

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

Report and Consolidated financial statements

For the 3 months ended 31 March 2013

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The notes on pages 7 to 23 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

AS AT 31 MARCH 2013

(in USD thousand, unless otherwise stated)

	Note	31 March 2013	31 December 2012
ASSETS			
Property, plant and equipment		978 555	920 072
Non-current biological assets		48 440	46 724
Deferred tax assets		1 966	1 966
Other non-current assets	4	55	391
Total non-current assets		1 029 016	969 153
Inventories	6	161 463	177 886
Current biological assets		59 398	56 889
Trade accounts receivable, net	7	63 162	55 551
Prepaid income tax		25	18
Prepayments and other current assets, net	8	50 291	11 966
Taxes recoverable and prepaid	5	102 297	102 567
Cash and cash equivalents	9	155 058	204 298
Total current assets		591 694	609 175
TOTAL ASSETS		1 620 710	1 578 328
EQUITY			
Share capital	13	836	836
Share premium	13	201 164	201 164
Reserve capital	13	115 858	115 858
Retained earnings		959 151	899 357
Effect of translation into presentation currency		(67 391)	(68 135)
Equity attributable to the owners of the Company		1 209 618	1 149 080
Non-controlling interest		19 020	18 115
Total equity		1 228 638	1 167 195
LIABILITIES			
Long-term loans	10	50 584	3 969
Long-term bond liabilities	11	196 102	195 779
Deferred tax liabilities		72	72
Deferred income		4 970	5 047
Long-term finance lease		1 124	1 283
Total non-current liabilities		252 852	206 150
Short-term bond liabilities	16	25 022	25 023
Current portion of non-current liabilities	13	14 677	32 114
Short-term loans	12	50 000	94 368
Trade payables	14	18 071	24 435
Other accounts payable	15	31 450	29 043
Total current liabilities		139 220	204 983
TOTAL LIABILITIES		392 072	411 133
TOTAL EQUITY AND LIABILITIES		1 620 710	1 578 328

Nataliya Vasylyuk
Chairwoman

Iryna Marchenko
Director, CEO

The notes on pages 7 to 23 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
FOR THE 3 MONTHS ENDED 31 MARCH 2013
(in USD thousand, unless otherwise stated)

	Note	3 months ended	
		31 March 2013	31 March 2012
Revenue	17	155 823	146 558
Profit from revaluation of biological assets at fair value		8 841	7 131
Cost of sales	18,19	(102 466)	(80 131)
GROSS PROFIT		62 198	73 558
General administrative expenses	20	(3 961)	(8 343)
Distribution expenses	21	(3 965)	(3 722)
Income from government grants and incentives		76	75
Income from special VAT treatment		13 097	17 089
Other operating income/(expenses), net	22	1 993	1 799
PROFIT FROM OPERATING ACTIVITIES		69 438	80 456
Finance income	23	42	253
Finance costs		(8 756)	(8 462)
Bargain purchase		-	-
PROFIT BEFORE TAX		60 724	72 247
Income tax credit/(expense)		(25)	(1)
PROFIT FOR THE PERIOD		60 699	72 246
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Effect of translation into presentation currency		744	379
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		61 443	72 625
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		59 794	71 051
Non-controlling interests		905	1 195
PROFIT FOR THE PERIOD		60 699	72 246
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		60 538	71 430
Non-controlling interests		905	1 195
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		61 443	72 625
Earnings per share, USD (basic and diluted)		9	11

The notes on pages 7 to 23 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of changes in equity
FOR THE 3 MONTHS ENDED 31 MARCH 2013
(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital contribution reserve (3)	Share premium (2)	Retained earnings	Foreign currency translation reserve			
As at 1 January 2012 (1)	836	115 858	201 164	673 909	(67 761)	924 006	15 333	939 339
Comprehensive income								
Profit for the period	-	-	-	71 051	-	71 051	1 195	72 246
Effect from translation into presentation currency	-	-	-	-	379	379	-	379
As at 31 March 2012	836	115 858	201 164	744 960	(67 382)	995 436	16 528	1 011 964
As at 1 January 2013	836	115 858	201 164	899 357	(68 135)	1 149 080	18 115	1 167 195
Comprehensive income								
Profit for the period	-	-	-	59 794	-	59 794	905	60 699
Total other comprehensive income	-	-	-	-	744	744	-	744
Total comprehensive income	-	-	-	59 794	744	60 538	905	61 443
As at 31 March 2013	836	115 858	201 164	959 151	(67 391)	1 209 618	19 020	1 228 638

- (1) In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium, reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.
- (2) Companies incorporated in Cyprus which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (on 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

The notes on pages 7 to 23 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows
FOR THE 3 MONTHS ENDED 31 MARCH 2013
(in USD thousand, unless otherwise stated)

	3 months ended	
	31 March 2013	31 March 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	60 724	72 246
Adjustments for:		
Depreciation of property, plant and equipment	3 669	3 830
Change in allowance for irrecoverable amounts	2	542
Other provisions	(223)	(2)
Loss on disposal of current assets	142	-
Loss on disposal of property, plant and equipment	135	19
Impairment of current assets	21	277
Other income	(709)	-
Effect of fair value adjustments on biological assets	(8 841)	(7 131)
Gains realised from accounts payable written-off	(13)	(110)
Amortization of deferred income on government grants	(76)	(74)
Loss from VAT government bonds sale	-	(2 054)
Discount on long-term bonds amortization	323	291
Bargain purchase	-	
Interest income	(42)	(253)
Interest payable on loans	8 810	7 718
Operating profit before working capital changes	63 922	75 299
(Increase)/decrease in trade receivables	(7 611)	(20 039)
Decrease in prepayments and other current assets	(38 327)	1 170
Increase in taxes recoverable and prepaid	270	631
Decrease/(increase) in inventories	16 260	1 271
Increase in deferred income	(1)	(9)
Decrease in other non-current assets	336	-
Increase/(decrease) in trade payables	(6 351)	3 830
Decrease in biological assets	4 616	6 900
Decrease in finance leases	(158)	-
Increase/(decrease) in other accounts payable	6 352	26
Cash generated from operations	39 308	69 079
Interest paid	(3 251)	(1 829)
Income tax paid	(32)	1
Net cash generated from operating activities	36 025	67 251
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments and receipts - property, plant and equipment	(60 301)	(42 273)
Payments for prepayments of property, plant and equipment	-	
VAT government bonds sale	-	
Acquisitions of subsidiary	-	
Interest received	42	253
Net cash used in investing activities	(60 259)	(42 020)

The notes on pages 7 to 23 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows (cont.)
FOR THE 3 MONTHS ENDED 31 MARCH 2013
(in USD thousand, unless otherwise stated)

	3 months ended	
	31 March 2013	31 March 2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
New loans received	14 700	6788
Repayment of loans	(29 891)	-675
Interest paid for bonds issued	(9 815)	-1318
Proceeds from short-term bonds issued	-	
Blocked deposit	-	-4977
Net cash generated from financing activities	(25 006)	(182)
Net (decrease)/increase in cash	(49 240)	25 049
Cash and cash equivalents at 1 January	203 504	237 814
Effect from translation into presentation currency	-	-
Cash and cash equivalents at 31 December	154 264	262 863

The notes on pages 7 to 23 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2013**
*(in USD thousand, unless otherwise stated)***1. General information**

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

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

The consolidated financial statements of the Company as at and for the 3 months ended 31 March 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 31 December 2012 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 hen rearing farms and 3 breeding farms), 6 feed mills, and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows it to provide approximately 75% 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 receive additional profit due to synergistic effect, 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 3 MONTHS ENDED 31 MARCH 2013**

(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 percentages are as follows:

Company name	Principal Activity	Country of registration	Ownership Interest (%) 31 March 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	99,00%	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 3 MONTHS ENDED 31 MARCH 2013**

(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 31 March 2013 with nominal value of € 0,10 per share.

The shares were distributed as follows:

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2013**

(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"). 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.

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

Currency	31 March 2013	Weighted average for the 3 months 2013	31 December 2012	Weighted average for the 3 months 2012
US dollar to Ukrainian Hryvnia	7,993	7,993	7,9925	7,9882

The foreign currencies may be freely convertible on 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2013**

(in USD thousand, unless otherwise stated)

4. Other non-current assets

Other non-current assets as at 31 March 2013 and 31 December 2012 were as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Other non-current assets	55	391
	<u>55</u>	<u>391</u>

Prepayments for property, plant and equipment mainly includes prepayments for equipment for biological assets.

5. Taxes recoverable and prepaid, NET

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

	Note	<u>31 March 2013</u>	<u>31 December 2012</u>
VAT settlements	a)	102 185	102 455
Other taxes prepaid		112	112
		<u>102 297</u>	<u>102 567</u>

a) VAT settlements related to VAT, is subject to:

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

6. Inventories

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Raw and basic materials	126 473	144 751
Work-in-progress	763	1 153
Agricultural produce	7 132	2 417
Finished goods	10 122	11 487
Package and packing materials	5 723	6 168
Goods for resale	7 072	8 707
Other inventories	4 178	3 203
	<u>161 463</u>	<u>177 886</u>

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2013**

(in USD thousand, unless otherwise stated)

7. Trade accounts receivable, net

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

	31 March 2013	31 December 2012
Trade receivables-gross	63 379	55 768
Provision for doubtful debts	(217)	(217)
	63 162	55 551

8. Prepayments and other current assets, net

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

	31 March 2013	31 December 2012
Prepayments	46 363	9 823
Provision for doubtful debts	(765)	(765)
Financial assistance issued	-	-
Other non-trade accounts receivable	4 693	2 908
	50 291	11 966

9. Cash and cash equivalents

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

	31 March 2013	31 December 2012
Cash in banks	152 932	202 247
Cash in hand	119	49
Cash in transit	7	-
Cash equivalents (notes, deposits - repayment on demand)	-	-
Other bank accounts in foreign currency	2 000	2 002
Cash and cash equivalents	155 058	204 298
Less blocked deposit:		
Other bank accounts in foreign currency	(794)	(794)
Cash and cash equivalents represented in consolidated statement of cash flows	154 264	203 504

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2013**

(in USD thousand, unless otherwise stated)

10. Long-term loans

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Long-term bank loans in national currency	3 932	4 290
Long-term bank loans in foreign currency	57 367	27 832
Total loans	61 299	32 122
Other long-term loans	-	-
Commodity credit	1 109	1 109
	<u>62 408</u>	<u>33 231</u>
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	(10 394)	(27 832)
	<u>50 584</u>	<u>3 969</u>

11. Long-term bond liabilities

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Par value	200 000	200 000
Discount on issued bonds	(3 898)	(4 221)
	<u>196 102</u>	<u>195 779</u>

12. Short-term loans

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Short-term loans in national currency	-	32
Short-term loans in foreign currency	50 000	94 336
Interest free loans	-	-
	<u>50 000</u>	<u>94 368</u>

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2013**

(in USD thousand, unless otherwise stated)

13. Current portion of non-current financial liabilities

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
<i>Trade and other payables</i>		
Deferred income (current portion)	304	304
<i>Financial liabilities</i>		
Current portion of finance lease liabilities	2 123	2 123
VAT included in current portion of finance lease liabilities	425	425
Current portion of non-current liabilities for bank loans in foreign currency	10 394	27 832
Current portion of non-current liabilities for bank loans in national currency	1 431	1 430
	<u>14 677</u>	<u>32 114</u>

14. Trade payables

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Trade payables	16 244	22 608
Short-term notes issued	1 827	1 827
	<u>18 071</u>	<u>24 435</u>

15. Other accounts payable

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

	Note	<u>31 March 2013</u>	<u>31 December 2012</u>
Accrued expenses for future employee benefits		1 441	1 453
Other accrued expenses		71	282
Wages and salaries and related taxes liabilities		2 875	3 070
Other taxes and compulsory payments liabilities	a)	1 687	3 113
Accounts payable for property, plant and equipment		3 005	13 546
Advances received from customers	b)	12 531	1 856
Interest payable		442	722
Accrued coupon on bonds		570	4 013
Other payables		8 828	988
		<u>31 450</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 from buyers.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2013**

(in USD thousand, unless otherwise stated)

16. Short-term bond liabilities

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

	31 March 2013	31 December 2012
Nominal value	25 022	25 023
Bonds repurchased	-	-
	25 022	25 023

17. Revenue

Sales revenue for the 3 months ended 31 March 2013 and 31 March 2012 were as follows:

	31 March 2013	31 March 2012
Revenue from finished goods	155 699	145 991
Revenue from goods and services sold/rendered	124	567
	155 823	146 558

18. Cost of sales

Cost of sales for the 3 months ended 31 March 2013 and 31 March 2012 was as follows:

	Note	31 March 2013	31 March 2012
Cost of finished goods sold	19	(102 302)	(79 988)
Cost of goods and services sold/rendered		(164)	(143)
		(102 466)	(80 131)

19. Cost of sales by elements

The cost of finished goods sold (Note 18) for the 3 months ended 31 March 2013 and 31 March 2012 as follows:

	31 March 2013	31 March 2012
Raw materials	(87 118)	(66 404)
Payroll of production personnel and related taxes	(4 671)	(5 525)
Depreciation	(3 459)	(3 663)
Services provided by third parties	(7 002)	(4 362)
Other expenses	(52)	(34)
	(102 302)	(79 988)

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.

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20. General administrative expenses

General administrative expenses for the 3 months ended 31 March 2013 and 31 March 2012 were as follows:

	31 March 2013	31 March 2012
Salaries and wages of administrative personnel	(2 162)	(1 875)
Services provided by third parties	(1 431)	(6 051)
Depreciation	(36)	(33)
Repairs and maintenance costs	(23)	(12)
Tax expenses, except for income tax	(79)	(78)
Material usage	(131)	(106)
Other expenses	(99)	(188)
	(3 961)	(8 343)

21. Distribution expenses

Distribution expenses for the 3 months ended 31 March 2013 and 31 March 2012 were as follows:

	31 March 2013	31 March 2012
Salaries and wages of distribution personnel	(320)	(497)
Transport expenses	(2 199)	(2 159)
Depreciation	(174)	(134)
Services provided by third parties	(702)	(350)
Packing materials	(459)	(444)
Repairs and maintenance costs	(7)	(10)
Other expenses	(104)	(128)
	(3 965)	(3 722)

22. Other operating income/(expenses), NET

Other operating income/(expenses), net for the 3 months ended 31 March 2013 and 31 March 2012 were as follows:

	31 March 2013	31 March 2012
Loss from disposal of current assets	(142)	(249)
Loss from disposal of non current assets	(135)	(19)
Impairment of current assets	(21)	(277)
Income received from writing-off of accounts payable	13	110
Losses on exchange	1 925	173
Foreign currency sale income	466	259
Provision for doubtful debts and amounts written off	(2)	(542)
Fines, penalties recognized	(185)	(270)
Other income/(expenses)	74	2 613
	1 993	1 799

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23. Finance cost

Finance cost for the 3 months ended 31 March 2013 and 31 March 2012 was as follows:

	31 March 2013	31 March 2012
Interest payable on loans	(2 438)	(2 386)
Capitalised interest	533	819
Total finance expenses on loans	(1 905)	(1 567)
Finance expenses on finance lease	(99)	(366)
Finance expenses on bonds (interest)	(6 372)	(6 151)
Other finance expenses	(380)	(378)
	(8 756)	(8 462)

24. 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.

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24. Related party balances and transactions (cont.)

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

	Outstanding balances with related parties as at	
	31 March 2013	31 December 2012
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	59	1
D. Companies in which activities are significantly influenced by the Group's owners	53	47
	112	47
Trade accounts receivable:		
C. Companies in which the Group's owners have an equity interest;	5	2
D. Companies in which activities are significantly influenced by the Group's owners	24	10
	29	10
Cash and cash equivalents:		
D. Companies in which activities are significantly influenced by the Group's owners	6 363	12 103
	6 363	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;	5	2
D. Companies in which activities are significantly influenced by the Group's owners	34	12
	39	14
Other current liabilities :		
C. Companies in which the Group's owners have an equity interest;	24	5
D. Companies in which activities are significantly influenced by the Group's owners	145	16
	169	16

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24. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 3 months ended 31 March 2013 and 31 March 2012 were as follows:

	Transactions with related parties for the 3 months ended	
	31 March 2013	31 March 2012
Sales revenue:		
C. Companies in which the Group's owners have an equity interest;	5	2
D. Companies in which activities are significantly influenced by the Group's owners	89	86
	94	88
General administrative expenses:		
C. Companies in which the Group's owners have an equity interest;	1	1
D. Companies in which activities are significantly influenced by the Group's owners	18	12
	19	13
Distribution expenses:		
C. Companies in which the Group's owners have an equity interest;	6	7
D. Companies in which activities are significantly influenced by the Group's owners	60	8
	66	15
Other operating income/(expenses), net:		
C. Companies in which the Group's owners have an equity interest;	-	9
D. Companies in which activities are significantly influenced by the Group's owners	1	12
	1	21
Finance income:		
D. Companies in which activities are significantly influenced by the Group's owners	-	-
	-	-
Finance cost:		
D. Companies in which activities are significantly influenced by the Group's owners	-	-
	-	-

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25. Operating segments

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

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

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

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

Reportable segment information for the 3 months ended 31 March 2013 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	136 338	26 764	66 819	25 575	2 162	-	257 660
Intra-group elimination	(25 216)	(10 719)	(63 864)	(4)	(2 032)	-	(101 837)
Revenue from external buyers	111 122	16 045	2 955	25 571	130	-	155 823
Income from revaluation of biological assets at fair value	1 794	7 047	-	-	-	-	8 841
Other operating income/(expenses)	(825)	(60)	(94)	463	2 509	-	1 993
Income from government grants and incentives	75	1	-	-	-	-	76
OPERATING PROFIT/(LOSS)	51 743	5 024	(525)	11 903	1 293	-	69 438
Finance income	30	2	3	3	4	-	42
Finance costs,	(1 699)	-	-	(1 281)	(5 775)	-	(8 756)
<i>including:</i>							-
Interest payable on loans	(171)	-	-	(1 281)	(452)	-	(1 905)
Income tax expense	-	-	(16)	(9)	-	-	(25)
NET PROFIT/(LOSS) FOR THE YEAR	50 074	5 027	(538)	10 615	(4 479)	-	60 699
TOTAL ASSETS	2 066 845	84 237	516 499	331 024	25 257	(1 403 154)	1 620 710
Depreciation	3 037	247	82	144	155	-	3 665
TOTAL LIABILITIES	707 504	13 840	465 670	330 547	302 967	(1 428 455)	392 072

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25. Operating segments (cont.)

Business segment information for the 3 months ended 31 March 2012 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	154 717	30 805	33 221	12 448	1 597		232 789
Intra-group elimination	(43 419)	(13 341)	(29 088)	(38)	(345)		(86 231)
Revenue from external buyers	111 298	17 464	4 133	12 410	1 253	-	146 558
Income from revaluation of biological assets at fair value	2 168	4 963					7 131
Other operating expenses	1 502	140	(227)	102	282		1 799
Income from government grants and incentives	73	1					75
OPERATING PROFIT/(LOSS)	82 529	5 591	(1 245)	(1 151)	(5 269)		80 455
Finance income	129	6	3		116		253
Finance cost,	(1 600)	(19)	-	(1 295)	(5 548)		(8 462)
<i>including:</i>							-
Interest payable on loans	(204)	(19)		(1 295)	(49)		(1 567)
Income tax expense			(1)				(1)
NET PROFIT/(LOSS) FOR THE YEAR	81 058	5 578	(1 244)	(2 446)	(10 700)		72 246
TOTAL ASSETS	1 345 238	75 070	248 190	309 030	223 834	(814 946)	1 386 415
Depreciation	3 173	258	86	150	162		3 830
TOTAL LIABILITIES	573 745	12 271	241 558	131 873	314 361	(899 356)	374 451

26. Financial risk management

Capital management

The Group's management follows the policy of providing the firm capital base which allows supporting the trust of investors, creditors and market and ensuring future business development.

In relation to capital management the Group's objectives are as follows: maintaining the Group's ability to adhere to the going concern principle in order to provide income for owners and benefits to other interested parties, and also maintaining the optimal capital structure with the purpose of its cost reduction.

To manage capital, the Group's management, above all, uses calculations of financial leverage coefficient (ratio of leverage ratio) and 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 borrowing costs 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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26. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation

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

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

As at 31 March 2013 and 31 December 2012 the Group's financial leverage coefficient made up 12.9% and 11.2% respectively.

	Carrying value	
	31 March 2013	31 December 2012
Short-term loans	50 000	94 368
Long-term loans	50 584	3 969
Current portion of long-term loans	11 825	29 262
Long-term finance lease (including VAT)	3 672	3 831
Long-term bond liabilities	196 102	195 779
Short-term bond liabilities	25 022	25 023
Total amount of borrowing costs	337 205	352 232
Cash and cash equivalents	155 058	204 298
Financial assistance issued	-	-
Net debt	182 147	147 934
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	959 151	899 357
Effect of translation into presentation currency	(67 391)	(68 135)
Non-controlling interests	19 020	18 115
Total equity	1 228 638	1 167 195
Total amount of equity and net debt	1 410 785	1 315 129
Financial leverage coefficient	12,9%	11,2%

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26. Financial risk management (cont.)

Capital management (cont.)

For the 3 months ended 31 March 2013 and 31 March 2012 ratio of net debt to EBITDA amounted to:

	3 months ended	
	31 March 2013	31 March 2012
PROFIT FOR THE YEAR	60 699	72 246
Income tax income/expenses	25	1
Finance income	(42)	(253)
Finance expenses	8 756	8 462
Bargain purchase gain	-	-
EBIT (earnings before interest and income tax)	69 438	80 456
Depreciation	3 665	3 830
EBITDA (earnings before interest, income tax, depreciation and amortisation)	73 103	84 286
Net debt at the year end	182 147	53 996
Net debt at the year end / EBITDA	2,49	0,64

27. Events after the reporting period

There were no material events after the reporting period which affect the consolidated financial statements as at 31 March 2013.