at 30 June 2014 and 31 December 2013 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 106 thousand and USD 7 784 thousand respectively.

6. Biological assets

	Note	30 June 2014	31 December 2013
Non-current biological assets			
Replacement poultry	a), b)	44 139	76 678
		44 139	76 678
Current biological assets			
Commercial poultry	a), b)	44 585	60 646
Other biological assets	c)	-	2
		44 585	60 648
Total		88 724	137 326

a) Commercial poultry and replacement poultry were as follows:

	30 June 2014		31 December 2013	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	3 657	13 531	2 370	13 833
Hy-Line	26 049	72 744	28 244	117 673
Hisex	604	869	1 288	3 288
NOVOgen	423	1 580	-	-
Brown Nick	-	-	630	2 530
	30 733	88 724	32 532	137 324

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Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014

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6. Biological assets (cont.)

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

Balance at 1 January 2013	103 610
Acquisitions	37 590
Increase in value as a result of increase in weight/number	41 693
Net change in fair value	20 717
Decrease in value resulting from assets disposal	(32 961)
Effect from translation into presentation currency	(6)
Decrease in value resulting from hens slaughtering	(66 842)
Other changes	(133)
Balance at 30 June 2013	103 668
Balance at 1 January 2014	137 324
Acquisitions	55 201
Increase in value as a result of increase in weight/number	64 367
Net change in fair value	9 049
Decrease in value resulting from assets disposal	(70 845)
Effect from translation into presentation currency	(43 874)
Decrease in value resulting from hens slaughtering	(62 373)
Other changes	(126)
Balance at 30 June 2014	88 724

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 30 June 2014 was applied (for the 6 months ended 30 June 2013: 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. Inventories

Inventories as at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014	31 December 2013
Raw and basic materials	76 531	132 264
Work-in-progress	341	606
Agricultural produce	2 500	2 150
Finished goods	23 431	33 939
Package and packing materials	13 407	13 997
Goods for resale	3 657	6 350
Other inventories	2 716	4 076
	122 583	193 382

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7. Inventories (cont.)

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

The Group produced shell eggs in the quantity of 3 680 324 741 (6 months ended 30 June 2013: 3 378 136 548 items) whose fair value amounted to USD 246 850 thousand (6 months ended 30 June 2013: USD 266 261 thousand).

8. Trade accounts receivable, net

As at 30 June 2014 an amount of USD 7 146 thousand or 11.1% of the total carrying value of trade accounts receivable is due from the single most significant client (USD 11 077 thousand or 12.5% as at 31 December 2013).

9. Prepayments and other current assets, net

Decrease in prepayments and other current assets is associated with the change of the Group's policy for procurement of grain due to the unstable situation in Ukraine.

10. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014	31 December 2013
Cash in banks	236 027	154 771
Cash in hand	53	33
Other bank accounts in foreign currency	-	2 000
Cash and cash equivalents represented in consolidated statement of cash flows	236 080	156 804

11. Share capital

	30 June 2014		31 December 2013	
	Number of shares	Share capital, USD ths	Number of shares	Share capital, USD ths
<i>Authorised</i>				
Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
<i>Issued and fully paid</i>				
Balance at 30 June/31 December	6 387 185	836	6 387 185	836

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

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

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

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12. Long-term loans

Long-term loans as at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014	31 December 2013
Long-term bank loans in national currency	1 853	2 860
Long-term bank loans in foreign currency	91 610	70 448
Total loans	93 463	73 308
Commodity credit	749	1 109
	94 212	74 417
Current portion of non-current liabilities for bank loans in national currency	(886)	(1 430)
Current portion of non-current liabilities for bank loans in foreign currency	(10 926)	(11 492)
	82 400	61 495

a) As at 30 June 2014 and 31 December 2013 the long-term bank loans by maturities were as follows:

	30 June 2014	31 December 2013
Less than one year	11 812	12 922
From 1 to 2 years	16 803	13 165
From 2 to 3 years	17 077	12 619
From 3 to 4 years	12 153	10 133
From 4 to 5 years	9 415	6 375
Over 5 years	26 203	18 094
	93 463	73 308

b) As at 30 June 2014 and 31 December 2013 the long-term bank loans by currencies were as follows:

	30 June 2014	31 December 2013
Long-term bank loans in UAH	1 853	2 860
Long-term bank loans in EUR	91 610	70 448
	93 463	73 308

c) As at 30 June 2014 and 31 December 2013 the interest rates for long-term bank loans were as follows:

	30 June 2014	31 December 2013
Long-term bank loans denominated in UAH	14%	14%
Long-term bank loans in EUR	1.5%+EURIBOR-2.7%+EURIBOR	1.5%+EURIBOR-1.75%+EURIBOR

d) Commodity credit in the amount of USD 749 thousand is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboproduktiv" and OJSC "Ptakohospodarstvo Chervonyi Prapor" for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. In case of default after the maturity of the loan the Group's companies are subject to fine and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine, applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments. The commodity credit does not have a maturity date.

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13. Long-term bond liabilities

Long-term bond liabilities as at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014	31 December 2013
Par value	200 000	200 000
Discount on issued bonds	(2 141)	(2 869)
	197 859	197 131

	30 June 2014	31 December 2013
Coupon payable	3 461	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 Torgivelnii 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.

14. Short-term loans

Short-term loans as at 30 June 2014 and 31 December 2013 were as follows:

	Note	30 June 2014	31 December 2013
Short-term bank loans in foreign currency	a), b), c)	50 000	50 000
		50 000	50 000

a) As at 30 June 2014 and 31 December 2013 the short-term bank loans by maturity were as follows:

	30 June 2014	31 December 2013
From 3 to 6 months	50 000	50 000
	50 000	50 000

b) As at 30 June 2014 and 31 December 2013 the short-term bank loans by currencies were as follows:

	30 June 2014	31 December 2013
Short-term bank loans in USD	50 000	50 000
	50 000	50 000

c) Short-term bank loans by currencies as at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014	31 December 2013
Short-term bank loans denominated in USD	11.5%	10.25%

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Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014 (in USD thousand, unless otherwise stated)

15. Other accounts payable

Other accounts payable as at 30 June 2014 and 31 December 2013 were as follows:

	Note	30 June 2014	31 December 2013
Accrued expenses for future employee benefits		1 190	1 575
Other accrued expenses		187	291
Wages and salaries and related taxes liabilities		2 148	2 569
Other taxes and compulsory payments liabilities	a)	811	2 034
Accounts payable for property, plant and equipment		2 658	5 721
Advances received from customers	b)	2 359	4 779
Interest payable		440	1 397
Accrued coupon on bonds		3 461	3 462
Other payables	c)	2 660	6 987
		15 914	28 815

- a) Other taxes and compulsory payments liabilities mainly comprise of liabilities for VAT and community charges.
- b) Advances received from customers consist of prepayments for the sale of agriculture products and finished goods from buyers.
- c) Other payables consist of payables for electricity, gas, water, security services, lease and other.

16. Revenue

Sales revenue for the 6 months ended 30 June 2014 and 30 June 2013 were as follows:

	30 June 2014	30 June 2013
Revenue from finished goods	261 626	302 975
Revenue from goods sold and services rendered	1 054	1 313
	262 680	304 288

For the 6 months ended 30 June 2014 USD 22 601 thousand (6 months ended 30 June 2013: USD 23 584 thousand) or 8.6% (6 months ended 30 June 2013: 7.8%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

17. Cost of sales

Cost of sales for the 6 months ended 30 June 2014 and 30 June 2013 was as follows:

	Note	30 June 2014	30 June 2013
Cost of finished goods sold	18	(190 010)	(205 287)
Cost of goods sold and services rendered		(922)	(1 113)
		(190 932)	(206 400)

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18. Cost of sales by elements

The cost of finished goods sold (Note 17) for the 6 months ended 30 June 2014 and 30 June 2013 was as follows:

	Note	30 June 2014	30 June 2013
Raw materials		(157 364)	(171 046)
Payroll of production personnel and related taxes		(8 908)	(9 512)
Depreciation		(10 664)	(12 267)
Services provided by third parties		(12 994)	(12 384)
Other expenses		(80)	(78)
	17	(190 010)	(205 287)

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

19. Other operating (expenses)/income, net

Other operating (expenses)/income, net mainly comprised of gains/(losses) on exchange in amount of USD (29 028) thousand for the 6 months ended 30 June 2014 (for the 6 months ended 30 June 2013: USD 1 101 thousand).

20. Finance cost

Finance cost for the 6 months ended 30 June 2014 and 30 June 2013 was as follows:

	30 June 2014	30 June 2013
Interest payable on loans	(3 975)	(4 181)
Capitalised interest	-	533
Total finance expenses on loans	(3 975)	(3 648)
Finance expenses on finance lease	(73)	(186)
Finance expenses on bonds	(10 727)	(12 146)
Other finance expenses	(1 876)	(982)
	(16 651)	(16 962)

21. Income from special VAT treatment

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 met the criteria for the use of these VAT benefits except from: (LLC Rohatyn-Korm, LLC Kamyanskyi-Podilskyi Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalniy Kombikormoviy Zavod, OJSC Volnovaskyi Kombinat Khliboproduktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited).

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Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014

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22. Related party balances and transactions

The Company is controlled by Oleg Bakhmatyuk, who directly or indirectly owns 77.5% of the Company's share capital. The remaining 22.5% of the shares are widely owned.

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

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

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

Salary costs of key management personnel for the 6 months ended 30 June 2014 and 30 June 2013 were as follows:

	30 June 2014	30 June 2013
Salary	1 069	999
Contributions to state funds	243	268
	1 312	1 267

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22. Related party balances and transactions (cont.)

Outstanding amounts of the Group for transactions with related parties as at 30 June 2014 and 31 December 2013 were as follows:

	Outstanding balances with related parties as at	
	30 June 2014	31 December 2013
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	3	59
D. Companies in which activities are significantly influenced by the Group's owners	6 892	10 386
	6 895	10 445
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	5	76
D. Companies in which activities are significantly influenced by the Group's owners	86	184
	91	260
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	36 882	9 913
	36 882	9 913
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	79	-
	79	-
Current portion of non-current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	22	-
	22	-
Trade accounts payable		
C. Companies in which the Group's owners have an equity interest;	-	12
D. Companies in which activities are significantly influenced by the Group's owners	4	198
	4	210
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	-	45
D. Companies in which activities are significantly influenced by the Group's owners	4	717
	4	762

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 and thereafter, 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 3.52% at 30 June 2014. As at 30 June 2014 and 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 6 364 thousand and USD 9 926 thousand respectively.

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22. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 6 months ended 30 June 2014 and 30 June 2013 were as follows:

	Transactions with related parties for the 6 months ended	
	30 June 2014	30 June 2013
Sales revenue		
C. Companies in which the Group's owners have an equity interest;	-	4
D. Companies in which activities are significantly influenced by the Group's owners	1 153	190
	1 153	194
General administrative expenses		
C. Companies in which the Group's owners have an equity interest;	-	(431)
D. Companies in which activities are significantly influenced by the Group's owners	(45)	(43)
	(45)	(474)
Distribution expenses		
C. Companies in which the Group's owners have an equity interest;	-	(13)
D. Companies in which activities are significantly influenced by the Group's owners	(1 053)	(311)
	(1 053)	(324)
Other operating income/(expenses), net		
C. Companies in which the Group's owners have an equity interest;	-	94
D. Companies in which activities are significantly influenced by the Group's owners	142	3
	142	97
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	33	65
	33	65
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	(29)	-
	(29)	-

For the 6 months ended 30 June 2014 and 30 June 2013 transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 1 204 thousand and USD 1 098 thousand respectively. All those services were provided on market terms.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014

(in USD thousand, unless otherwise stated)

23. 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 feed;
- 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 condensed consolidated interim financial statements.

Reportable segment information for the 6 months ended 30 June 2014 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	295 154	75 115	114 088	82 797	7 522	-	574 676
Intra-group elimination	(137 096)	(54 385)	(114 096)	-	(6 419)	-	(311 996)
Revenue from external buyers	158 058	20 730	(8)	82 797	1 103	-	262 680
Income from revaluation of biological assets at fair value	(2 037)	11 086	-	-	-	-	9 049
Other operating income/(expenses)	(589)	(274)	432	(1 238)	(26 933)	-	(28 602)
Income from government grants and incentives	116	2	-	-	-	-	118
OPERATING PROFIT/(LOSS)	69 860	1 514	(2 564)	29 555	(30 416)	-	67 949
Finance income	43	4	12	22	2	-	83
Finance costs,	(735)	-	-	(2 727)	(13 189)	-	(16 651)
<i>including:</i>							
Interest payable on loans	(191)	-	-	(2 727)	(1 057)	-	(3 975)
Income tax (expense)/credit	-	-	(122)	723	9	-	610
NET PROFIT/(LOSS) FOR THE PERIOD	69 168	1 518	(2 674)	27 573	(43 594)	-	51 991
TOTAL ASSETS	2 167 423	73 185	331 286	436 607	537 489	(2 171 700)	1 374 290
Depreciation	4 893	425	159	5 221	304		11 002
TOTAL LIABILITIES	684 193	14 653	281 486	247 365	331 031	(1 184 030)	374 698

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23. Operating segments (cont.)

Reportable segment information for the 6 months ended 30 June 2013 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	279 103	46 037	141 426	57 568	4 464	-	528 598
Intra-group elimination	(80 346)	(19 869)	(120 969)	-	(3 126)	-	(224 310)
Revenue from external buyers	198 757	26 168	20 457	57 568	1 338	-	304 288
Income from revaluation of biological assets at fair value	11 223	9 494	-	-	-	-	20 717
Other operating income/(expenses)	(2 042)	(118)	(70)	1 720	1 730	-	1 220
Income from government grants and incentives	149	8	-	-	-	-	157
OPERATING PROFIT/(LOSS)	87 718	11 729	(1 908)	26 616	(2 198)	-	121 957
Finance income	42	3	5	11	6	-	67
Finance costs, including:	(3 005)	-	-	(2 577)	(11 380)	-	(16 962)
Interest payable on loans	(355)	-	-	(2 577)	(716)	-	(3 648)
Income tax expense	-	-	(243)	746	(4)	-	499
NET PROFIT/(LOSS) FOR THE PERIOD	84 755	11 732	(2 147)	24 804	(13 583)	-	105 561
TOTAL ASSETS	2 172 679	92 244	566 051	450 256	517 897	(2 170 559)	1 628 568
Depreciation	6 366	537	211	5 230	353	-	12 697
TOTAL LIABILITIES	780 659	17 041	515 122	248 939	276 148	(1 482 037)	355 873

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		Non-current assets	
	For the 6 months ended		As at	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013
Ukraine	160 792	226 921	808 513	1 183 740
Middle East and North Africa	62 392	55 545	-	-
Far East	17 208	12 432	-	-
Central and West Africa	22 201	8 386	-	-
Rest of the World	87	1 004	-	-
Total	262 680	304 288	808 513	1 183 740

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(in USD thousand, unless otherwise stated)

24. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the 6 months ended 30 June 2014 and 30 June 2013 was based on profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	6 months ended	
	30 June 2014	30 June 2013
<i>Profit attributable to the owners of the Company:</i> (in USD thousands)		
Profit attributable to the owners of the Company	51 602	103 967
<i>Weighted average number of shares:</i>		
Weighted average number of ordinary shares at 30 June	6 387 185	6 387 185
<i>Earnings per share (USD)</i>	8	16

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.

25. Financial risk management

The Group has exposure to the following risks arising from use of financial instruments: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk of fair value) and livestock disease risk. The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2013.

a) 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 to maintain the 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:

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(in USD thousand, unless otherwise stated)

25. Financial risk management (cont.)

a) Liquidity risk (cont.)

Exposure to liquidity risk

30 June 2014

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	(172 045)	-	(69 869)	(74 372)	(27 804)
Finance lease (including VAT)	(105)	-	(26)	(79)	-
Current liabilities for bonds	(3 461)	-	(3 461)	-	-
Long-term bond liabilities	(230 000)	-	(20 000)	(210 000)	-
Trade accounts payable	(13 277)	(13 277)	-	-	-
	(418 888)	(13 277)	(93 356)	(284 451)	(27 804)

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)

b) 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.

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.

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**Notes to the condensed consolidated interim financial statements
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(in USD thousand, unless otherwise stated)

25. Financial risk management (cont.)

b) Market risk (cont.)

i) Foreign currency risk

Exposure to foreign currency risk

The Group's (excluding the Company) exposure to foreign currency risk and the functional currency (UAH) as at 30 June 2014 based on carrying amounts was as follows:

<i>(in conversion to USD thousand)</i>	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	50 000	-	50 000
Trade accounts payable	277	890	1 167
Accounts payable for property, plant and equipment	5	41	46
Cash and cash equivalents	(160)	(1)	(161)
Trade accounts receivable	(27 843)	(6)	(27 849)
Net exposure to foreign currency risk	22 279	924	23 203

The Company exposure to foreign currency risk and the functional currency (EUR) as at 30 June 2014 based on carrying amounts was as follows:

<i>(in conversion to USD thousand)</i>	USD
Long-term bond liabilities	197 859
Accounts payable for property, plant and equipment	6
Other accounts payable	24
Cash and cash equivalents	(126 408)
Accrued coupon on bonds	3 461
Net exposure to foreign currency risk	74 942

The Group's exposure to foreign currency risk and the functional currency (UAH) as at 31 December 2013 based on carrying amounts was as follows:

<i>(in conversion to USD thousand)</i>	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 bond	3 462	-	3 462
Net exposure to foreign currency risk	75 636	73 276	148 912

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**Notes to the condensed consolidated interim financial statements
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25. Financial risk management (cont.)

b) Market risk (cont.)

Sensitivity analysis (foreign currency risk)

Below there is a sensitivity analysis of income (or loss) of the Group before tax to the possible changes in foreign currency rates. This analysis is conducted based on the assumption that all other variables and interest rates in particular, remain unchanged.

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
30 June 2014			
USD	20%	(4 456)	(4 456)
EUR	15%	(139)	(139)
Effect in USD thousand:	Increase in currency rate against EUR	Effect on profit before tax	Effect on equity
30 June 2014			
USD	5%	(3 747)	(3 747)
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)

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.

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.

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Notes to the condensed consolidated interim financial statements FOR THE 6 MONTHS ENDED 30 JUNE 2014 (in USD thousand, unless otherwise stated)

25. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation

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

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

As at 30 June 2014 and 31 December 2013 the Group's financial leverage coefficient was 9.6% and 10.3% respectively.

	Carrying value	
	30 June 2014	31 December 2013
Short-term loans	50 000	50 000
Long-term loans	82 400	61 495
Current portion of long-term loans	11 812	12 922
Long-term finance lease (including VAT)	106	1 280
Long-term bond liabilities	197 859	197 131
Total borrowings	342 177	322 828
Cash and cash equivalents	(236 080)	(156 804)
Net debt	106 097	166 024
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	1 184 421	1 132 803
Foreign currency translation reserve	(530 151)	(68 194)
Non-controlling interests	27 464	64 631
Total equity	999 592	1 447 098
Total amount of equity and net debt	1 105 689	1 613 122
Financial leverage coefficient	9.6%	10.3%

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25. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

For the 6 months ended 30 June 2014 and 30 June 2013 the ratio of net debt to EBITDA amounted to:

	6 months ended	
	30 June 2014	30 June 2013
PROFIT FOR THE PERIOD	51 991	105 561
Income tax credit	(610)	(499)
Finance income	(83)	(67)
Finance expenses	16 651	16 962
EBIT (earnings before interest and income tax)	67 949	121 957
Depreciation	11 002	12 697
EBITDA (earnings before interest, income tax, depreciation and amortisation)	78 951	134 654
Net debt at the period end	106 097	155 594
Net debt at the period end / EBITDA	1,34	1,16

26. Fair values

As at 30 June 2014 the fair value of all the financial instruments approximated to their carrying amount besides long-term bonds whose fair value was USD 192 750 thousand (31 December 2013: USD 201 984 thousand). The biological assets (level 3) are measured at fair value and amount to USD 88 724 thousand (31 December 2013: USD 137 326 thousand).

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

With regard to the events in Ukraine and in the world we consider necessary to emphasize on the new risks the Company has faced:

1. Situation on the East of Ukraine. Part of Luhansk and Donetsk regions territory are in the military conflict zone. PJSC Ptakhohospodarstvo Chervonyi Prapor and SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo Chervonyi Prapor are located within a territory controlled by illegal armed groups. Companies are operating in the normal course of business. However there is a risk of damages due to military operations. As of 30 June 2014 the value of the abovementioned Group's assets amounted to 6% of the Group's or USD 80 539 thousand. Other companies of the Group located in the above regions are operating as usual. Besides that, such instability in the region could adversely affect the volume of sales of finished products, in these regions.
2. There is a risk the Group is facing related to the occupation of the Crimea. Three companies of the Group: LLC Yuzhnaya – Holding, SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding, PPB LLC Ptytsekompleks, are located on the territory occupied by the Russian Federation. Crimean "authorities" has adopted the law on the forced repurchase of strategic enterprises. There is a risk that these companies will be seized. Management considers that demand for repurchase contradicts Ukrainian and European legislation and management is prepared to protect its rightful ownership in court (including European courts). Assets value of those companies as at 30 June 2014 is equal to USD 18 518 thousand which is 1% of the Group's assets.
3. Unstable situation in countries-importers of our products, namely war conflicts at Iraq, Syria, Lebanon, and instability in Egypt, exposes export revenue of the Group at risk.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the condensed consolidated interim financial statements
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*(in USD thousand, unless otherwise stated)***28. Events after the reporting period**

There were no material events after the reporting period which affect the condensed consolidated interim financial statements as at 30 June 2014.

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 25 August 2014.

