

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

Consolidated financial statements (Unaudited)

For the 9 months ended 30 September 2013

CONTENTS	Page
Consolidated statement of financial position	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6-7
Notes to the consolidated financial statements	8 -25

The notes on pages 8 to25 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
AS AT 30 SEPTEMBER 2013
(in USD thousands, unless otherwise stated)

	Note	30 September 2013	31 December 2012
ASSETS			
Property, plant and equipment		1 102 964	920 072
Non-current biological assets	4	72 216	46 724
Deferred tax assets		2 466	1 966
Other non-current assets		369	391
Total non-current assets		1 178 015	969 153
Inventories	6	146 815	177 886
Current biological assets	4	50 023	56 889
Trade accounts receivable, net	7	60 516	55 551
Prepaid income tax		58	18
Prepayments and other current assets, net	8	71 472	11 966
Taxes recoverable and prepaid	5	105 988	102 567
Cash and cash equivalents	9	120 981	204 298
Total current assets		555 853	609 175
TOTAL ASSETS		1 733 868	1 578 328
EQUITY			
Share capital		836	836
Share premium		201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		1 058 140	899 357
Effect of translation into presentation currency		(80 015)	(68 135)
Equity attributable to the owners of the Company		1 295 983	1 149 080
Non-controlling interest		53 404	18 115
Total equity		1 349 387	1 167 195
LIABILITIES			
Long-term loans	10	57 993	3 969
Long-term bond liabilities	11	196 774	195 779
Deferred tax liabilities		48	72
Deferred income	24,1	4 838	5 047
Long-term finance lease		4	1 283
Total non-current liabilities		259 657	206 150
Short-term bond liabilities	16	-	25 023
Current portion of non-current liabilities	13	15 647	32 114
Short-term loans	12	50 000	94 368
Trade payables	14	16 516	24 435
Other accounts payable	15	42 661	29 043
Total current liabilities		124 824	204 983
TOTAL LIABILITIES		384 481	411 133
TOTAL EQUITY AND LIABILITIES		1 733 868	1 578 328

Nataliya Vasylyuk
Chairwoman

Iryna Marchenko
Director, CEO

Consolidated statement of comprehensive income
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013
(in USD thousands, unless otherwise stated)

	Note	9 months ended	
		30 September 2013	30 September 2012
Revenue	17	466 542	445 753
Profit from revaluation of biological assets at fair value		29 423	27 592
Cost of sales	18	(309 368)	(299 385)
GROSS PROFIT		186 597	173 960
General administrative expenses	20	(12 417)	(17 633)
Distribution expenses	21	(18 525)	(15 307)
Income from government grants and incentives	24,1	214	226
Income from special VAT treatment	24,2	32 632	36 101
Other operating income, net	22	(2 225)	5 168
PROFIT FROM OPERATING ACTIVITIES		186 276	182 515
Finance income		90	555
Finance costs	23	(24 896)	(26 083)
PROFIT BEFORE TAX		161 470	156 987
Income tax credit/(expense)		499	(10)
PROFIT FOR THE PERIOD		161 969	156 977
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Effect of translation into presentation currency		(11 882)	(426)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		150 087	156 551
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		158 783	154 333
Non-controlling interests		3 186	2 644
PROFIT FOR THE PERIOD		161 969	156 977
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		146 903	153 910
Non-controlling interests		3 184	2 641
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		150 087	156 551
Earnings per share, USD (basic and diluted)		25	24

The notes on pages 8 to 25 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
 FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013
(in USD thousands, unless otherwise stated)

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve			
As at 1 January 2012	836	115 858	201 164	673 909	(67 761)	924 006	15 333	939 339
Comprehensive income for the period								
Profit for the period	-	-	-	154 333	-	154 333	2 644	156 977
Effect from translation into presentation currency	-	-	-	-	(423)	(423)	(3)	(426)
Total comprehensive income for the period	-	-	-	154 333	(423)	153 910	2 641	156 551
As at 30 September 2012	836	115 858	201 164	828 242	(68 184)	1 077 916	17 974	1 095 890
As at 1 January 2013	836	115 858	201 164	899 357	(68 135)	1 149 080	18 115	1 167 195
Comprehensive income for the period								
Profit for the period	-	-	-	158 783	-	158 783	3 186	161 969
Effect from changes in ownership	-	-	-	-	-	-	32 105	32 105
Effect from translation into presentation currency	-	-	-	-	(11 880)	(11 880)	(2)	(11 882)
Total comprehensive income for the period	-	-	-	158 783	(11 880)	146 903	3 184	150 087
As at 30 September 2013	836	115 858	201 164	1 058 140	(80 015)	1 295 983	53 404	1 349 387

The notes on pages 8 to 25 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013
(in USD thousands, unless otherwise stated)

	Note	9 months ended	
		30 September 2013	30 September 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		161 470	156 987
Adjustments for:			
Depreciation of property, plant and equipment		18 749	11 452
Change in allowance for irrecoverable amounts		362	1 077
Other provisions		(284)	299
Loss on disposal of current assets		178	249
Loss on disposal of property, plant and equipment		406	30
Impairment of current assets		790	850
Other income		-	(1 573)
Effect of fair value adjustments on biological assets		(29 423)	(27 592)
Gains realised from accounts payable written-off		(212)	(768)
Amortization of deferred income on government grants		(214)	(226)
Discount on long-term bonds amortization		995	895
Interest income		(90)	(555)
Interest payable on loans		22 400	23 812
Operating profit before working capital changes		175 127	164 937
(Increase)/decrease in trade receivables		(4 969)	(18 611)
Increase in prepayments and other current assets		(59 864)	(42 664)
Decrease in taxes recoverable and prepaid		(3 421)	(29 392)
Decrease in inventories		30 743	65 881
Decrease in deferred income		5	(3)
Decrease in other non-current assets		22	-
(Decrease)/increase in trade payables		(7 707)	3 121
Decrease in biological assets		10 157	28 158
Decrease in finance leases		(1 279)	(1 917)
(Decrease)/increase in other accounts payable		10 414	4 999
Cash generated from operations		149 228	174 509
Interest paid		(6 407)	(7 106)
Income tax paid		(65)	(39)
Net cash generated from operating activities		142 756	167 364
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments and receipts - property, plant and equipment		(181 279)	(227 684)
Interest received		90	555
Net cash used in investing activities		(181 189)	(227 129)

The notes on pages 8 to 25 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows (cont.)
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013
(in USD thousands, unless otherwise stated)

	Note	9 months ended	
		30 September 2013	30 September 2012
CASH FLOWS FROM FINANCING ACTIVITIES:			
New loans received		78 958	39 555
Repayment of loans		(85 769)	(20 897)
Interest paid for bonds issued		(13 038)	(13 984)
Repayment of short-term bonds		(25 023)	-
Blocked deposit		794	2 327
Net cash generated from financing activities		(44 078)	7 001
Net (decrease)/increase in cash		(82 511)	(52 764)
Cash and cash equivalents at 1 January		203 504	230 640
Effect from translation into presentation currency		(12)	(122)
Cash and cash equivalents at 30 September	12	120 981	177 754

The notes on pages 8 to 25 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, 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 interim consolidated financial statements of the Company as at and for the 9 months ended 30 September 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 September 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.

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 consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, 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 September 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%	
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 Pitysecompleks		Ukraine	100,00%	100,00%	
PSPC Interbusiness		Ukraine	100,00%	100,00%	
SC Avangard-Agro of PJSC Avangard		Incubation (production and sale of day-old chick), farming of young poultry for sale, 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 Chervonyi Prapor	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 Vuhlehirskiy Eksperementalniy Kombikormoviy Zavod		Ukraine	80,00%	80,00%	
PJSC Volnovaskiy Kombinat Khiboproductiv		Ukraine	72,00%	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 Agrarniy Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%	
LLC Imperovo LTD	Rental services	Ukraine	99,00%	99,00%	

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 September 2013 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	30 September 2013		31 December 2012	
	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 September 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:

	Ownership interest (%) as at 30 September 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%

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

2. Basis of preparation**2.1 Statement of compliance**

The consolidated financial statements for the 9 months ended 30 September 2013 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 consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2012.

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.

3. Significant accounting policies**3.1 Foreign currency translation***(a) Transactions and balances*

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

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

3. Significant accounting policies (cont.)

3.2 Foreign currency translation (cont.)

(a) Transactions and balances (cont.)

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

Currency	30 September 2013	Weighted average for the 9 months ended 30 September 2013	31 December 2012	Weighted average for the 9 months ended 30 September 2012	30 September 2012
US dollar to Ukrainian Hryvnia	7,993	7,993	7,9925	7,993	7,9904

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 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.

4. Biological assets

	30 September 2013	31 December 2012
Non-current biological assets		
Replacement poultry	72 216	46 724
	72 216	46 724
Current biological assets		
Commercial poultry	50 023	56 886
Other biological assets	-	3
	50 023	56 889
Total	122 239	103 613

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

5. Taxes recoverable and prepaid, net

Taxes recoverable and prepaid as at 30 September 2013 and 31 December 2012 were as follows:

	Note	<u>30 September 2013</u>	<u>31 December 2012</u>
VAT settlements	a)	105 885	102 455
Other taxes prepaid		103	112
		<u>105 988</u>	<u>102 567</u>

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.

6. Inventories

Inventories as at 30 September 2013 and 31 December 2012 were as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Raw and basic materials	102 555	144 752
Work-in-progress	384	1 153
Agricultural produce	3 428	2 417
Finished goods	23 913	11 487
Package and packing materials	5 599	6 168
Goods for resale	7 132	8 707
Other inventories	3 804	3 202
	<u>146 815</u>	<u>177 886</u>

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

7. Trade accounts receivable, net

Trade accounts receivable as at 30 September 2013 and 31 December 2012 were as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Trade receivables-gross	60 737	55 768
Provision for doubtful debts	(221)	(217)
	<u>60 516</u>	<u>55 551</u>

8. Prepayments and other current assets, net

Prepayments and other current assets as at 30 September 2013 and 31 December 2012 were as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Prepayments	68 188	9 823
Provision for doubtful debts	(809)	(765)
Other non-trade accounts receivable	4 093	2 908
	<u>71 472</u>	<u>11 966</u>

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

9. Cash and cash equivalents

Cash and cash equivalents as at 30 September 2013 and 31 December 2012 were as follows:

	30 September 2013	31 December 2012
Cash in banks	118 933	202 249
Cash in hand	35	49
Other bank accounts in foreign currency	2 013	2 000
Cash and cash equivalents	120 981	204 298
Less blocked deposit		
Other bank accounts in foreign currency	-	(794)
Cash and cash equivalents represented in interim consolidated statement of cash flows	120 981	203 504

10. Long-term loans

Long-term loans as at 30 September 2013 and 31 December 2012 were as follows:

	30 September 2013	31 December 2012
Long-term bank loans in national currency	3 217	4 290
Long-term bank loans in foreign currency	67 103	27 832
Total loans	70 320	32 122
Commodity credit	1 109	1 109
	71 429	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	(12 006)	(27 832)
	57 993	3 969

11. Long-term bond liabilities

Long-term bond liabilities as at 30 September 2013 and 31 December 2012 were as follows:

	30 September 2013	31 December 2012
Par value	200 000	200 000
Discount on issued bonds	(3 226)	(4 221)
	196 774	195 779

12. Short-term loans

Short-term loans as at 30 September 2013 and 31 December 2012 were as follows:

	30 September 2013	31 December 2012
Short-term loans in national currency	-	32
Short-term bank loans in foreign currency	50 000	94 336
	50 000	94 368

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

13. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 30 September 2013 and 31 December 2012 was as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
<i>Trade and other payables</i>		
Deferred income (current portion)	298	304
<i>Financial liabilities</i>		
Current portion of finance lease liabilities	1 594	2 123
VAT included in current portion of finance lease liabilities	319	425
Current portion of non-current liabilities for bank loans in foreign currency	12 006	27 832
Current portion of non-current liabilities for bank loans in national currency	1 430	1 430
	<u>15 647</u>	<u>32 114</u>

14. Trade payables

Trade payables as at 30 September 2013 and 31 December 2012 were as follows:

	Note	<u>30 September 2013</u>	<u>31 December 2012</u>
Trade payables		14 689	22 608
Short-term notes issued	a)	1 827	1 827
		<u>16 516</u>	<u>24 435</u>

a) As at 30 September 2013 and 31 December 2012 the short-term notes issued were represented by promissory, non interest-bearing, notes.

15. Other accounts payable

Other accounts payable as at 30 September 2013 and 31 December 2012 were as follows:

	Note	<u>30 September 2013</u>	<u>31 December 2012</u>
Accrued expenses for future employee benefits		1 391	1 453
Other accrued expenses		60	282
Wages and salaries and related taxes liabilities		3 146	3 070
Other taxes and compulsory payments liabilities	a)	2 846	3 113
Accounts payable for property, plant and equipment		16 218	13 546
Advances received from customers	b)	3 010	1 856
Interest payable		756	722
Accrued coupon on bonds		8 462	4 013
Other payables		6 772	988
		<u>42 661</u>	<u>29 043</u>

- 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

16. Short-term bond liabilities

Short-term bond liabilities as at 30 September 2013 and 31 December 2012 were as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Nominal value	-	25 023
	-	25 023

17. Revenue

Sales revenue for the 9 months ended 30 September 2013 and 30 September 2012 were as follows:

	<u>30 September 2013</u>	<u>30 September 2012</u>
Revenue from finished goods	465 108	444 365
Revenue from goods sold and services rendered	1 434	1 388
	466 542	445 753

18. Cost of sales

Cost of sales for the 9 months ended 30 September 2013 and 30 September 2012 was as follows:

	Note	<u>30 September 2013</u>	<u>30 September 2012</u>
Cost of finished goods sold	19	(307 945)	(297 812)
Cost of goods sold and services rendered		(1 423)	(1 573)
		(309 368)	(299 385)

19. Cost of sales by elements

The cost of finished goods sold (note 18) for the 9 months ended 30 September 2013 and 30 September 2012 as follows:

	<u>30 September 2013</u>	<u>30 September 2012</u>
Raw materials	(250 299)	(248 370)
Payroll of production personnel and related taxes	(15 790)	(17 204)
Depreciation	(18 039)	(10 969)
Services provided by third parties	(23 687)	(21 111)
Other expenses	(130)	(158)
	(307 945)	(297 812)

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

20. General administrative expenses

General administrative expenses for the 9 months ended 30 September 2013 and 30 September 2012 were as follows:

	30 September 2013	30 September 2012
Salaries and wages of administrative personnel	(6 270)	(6 155)
Services provided by third parties	(4 687)	(10 384)
Depreciation	(41)	(79)
Repairs and maintenance costs	(115)	(54)
Tax expenses, except for income tax	(230)	(267)
Material usage	(490)	(479)
Other expenses	(584)	(215)
	(12 417)	(17 633)

21. Distribution expenses

Distribution expenses for the 9 months ended 30 September 2013 and 30 September 2012 were as follows:

	30 September 2013	30 September 2012
Salaries and wages of distribution personnel	(647)	(1 658)
Transport expenses	(7 957)	(7 182)
Depreciation	(538)	(405)
Services provided by third parties	(8 042)	(4 461)
Packing materials	(990)	(1 090)
Repairs and maintenance costs	(40)	(48)
Other expenses	(311)	(463)
	(18 525)	(15 307)

22. Other operating income, net

Other operating income, net for the 9 months ended 30 September 2013 and 30 September 2012 were as follows:

	30 September 2013	30 September 2012
Loss on disposal of current assets	(178)	(249)
Loss on disposal of non current assets	(406)	(30)
Impairment of current assets	(790)	(850)
Gain realised from writing-off of accounts payable	212	768
Gains/(losses) on exchange	(698)	(6 274)
Foreign currency sale income	2 128	11 438
Provision for doubtful debts and amounts written off	(362)	(1 077)
Fines, penalties recognized	(1 002)	(870)
Other (expenses)/ income	(1 129)	2 312
	(2 225)	5 168

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

23. Finance cost

Finance cost for the 9 months ended 30 September 2013 and 30 September 2012 was as follows:

	<u>30 September 2013</u>	<u>30 September 2012</u>
Interest payable on loans	(5 908)	(7 113)
Capitalised interest	533	2 192
Total finance expenses on loans	(5 375)	(4 921)
Finance expenses on finance lease	(260)	(869)
Finance expenses on bonds (interest)	(17 487)	(18 891)
Other finance expenses	(1 774)	(1 402)
	<u>(24 896)</u>	<u>(26 083)</u>

24. Government grants received

24.1 Income from government grants and incentives

Income from government grants and incentives received for the 9 months ended 30 September 2013 and 30 September 2012 was as follows:

	Note	<u>30 September 2013</u>	<u>30 September 2012</u>
Amortization of deferred income on government grants	a)	214	226
		<u>214</u>	<u>226</u>

a) 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 interim 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.

24.2 Income from special VAT treatment

Income from special VAT treatment received for the 9 months ended 30 September 2013 and 30 September 2012 amounted to USD 32 632 thousand and USD 36 101 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) shall be included into other operating expenses. These income and expenses are reflected in interim consolidated financial statements on a net basis.

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 Eksperementalniy Kombikormoviy Zavod, OJSC Volnovaskyi Kombinat Khlipoproduktiv, LLC Pershe Travnnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited).

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

25. Related party balances and transactions

The Company is controlled by Mr 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

25. Related party balances and transactions (cont.)

Outstanding amounts of the Group for transactions with related parties as at 30 September 2013 and 31 December 2012 were as follows:

	Outstanding balances with related parties as at	
	30 September 2013	31 December 2012
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	128	1
D. Companies in which activities are significantly influenced by the Group's owners	258	47
	386	48
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	289	2
D. Companies in which activities are significantly influenced by the Group's owners	567	10
	856	12
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	6 704	12 103
	6 704	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;	33	2
D. Companies in which activities are significantly influenced by the Group's owners	397	12
	430	14
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	82	5
D. Companies in which activities are significantly influenced by the Group's owners	426	16
	508	21

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

25. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 9 months ended 30 September 2013 and 30 September 2012 were as follows:

	Transactions with related parties for the 9 months ended	
	30 September 2013	30 September 2012
Sales revenue		
C. Companies in which the Group's owners have an equity interest;	6	17
D. Companies in which activities are significantly influenced by the Group's owners	332	156
	338	173
General administrative expenses		
C. Companies in which the Group's owners have an equity interest;	(493)	(97)
D. Companies in which activities are significantly influenced by the Group's owners	(67)	(101)
	(560)	(198)
Distribution expenses		
C. Companies in which the Group's owners have an equity interest;	(40)	(36)
D. Companies in which activities are significantly influenced by the Group's owners	(494)	(56)
	(534)	(92)
Other operating income/(expenses), net		
C. Companies in which the Group's owners have an equity interest;	80	(83)
D. Companies in which activities are significantly influenced by the Group's owners	1	(33)
	81	(116)
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	86	239
	86	239

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013
(in USD thousands, unless otherwise stated)

26. Operating segments

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

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

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

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

Reportable segment information for the 9 months ended 30 September 2013 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	452 848	77 852	216 867	103 942	6 002	-	857 510
Intra-group elimination	(146 726)	(43 940)	(195 754)	-	(4 550)	-	(390 969)
Revenue from external buyers	306 123	33 912	21 113	103 942	1 452	-	466 542
Income from revaluation of biological assets at fair value	20 994	8 429	-	-	-	-	29 423
Other operating income/(expenses)	(2 683)	(276)	(150)	2 135	(1 250)	-	(2 225)
Income from government grants and incentives	210	4	-	-	-	-	214
OPERATING PROFIT/(LOSS)	143 552	11 771	(3 852)	41 640	(6 837)	-	186 276
Finance income	60	5	6	12	7	-	90
Finance costs, including:	(3 572)	-	-	(3 886)	(17 437)	-	(24 896)
Interest payable on loans	(502)	-	-	(3 886)	(986)	-	(5 375)
Income tax (expense)/credit	-	-	(243)	746	(4)	-	499
NET PROFIT/(LOSS) FOR THE PERIOD	140 041	11 776	(4 089)	38 519	(24 278)	-	161 969
TOTAL ASSETS	2 386 685	93 326	575 727	630 542	530 947	(2 483 358)	1 733 868
TOTAL LIABILITIES	928 977	13 431	524 482	236 207	299 510	(1 618 127)	384 481

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

26. Operating segments (cont.)

Reportable segment information for the 9 months ended 30 September 2012 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	432 882	51 364	139 566	67 253	3 326	-	694 391
Intra-group elimination	(115 210)	(28 369)	(103 163)	(137)	(1 757)	-	(248 637)
Revenue from external buyers	317 672	22 994	36 403	67 116	1 569	-	445 753
Income from revaluation of biological assets at fair value	15 377	12 215	-	-	-	-	27 592
Other operating expenses	(272)	675	(211)	535	4 441	-	5 168
Income from government grants and incentives	223	4	-	-	-	-	226
OPERATING PROFIT/(LOSS)	223 472	7 952	(109)	(36 851)	(11 949)	-	182 515
Finance income	340	34	10	-	172	-	555
Finance cost,	(5 403)	(24)	-	(3 986)	(16 669)	-	(26 083)
<i>including:</i>							-
Interest payable on loans	(577)	(21)	-	(3 986)	(337)	-	(4 921)
Income tax (expense)/credit	-	-	(55)	47	(3)	-	(10)
NET PROFIT/(LOSS) FOR THE PERIOD	218 408	7 961	(153)	(40 790)	(28 450)	-	156 977
TOTAL ASSETS	1 727 421	84 915	447 586	246 768	94 314	(1 111 684)	1 489 322
TOTAL LIABILITIES	565 858	14 723	400 546	281 092	300 480	(1 169 266)	393 433

27. Financial risk management

a) Interest rate risk

Capital management

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**

(in USD thousands, unless otherwise stated)

27. Financial risk management (cont.)

d) Interest rate risk (cont.)

Capital management (cont.)

As at 30 September 2013 and 31 December 2012 the Group's financial leverage coefficient made up 10.9% and 11.2% respectively.

	Carrying value	
	30 September 2013	31 December 2012
Short-term loans	50 000	94 368
Long-term loans	57 993	3 969
Current portion of long-term loans	13 436	29 262
Long-term finance lease (including VAT)	1 917	3 831
Long-term bond liabilities	196 774	195 779
Short-term bond liabilities	-	25 023
Total amount of borrowing costs	320 120	352 232
Cash and cash equivalents	120 981	204 298
Net debt	199 139	147 934
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	1 058 140	899 357
Effect of translation into presentation currency	(80 015)	(68 135)
Non-controlling interests	53 404	18 115
Total equity	1 349 387	1 167 195
Total amount of equity and net debt	1 548 526	1 315 129
Financial leverage coefficient	12,9%	11,2%

For the 9 months ended 30 September 2013 and 30 September 2012 ratio of net debt to EBITDA amounted to:

	9 months ended	
	30 September 2013	30 September 2012
PROFIT FOR THE PERIOD	161 969	156 977
Income tax income/expenses	(499)	10
Finance income	(90)	(555)
Finance expenses	24 896	26 083
EBIT (earnings before interest and income tax)	186 276	182 515
Depreciation	18 749	11 452
EBITDA (earnings before interest, income tax, depreciation and amortisation)	205 025	193 967
Net debt at the year end	199 139	153 157
Net debt at the period end / EBITDA	0,97	0,79

During the period there were no changes in approaches to capital management. The Group is not subject to external regulatory requirements regarding capital.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2013**
*(in USD thousands, unless otherwise stated)***28. Events after the reporting period**

There were no material events after the reporting period which affect the consolidated financial statements as at 30 September 2013.